



# City of Mesa, Arizona

## Comprehensive Annual Financial Report

*For the Fiscal Year Ended  
June 30, 2016*



Mayor **John Giles**

Councilmember **Dave Richins** – District 1

Councilmember **Alex Finter** – District 2

Vice Mayor **Dennis Kavanaugh** – District 3

Councilmember **Christopher Glover** – District 4

Councilmember **David Luna** – District 5

Councilmember **Kevin Thompson** – District 6

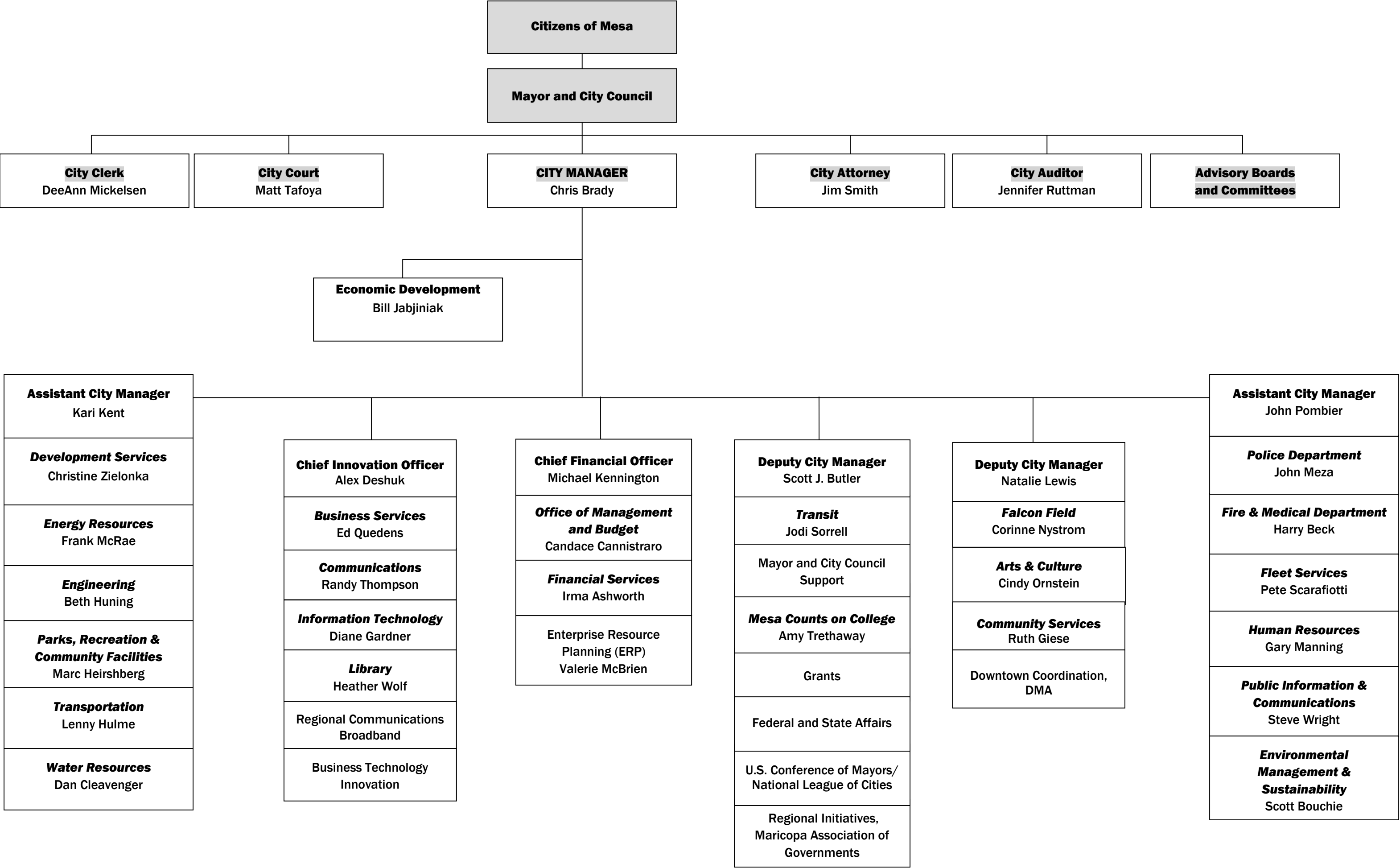
**Chris Brady**, City Manager

**Kari Kent**, Deputy City Manager

**John Pombier**, Deputy City Manager

Prepared by: Financial Services Department  
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# Introductory Section

Comprehensive Annual Financial Report  
2016

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December 15, 2016

**To the Citizens, Honorable Mayor, City Council and City Manager:**

The Comprehensive Annual Financial Report of the City of Mesa (the “City”) for the fiscal year ended June 30, 2016 is hereby submitted.

Prepared by the Financial Services Department, this report consists of management’s representations concerning the finances of the City of Mesa. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City’s financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, the City’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City’s financial statements have been audited by CliftonLarsonAllen, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City for the fiscal year ended June 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit that there was a reasonable basis for rendering an unmodified opinion that the City’s financial statements for the fiscal year ended June 30, 2016, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor’s report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City’s separately issued Single Audit Report.

Accounting principles generally accepted in the United States of America 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) and should be read in

conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the City**

The City was founded in 1878 and incorporated July 15, 1883 with an approximate population of 300 and an area of one square mile. Today, the City's estimated population is 475,274 compared with the 2010 decennial census count of 439,041, within an incorporated area of approximately 141 square miles. Total land area encompasses 182 square miles. The City is the 38th largest city in the United States and is the third largest city in the State of Arizona. Mesa is located 16 miles east of Phoenix, the State Capitol. The City operates under a charter form of government with citizens electing a Mayor and six Councilmembers to set policy for the City. City Councilmembers are elected from districts and serve terms of four years, with three members being elected every two years. The Mayor is elected at-large every four years. The Mayor and Council are elected on a non-partisan basis, and the Vice Mayor is selected by the City Council.

The Mayor and City Council are responsible for appointing the City Manager, City Attorney, City Auditor, City Clerk and the Presiding City Magistrate. The City Manager has full responsibility for carrying out City Council policies and administering City operations and is responsible for the hiring of City employees. Additionally, City employees are hired under merit system procedures as specified in the City Charter.

An allocated staff of 3,798 full-time (equivalent) City employees working within twenty-eight different City departments undertakes the various functions of Mesa's city government and its operation. The City provides a full range of municipal services, including police and fire protection, parks and recreation, library, transportation, health and certain social services and general administration; and, the City owns and operates enterprises including operations of electric, gas, water, wastewater, solid waste, airport and a golf course. The Mesa Art Center, which includes 212,755 square feet of performing arts, visual arts and art education facilities, is the largest comprehensive arts campus in the state. The Mesa Art Center was awarded the Venue Excellence Award by the International Association of Venue Managers. This prestigious award recognizes venues such as stadiums, convention centers, arenas, performing arts centers, and academic institutions that demonstrate excellence in the following four criteria: service to the community, team building/professional development, safety and security, and operational excellence.

The annual budget serves as the foundation for the City's financial planning and control. Historical data is analyzed during the creation of a multi-year financial forecast. The forecast provides a framework to assist Mesa's elected officials and executive team make important decisions about the direction of the City.

The City Council sets the City's long-term strategic direction and provides staff with budget priorities for the upcoming fiscal year. A proposed budget is presented to the City Council for review and discussion in mid spring with the final adoption of the operating budget by resolution in late spring. The City of Mesa begins the fiscal year on July 1st.

Legal control over the budget derives from State statutes that prohibit the City from exceeding its adopted budget in total, and from the resolution itself that sets the limit. The residents of Mesa approved a Home Rule exemption to the State of Arizona's expenditure limitation requirement. The City can determine the budget level as long as the City can identify resources to cover the expenses.

The budget appropriated by the City Council consists of all planned expenditures and the associated resources to cover them. While the State does not require trust fund expenditures to be appropriated, the City chooses to include them in order to fully represent City activity.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

### **Local Economy**

The City's economic indicator for residential construction in fiscal year (FY) 15/16 is up 45% from FY 14/15. Commercial construction increased 16% in FY 15/16 over the previous year. During FY 15/16 the City issued 2,066 permits for new residential construction. This is 43% more than the previous fiscal year. The corresponding dollar valuation associated with all FY 15/16 permits increased approximately \$280 million from the prior fiscal year. Analysis of the recent data indicates a continued increase in construction activity in both the residential and commercial sectors. Activity levels have been increasing for the past six years and may indicate some level of sustained recovery from the economic slowdown of the prior years.

The increase in construction activity resulted in an associated increase in sales tax revenues. For the year ending June 30, 2016, retail sales tax was up 6.4% while overall sales tax revenues were up 4.4%. Tourism also increased as evidenced by a 12.1% increase in the transient lodging ('bed') tax. Other financial resources followed the economy's continuation of a slow and steady recovery. The City incorporated this in the preparation of the FY 16/17 budget.

Conservative budget practices and willingness to respond to economic indicators continues to allow the City to maintain unrestricted fund balance reserve levels as established in the City's financial policies. The FY 16/17 budget continues the City's fiscally conservative approach and reinforces the City's effort to invest in economic development, improve public safety and attract and retain excellent employees. All fund balances were maintained at or above the levels prescribed by financial policy and prudent practice.

### **Major Initiatives**

During the year, various major accomplishments were realized. Some of these were:

- Mesa launched its open data portal in March to celebrate open data day. The portal makes it easier for citizens to access data, increases transparency and provides information about the progress Mesa is making towards addressing city-wide priorities. The City of Mesa as part of What Works Cities, an initiative of Bloomberg Philanthropies, has committed to using data and evidence based practices to improve the lives of Mesa residents. The open data portal plays an integral role in Mesa's efforts by providing easy access to data the City is using to measure progress towards the Mayor and Council's priorities.
- In March 2016, the site plans for the expansion of the A.T. Still University campus in Mesa were approved. The expansion would add a 122,000 square foot three-story academic building and parking garage to the 195,000 square feet incorporated in the four existing buildings.
- In April 2016, Santander Consumer USA held a grand opening and ribbon cutting ceremony at Centrica, a creative adaptive reuse project in Mesa's Fiesta District. Santander Consumer USA, a full-service, technology-driven consumer finance company focuses on vehicle finance, third-party servicing and delivering superior service to more than 2.7 million customers across the full credit spectrum. They currently employ 188 people at its Mesa location and plan to employ more than 970 over three years. Santander Consumer USA, based in Dallas, is an established U.S consumer finance company opening its first office in Arizona, and is leasing the entire 117,000 square foot Centrica project. Centrica was transformed from a vacant retail center into single story Class A creative office space with more than 700 parking spots and redundant fiber optic backbone connectivity.
- In March 2016, Arizona-based Ensemble Real Estate Solutions & Investments purchased the 12-story, 276-room Phoenix Marriott Mesa hotel located in downtown Mesa. Ensemble will maintain the Marriott brand and will invest \$13 million to renovate the property. Ensemble plans a "top to bottom" renovation to include all public spaces, guestrooms, food and beverage outlets and pre-function/function spaces. The majority of the renovations will be implemented during the summer of 2017 to position the property for the 2017 / 2018 peak season.
- In June 2016, H Mart, an upscale Asian-American supermarket chain, announced it will open its first Arizona store in the 63,000 square foot former Albertson's building in Mesa. H Mart will invest more than \$7 million in renovations in its flagship Arizona store and will employ approximately 100 people. The new store will stock more than 40,000 items featuring a wide variety of Asian, Hispanic and American foods and related products. The store will also include a pharmacy, cosmetics store, gift shop and an Asian food court with as many as seven restaurants and a Korean bakery.
- The Boeing Apache center continues to see brisk demand with the announcement of two major contracts. Boeing announced a \$1.5 billion contract with the United States in April 2016 to remanufacture 117 AH-64D Apaches to the new, more capable AH-64E model. In June 2016, Boeing announced a \$667 million contract to supply Qatar with 24 AH-64E Apache helicopters.

- In June 2016, Dexcom, Inc., a leader in continuous glucose monitoring for patients with diabetes, announced that it will construct a new state of the art manufacturing facility in Mesa, Arizona for the company's global manufacturing operations and is projected to create more than 500 jobs over the next several years. The company expects initial manufacturing operations in this facility to commence in the second quarter of 2017.
- In July 2016, Phoenix-Mesa Gateway Airport broke passenger records for three months in a row (108K in May, 127K in June, and 132K in July). Phoenix-Mesa Gateway Airport projects to have more than 1.4 million passengers this year. Also, the General Aviation Center at the airport is undergoing renovations, adding 3,900 square feet to its restaurant space with the addition of Barrio Brewing Company.
- In August 2016, LGE Design Build started construction on a new 33,000-square-foot distribution center for WireMasters, a distributor of wire cable and associated electrical components for cable harnesses serving the military, aerospace and defense industry. The new distribution center, expected to be complete in early 2017, will serve the southwestern United States.
- In the fall of 2016, Benedictine University (BenU) at Mesa began its fourth fall semester with a campus record 387 traditional undergraduate students. The University currently offers 10 intercollegiate sports. In January 2017, BenU at Mesa students will have access to single or double suites in the former, and recently converted, Alhambra Hotel. Amenities such as study areas, lounges, a café, kitchens, laundry and exercise rooms, an outdoor commons area, patio space and parking will be included.
- In September 2016, a grand opening ceremony was held for Southern Avenue Villas in Mesa's Fiesta District, the first major apartment development in the District in more than 20 years. The complex has eight buildings that are three stories each. The development has several significant amenities such as a cabana for social gatherings; a large pool with a spa, shade canopy and tanning ledge; a spacious clubhouse with indoor basketball, fitness center, business center, game room and large clubroom; a sand volleyball court; and a dog park.

## **Awards and Acknowledgements**

The Government Finance Officers Association (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, 2015. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.



The efficient and dedicated services of the City's Financial Services Director, Irma Ashworth, and the devoted staff of the Financial Services Division has made the preparation of the comprehensive annual financial report possible. Also, I want to thank the Mayor, members of the City Council and the City Manager for their continued interest and support of the staff's efforts in planning and conducting the financial operations of the City.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Michael Kennington", with a stylized flourish at the end.

Michael Kennington,  
Chief Financial Officer



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Mesa  
Arizona**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

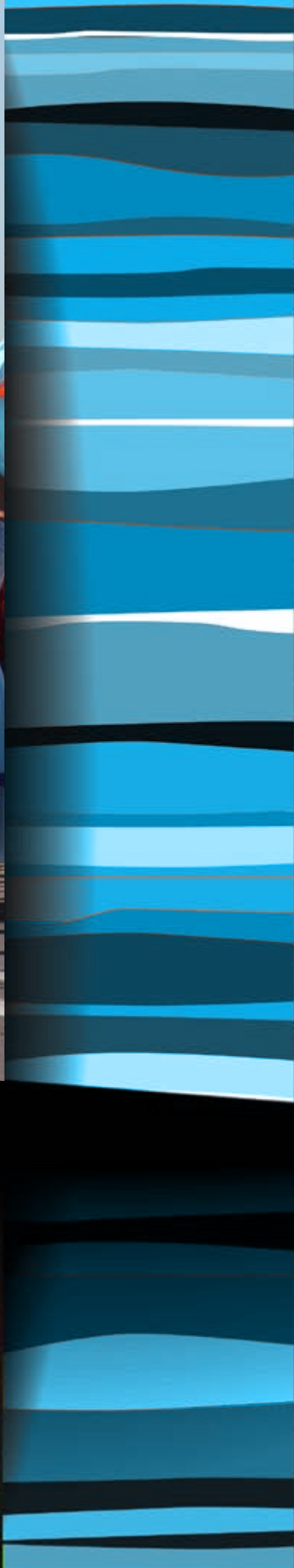
Executive Director/CEO





# Financial Section

Comprehensive Annual Financial Report  
2016



## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of City Council  
City of Mesa, Arizona

### **Report on the Financial Statements**

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 Mesa, Arizona (City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



### ***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 Mesa, Arizona as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of the City's Proportionate Share of Net Pension Liability, Schedule of Changes in the City's Net Pension Liability and Related Ratios, Schedule of City Pension Contributions, Schedule of Agent Other Post-Employment Benefits Plan's Funding Progress, the Schedule of Other Post Employment Benefit Plan's Funding Progress and the budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mesa, Arizona's basic financial statements. The combining and individual fund financial statements and schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The Honorable Mayor and Members of City Council  
City of Mesa, Arizona

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016, on our consideration of the City of Mesa, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mesa, Arizona's internal control over financial reporting and compliance.

*CliftonLarsonAllen LLP*

Phoenix, Arizona  
December 15, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Mesa, Arizona (the City), we offer this discussion and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. This discussion and analysis is designed to 1) assist the reader in focusing on significant financial issues, 2) provide an overview of the City's financial activities, 3) identify changes in the City's financial position, 4) identify any material deviations from the financial plan (the approved annual budget), and 5) identify individual fund issues and concerns.

The management's discussion and analysis should be read in conjunction with the transmittal letter presented on pages V-X, as well as the financial statements beginning on page 16 and the accompanying notes to the financial statements.

### FINANCIAL HIGHLIGHTS

- The City's net position at the end of the fiscal year was \$890.5 million. The City's total net position increased by \$16.2 million from \$874.3 million in fiscal year 2015.
- The City's total revenues decreased by \$21.9 million from \$919.1 million to \$897.2 million. The decrease is primarily from Capital Grants and Contributions, specifically related to developer contributions.
- As of the end of fiscal year 2016, the City's governmental funds reported a combined ending fund balance of \$219 million, a \$61.4 million decrease from the previous year. The decrease is primarily related to the \$77.8 million pay-off of Highway Project Advancement Notes.
- The City's governmental fund balance is reported in one of five categories. Approximately 54.3% of the total fund balance amount, or \$119 million, is designated by the City as committed, assigned, or unassigned. The remaining 45.7% or \$100 million is designated as non-spendable or restricted.
- The City's total long-term liabilities increased by \$67 million to \$2.9 billion at June 30, 2016. Increase is related to new bond issuances, net of amounts refinanced and paid off; increase in post-employment benefit liabilities; and increase in pension liabilities.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This management discussion and analysis serves as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

#### **Government-Wide Financial Statements**

The government-wide financial statements (pages 16-18) are designed to provide a broad overview of the City's finances in a manner similar to private businesses. All the activities of the City, except fiduciary activities, are included in these statements.

The *statement of net position*, Exhibit A-1, presents information on all the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference being reported as *net position*. Over time increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities*, Exhibit A-2, presents information showing how the City's net position changed over the most recent fiscal year. All changes to net position are reported at the time that the underlying

event giving rise to the change occurs, regardless of the timing of the related cash flows. This is the accrual basis of accounting. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both the Statement of Net Position and the Statement of Activities divide the 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 cost through user fees and charges (*Business-Type Activities*):

- The *governmental activities* include the City's basic services including general government (administration), public safety, community environment and cultural-recreational. Taxes and general revenues generally support these activities.
- The *business-type activities* include private sector type activities such as the City-owned electric, gas, water, wastewater, and solid waste systems, as well as the City-owned airport, golf course, stadiums, convention center, and district cooling. These activities are primarily supported by user charges and fees.

### Government-Wide Financial Statement Analysis

The following tables, graphs and analysis discuss the financial position and changes to the financial position for the City as a whole as of and for the year ended June 30, 2016 and 2015.

#### Condensed Statement of Net Position As of June 30 (In thousands of dollars)

|                                     | <b>Governmental Activities</b> |            | <b>Business-Type Activities</b> |            | <b>Total Government</b> |              |
|-------------------------------------|--------------------------------|------------|---------------------------------|------------|-------------------------|--------------|
|                                     | 2016                           | 2015       | 2016                            | 2015       | 2016                    | 2015         |
| Cash and Other Assets               | \$ 563,378                     | \$ 614,770 | \$ 470,837                      | \$ 436,696 | \$ 1,034,215            | \$ 1,051,466 |
| Capital Assets                      | 1,409,939                      | 1,365,366  | 1,425,547                       | 1,421,645  | 2,835,486               | 2,787,011    |
| Total Assets                        | 1,973,317                      | 1,980,136  | 1,896,384                       | 1,858,341  | 3,869,701               | 3,838,477    |
| Deferred Amounts on Refunding       | 7,700                          | 5,250      | 30,956                          | 23,412     | 38,656                  | 28,662       |
| Deferred Outflows on Pensions       | 105,401                        | 115,762    | 4,555                           | 5,320      | 109,956                 | 121,082      |
| Total Deferred Amounts              | 113,101                        | 121,012    | 35,511                          | 28,732     | 148,612                 | 149,744      |
| Non-Current Liabilities Outstanding | 912,385                        | 955,591    | 1,282,159                       | 1,205,189  | 2,194,544               | 2,160,780    |
| Net Pension Liability               | 634,414                        | 603,333    | 47,493                          | 45,382     | 681,907                 | 648,715      |
| Other Liabilities                   | 121,635                        | 131,598    | 87,174                          | 91,166     | 208,809                 | 222,764      |
| Total Liabilities                   | 1,668,434                      | 1,690,522  | 1,416,826                       | 1,341,737  | 3,085,260               | 3,032,259    |
| Deferred Inflows on Pensions        | 37,881                         | 72,554     | 4,653                           | 9,083      | 42,534                  | 81,637       |
| Net Investment in Capital Assets    | 965,148                        | 932,660    | 302,521                         | 327,743    | 1,267,669               | 1,260,403    |
| Restricted Net Position             | 81,941                         | 72,170     | 49,139                          | 47,576     | 131,080                 | 119,746      |
| Unrestricted Net Position           | (666,986)                      | (666,758)  | 158,756                         | 160,934    | (508,230)               | (505,824)    |
| Total Net Position                  | \$ 380,103                     | \$ 338,072 | \$ 510,416                      | \$ 536,253 | \$ 890,519              | \$ 874,325   |

**Net Position** - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's net position, the amounts by which assets plus deferred outflows of resources, exceeded liabilities plus deferred inflows of resources, was \$890.5 million at the end of fiscal year 2016.

The largest portion of net position (\$1.3 billion or 142.3%) reflects the City's investment in capital assets (land, buildings, equipment, infrastructure, etc.) less any outstanding related debt used to acquire those assets. 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 used to liquidate these liabilities.

Restricted net position represents resources that are subject to external restrictions on how they may be used. Such restrictions include debt service payments, transportation programs, and required bond indentures. The City's restricted assets are at \$131.1 million in fiscal year 2016.

The unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net position decreased during fiscal year 2016 by \$2.4 million to (\$508.2) million primarily due to an increase in unrestricted revenues.

**Capital Assets** – The following table provides a breakdown of the City's capital assets at June 30, 2016 and 2015:

**Capital Assets**  
**(net of accumulated depreciation/amortization)**  
**As of June 30**  
*(In thousands of dollars)*

|                          | <b>Governmental Activities</b> |                     | <b>Business-Type Activities</b> |                     | <b>Total Government</b> |                     |
|--------------------------|--------------------------------|---------------------|---------------------------------|---------------------|-------------------------|---------------------|
|                          | 2016                           | 2015                | 2016                            | 2015                | 2016                    | 2015                |
| Land                     | \$ 383,742                     | \$ 348,421          | \$ 54,813                       | \$ 54,333           | \$ 438,555              | \$ 402,754          |
| Infrastructure - Nondepr | 3,321                          | 3,308               | 17,666                          | 17,666              | 20,987                  | 20,974              |
| Buildings                | 238,691                        | 235,707             | 77,665                          | 75,464              | 316,356                 | 311,171             |
| Other Improvements       | 80,027                         | 73,550              | 82,604                          | 87,210              | 162,631                 | 160,760             |
| Machinery & Equipment    | 62,385                         | 56,623              | 37,795                          | 37,156              | 100,180                 | 93,779              |
| Intangibles              | 10,544                         | 15,818              | 6,647                           | 7,798               | 17,191                  | 23,616              |
| Infrastructure           | 549,943                        | 574,978             | 1,005,053                       | 1,043,965           | 1,554,996               | 1,618,943           |
| Construction-in-Progress | 81,286                         | 56,961              | 143,304                         | 98,052              | 224,590                 | 155,013             |
| Total                    | <u>\$ 1,409,939</u>            | <u>\$ 1,365,366</u> | <u>\$ 1,425,547</u>             | <u>\$ 1,421,644</u> | <u>\$ 2,835,486</u>     | <u>\$ 2,787,010</u> |

The City's investment in capital assets for its governmental and business-type activities amounts to \$2.8 billion (net of accumulated depreciation/amortization) as of June 30, 2016. This net investment in capital assets includes land, buildings, other improvements, machinery and equipment, intangibles, and infrastructure. Infrastructure assets are items that are normally immovable and have value only to the City, such as streets, street lighting systems, and storm drainage systems.

As noted in the above table, the City's capital asset balances at June 30, 2016 were overall consistent with prior year balances. Land increased by \$35.8 million due to developer contributions, and acquisition of property including a future dispatch center. Construction-in-progress also increased during fiscal year 2016. Some of the larger current year project expenditures include \$10 million water project for water mains from the Val Vista Water Treatment Plant to the City Zone pump stations and \$9 million in Fiesta District improvements. The remaining projects primarily related to street overlay, transportation projects, water projects and wastewater projects.



**Debt Administration** – The following schedule shows the outstanding long-term debt of the City as of June 30, 2016 and 2015.

**Outstanding Long-term Debt**  
**As of June 30**  
*(In thousands of dollars)*

|                                 | <b>Governmental Activities</b> |                   | <b>Business-Type Activities</b> |                     | <b>Total Government</b> |                     |
|---------------------------------|--------------------------------|-------------------|---------------------------------|---------------------|-------------------------|---------------------|
|                                 | 2016                           | 2015              | 2016                            | 2015                | 2016                    | 2015                |
| General Obligation Bonds        | \$ 350,560                     | \$ 336,716        | \$ 390                          | \$ 474              | \$ 350,950              | \$ 337,190          |
| Utility System Revenue Bonds    | -                              | -                 | 1,063,710                       | 1,007,455           | 1,063,710               | 1,007,455           |
| Highway User Revenue Fund Bonds | 92,895                         | 100,285           | -                               | -                   | 92,895                  | 100,285             |
| Excise Tax Obligations          | -                              | -                 | 94,060                          | 94,060              | 94,060                  | 94,060              |
| Special Assessment Bonds        |                                |                   |                                 |                     |                         |                     |
| with Governmental Commitment    | 2,085                          | 2,830             | -                               | -                   | 2,085                   | 2,830               |
| Community Facility District     | 19,315                         | 10,974            | -                               | -                   | 19,315                  | 10,974              |
| Notes Payable                   | -                              | 77,835            | 1,985                           | 2,116               | 1,985                   | 79,951              |
| Total                           | <u>\$ 464,855</u>              | <u>\$ 528,640</u> | <u>\$ 1,160,145</u>             | <u>\$ 1,104,105</u> | <u>\$ 1,625,000</u>     | <u>\$ 1,632,745</u> |

At the end of the current fiscal year, the City had total outstanding debt of \$1.6 billion. Of this amount, \$445 million comprises debt backed by the full faith and credit of the City and \$1.2 billion represents bonds secured by specified revenue sources (i.e., Utility System Revenue and Highway User Revenue). An additional amount of \$21.4 million are special assessment and community facility district bonds where the City is contingently liable in the event that the assessment revenues are insufficient to satisfy the debt payments.

The City's outstanding long-term debt (considering new borrowings, debt retirements, and refunding) decreased \$7.7 million. The change in debt includes new borrowings during the fiscal year totaling \$137 million, refundings of \$181.3 million, principal payments of \$133.3 million, and payments to refund bond escrow agent of \$192.9 million.

The City's current bond ratings are as follows:

|                               | Standard and Poor's<br><u>Corporation</u> | Moody's Investors<br><u>Service</u> |
|-------------------------------|---|-------------------------------------|
| General Obligation Bonds      | AA-                                       | Aa2                                 |
| Highway User Revenue Bonds    | AA  | A2                                  |
| Utility Systems Revenue Bonds | AA-                                       | Aa2                                 |

The Arizona Constitution provides that the general obligation bonded indebtedness of a city for general municipal purposes may not exceed 6 percent of the secondary assessed valuation of the taxable property in that city. In addition to the 6 percent limitation for general municipal purpose bonds, cities may issue general obligation bonds up to an additional 20 percent of the secondary assessed valuation for supplying such city with water, artificial light, or sewers, and for the acquisition and development of land for open space preserves, parks, playgrounds and recreational facilities, public safety, law enforcement, fire and emergency services facilities, and streets and transportation facilities.

The City's total debt margin available at June 30, 2016 was \$164.4 million in the 6% capacity and \$201.7 million in the 20% capacity. Additional information on the City's long-term obligations can be found in Note 8 of the notes to the basic financial statements and also Table X in the Statistical Section.

## Changes in Net Position

The following table shows the revenues and expenses of the City for the fiscal years ended June 30, 2016 and 2015.

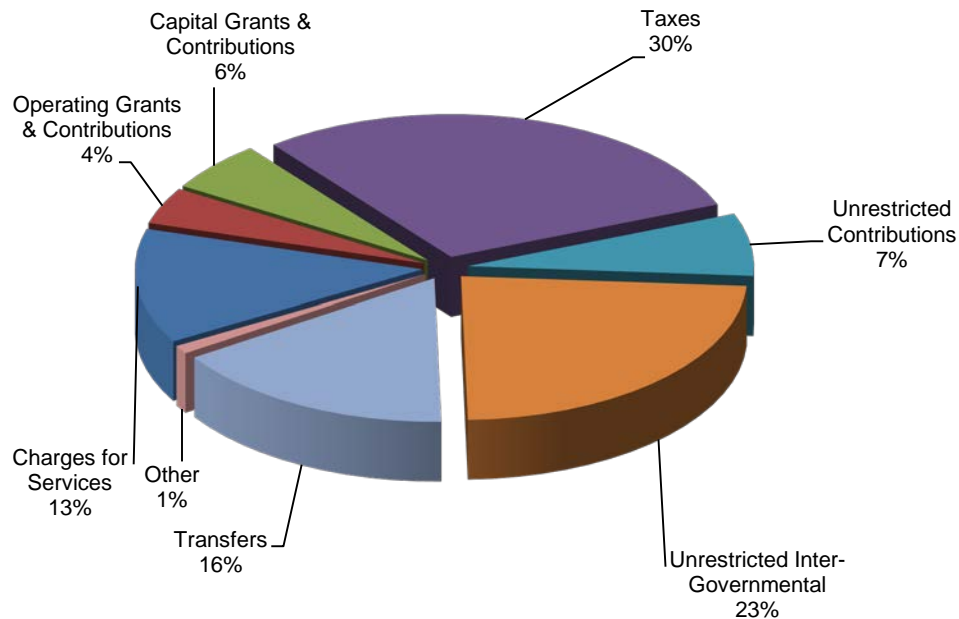
### Changes in Net Position Year Ended June 30 (In thousands of dollars)

|  | <b>Governmental Activities</b> |            | <b>Business-Type Activities</b> |            | <b>Total Government</b> |            |
|--|--------------------------------|------------|---------------------------------|------------|-------------------------|------------|
|  | 2016                           | 2015       | 2016                            | 2015       | 2016                    | 2015       |
| Program Revenues:                                    |                                |            |                                 |            |                         |            |
| Charges for Services                                 | \$ 81,866                      | \$ 73,398  | \$ 346,331                      | \$ 333,292 | \$ 428,197              | \$ 406,690 |
| Operating Grants & Contributions                     | 26,361                         | 26,418     | 267                             | 157        | 26,628                  | 26,575     |
| Capital Grants & Contributions                       | 35,925                         | 75,907     | 16,929                          | 18,107     | 52,854                  | 94,014     |
| General Revenues:                                    |                                |            |                                 |            |                         |            |
| Sales Taxes  | 151,826                        | 146,337    | -                               | -          | 151,826                 | 146,337    |
| Property Taxes                                       | 33,825                         | 33,241     | -                               | -          | 33,825                  | 33,241     |
| Occupancy Taxes                                      | 2,331                          | 2,081      | 1,161                           | 999        | 3,492                   | 3,080      |
| Unrestricted Intergovernmental Contributions         | 149,350                        | 145,266    | -                               | -          | 149,350                 | 145,266    |
| Unrestricted Investment Income                       | 44,928                         | 47,761     | -                               | -          | 44,928                  | 47,761     |
| Gain on Disposal of Capital Assets                   | 2,210                          | 1,786      | 3,020                           | 1,141      | 5,230                   | 2,927      |
| Miscellaneous  | -                              | -          | (6,145)                         | 233        | (6,145)                 | 233        |
| Total Revenues                                       | 6,008                          | 7,844      | 1,039                           | 5,157      | 7,047                   | 13,001     |
|  | 534,630                        | 560,039    | 362,602                         | 359,086    | 897,232                 | 919,125    |
| Governmental Activities Expenses:                    |                                |            |                                 |            |                         |            |
| General Government                                   | 96,860                         | 102,396    | -                               | -          | 96,860                  | 102,396    |
| Public Safety  | 305,376                        | 302,633    | -                               | -          | 305,376                 | 302,633    |
| Community Environment                                | 117,120                        | 101,531    | -                               | -          | 117,120                 | 101,531    |
| Cultural-Recreational                                | 54,967                         | 52,430     | -                               | -          | 54,967                  | 52,430     |
| Interest on Long-Term Debt                           | 20,424                         | 23,939     | -                               | -          | 20,424                  | 23,939     |
| Business-Type Activities:                            |                                |            |                                 |            |                         |            |
| Electric   | -                              | -          | 27,647                          | 28,495     | 27,647                  | 28,495     |
| Gas  | -                              | -          | 31,549                          | 32,104     | 31,549                  | 32,104     |
| Water  | -                              | -          | 95,574                          | 101,863    | 95,574                  | 101,863    |
| Wastewater   | -                              | -          | 73,877                          | 71,161     | 73,877                  | 71,161     |
| Solid Waste  | -                              | -          | 36,586                          | 36,979     | 36,586                  | 36,979     |
| Airport  | -                              | -          | 4,865                           | 2,863      | 4,865                   | 2,863      |
| Golf Course  | -                              | -          | 2,575                           | 2,210      | 2,575                   | 2,210      |
| Convention Center                                    | -                              | -          | 4,252                           | 3,715      | 4,252                   | 3,715      |
| Hohokam Stadium/Fitch Complex                        | -                              | -          | 2,913                           | 1,200      | 2,913                   | 1,200      |
| Cubs Stadium   | -                              | -          | 5,271                           | 8,581      | 5,271                   | 8,581      |
| District Cooling                                     | -                              | -          | 1,182                           | 885        | 1,182                   | 885        |
| Interest on Long-Term Debt                           | -                              | -          | -                               | 4,124      | -                       | 4,124      |
| Total Expenses                                       | 594,747                        | 582,929    | 286,291                         | 294,180    | 881,038                 | 877,109    |
| Increase (Decrease) in Net Position Before Transfers | (60,117)                       | (22,890)   | 76,311                          | 64,906     | 16,194                  | 42,016     |
| Transfers  | 102,148                        | 94,427     | (102,148)                       | (94,427)   | -                       | -          |
| Change in Net Position                               | 42,031                         | 71,537     | (25,837)                        | (29,521)   | 16,194                  | 42,016     |
| Total Net Position                                   | 338,072                        | 266,535    | 536,253                         | 565,774    | 874,325                 | 832,309    |
| Net Position - Ending                                | \$ 380,103                     | \$ 338,072 | \$ 510,416                      | \$ 536,253 | \$ 890,519              | \$ 874,325 |

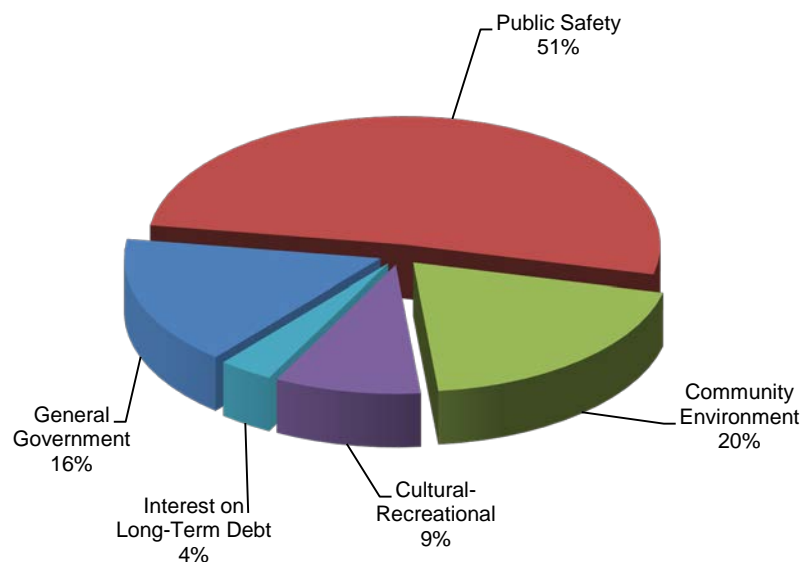
## Governmental Activities

As presented in the following two graphs, the largest funding sources, including transfers, for the governmental activities are taxes (30%), Unrestricted Intergovernmental (23%), Transfers (16%), and Charges for Services (13%). The largest users of resources for the governmental activities are Public Safety (51%), Community Environment (20%), and General Government (16%).

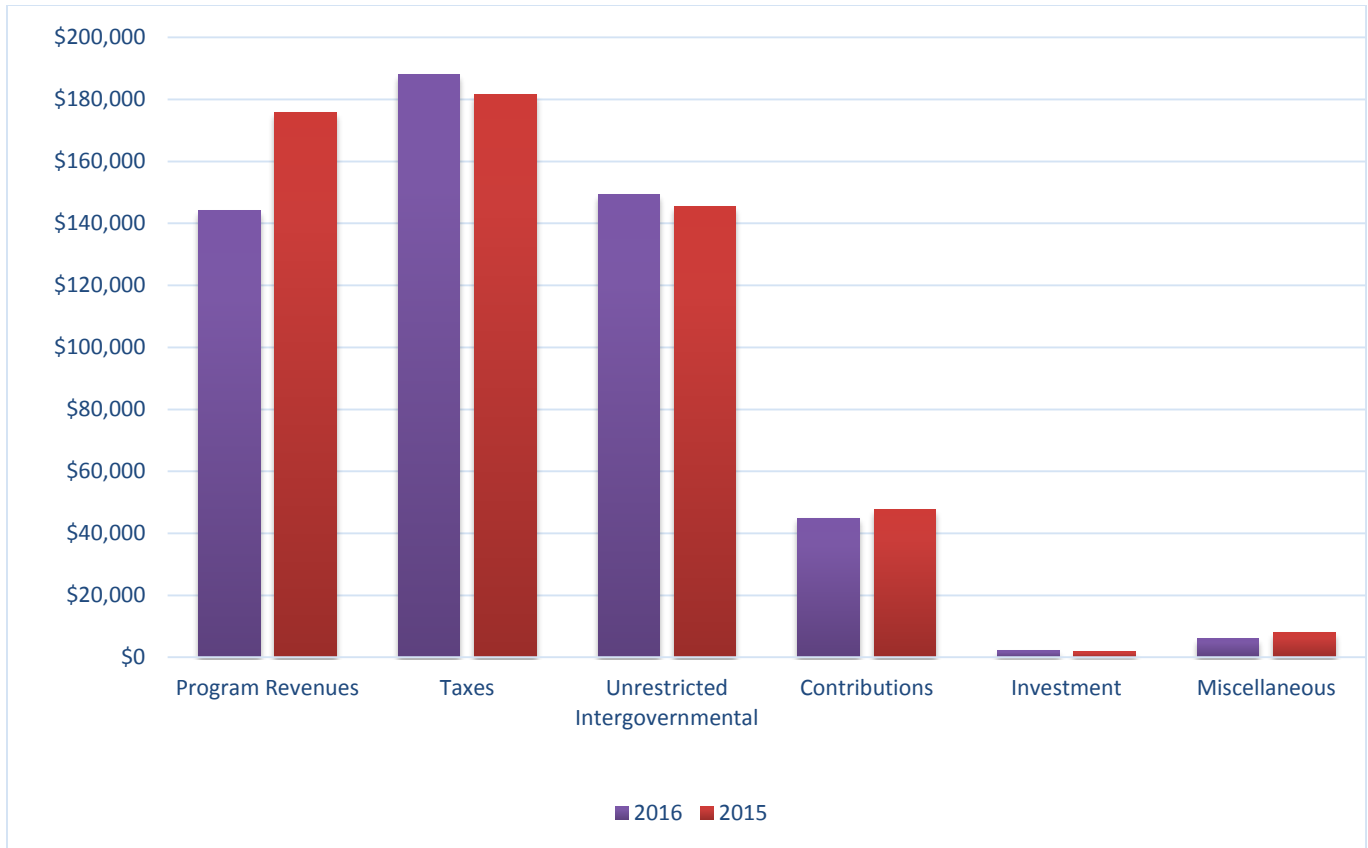
**Revenues by Source Including Transfers – Governmental Activities  
For the Fiscal Year Ended June 30, 2016**



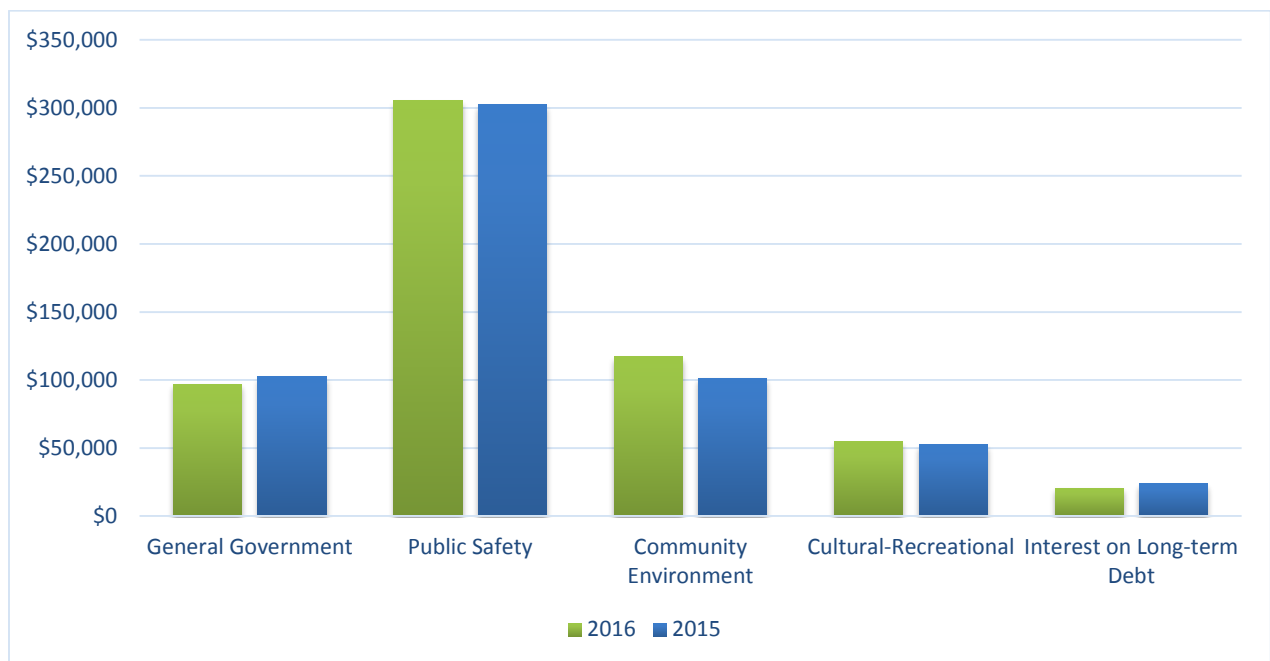
**Functional Expenses – Governmental Activities  
For the Fiscal Year Ended June 30, 2016**



**Governmental Activities Revenues**  
**For Fiscal Years 2016 and 2015**  
*(In thousands of dollars)*



**Governmental Activities Functional Expenses**  
**For Fiscal Years 2016 and 2015**  
*(In thousands of dollars)*



The graphs on the previous page compare governmental activities revenues and expenses from fiscal year 2016 to fiscal year 2015. Total governmental activities revenues decreased \$25.4 million from \$560 million to \$534.6 million. Total governmental expenses increased by \$11.8 million from \$582.9 million to \$594.7 million.

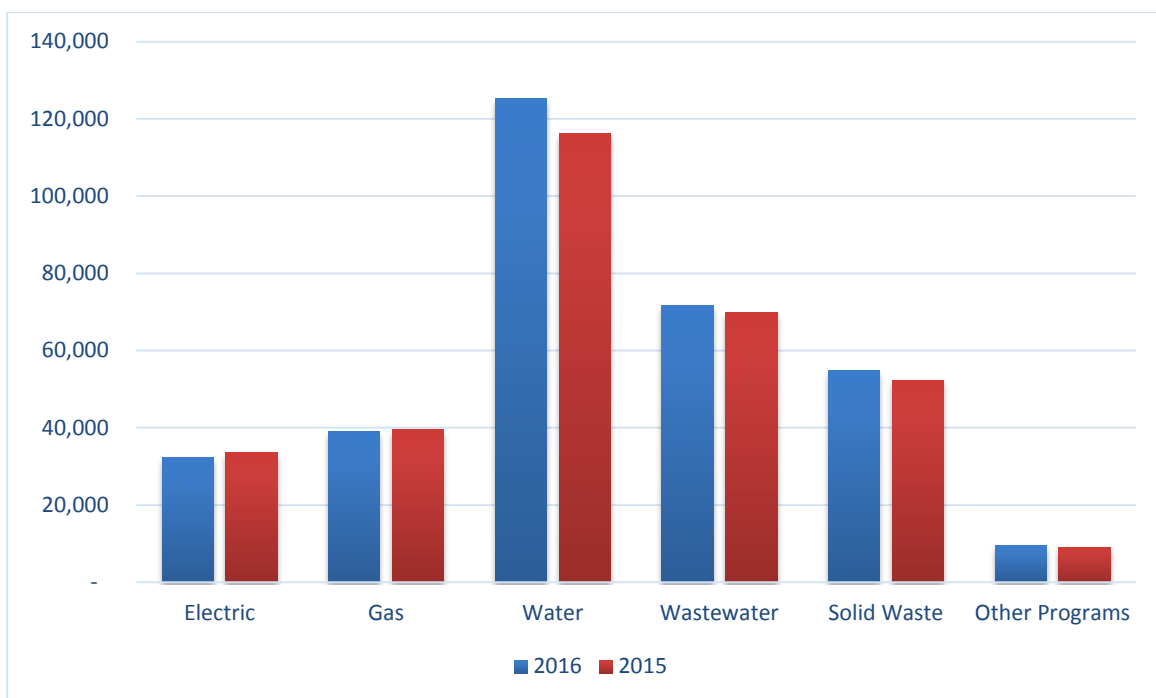
Key factors in this change include:

- Charges for services increased \$8.5 million, sales taxes increased \$5.5 million and Unrestricted Intergovernmental revenues increased \$4.1 million. These increases are due to the continuing improvement in the local economy. However, there was a corresponding decrease in Capital Grants and Contributions of \$40 million due to a decrease in developer contributions.
- Increase in governmental expenditures is primarily related to capital outlay costs in the Community Facilities district, a blended component unit of the City.

### Business-type Activities

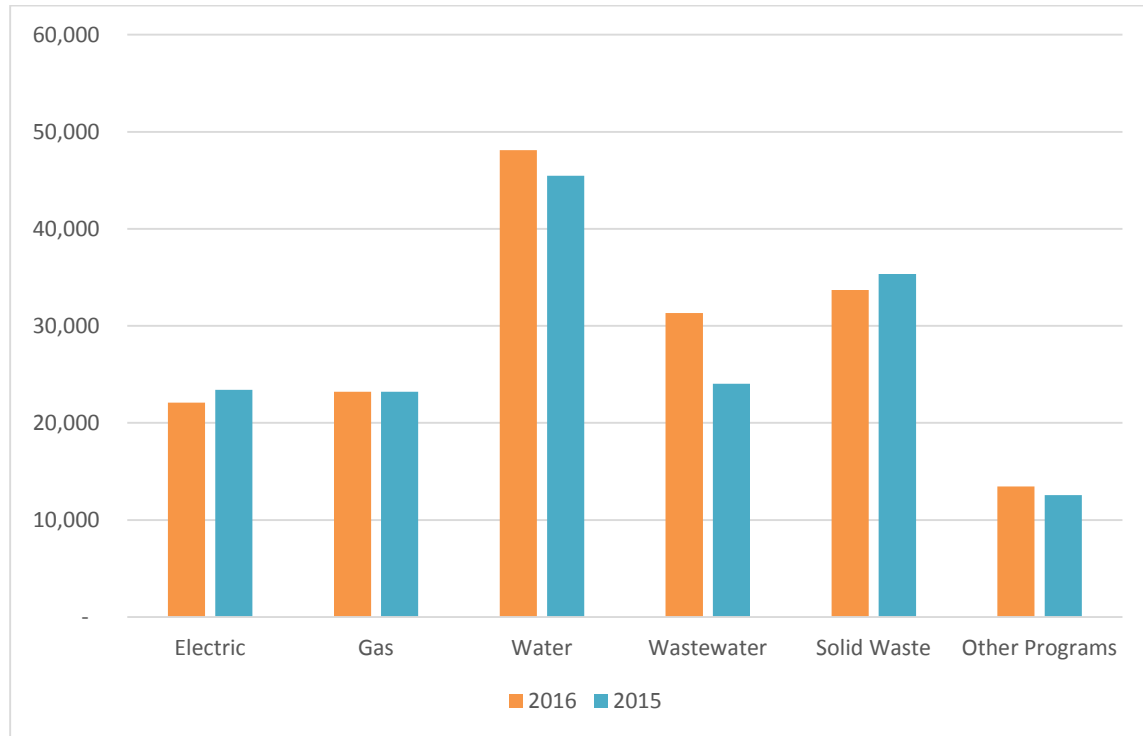
As presented in the following two graphs, the largest funding sources and users of resources for the business-type activities are Water, Wastewater, Solid Waste, Gas, and Electric.

**Revenues by Source – Business-type Activities**



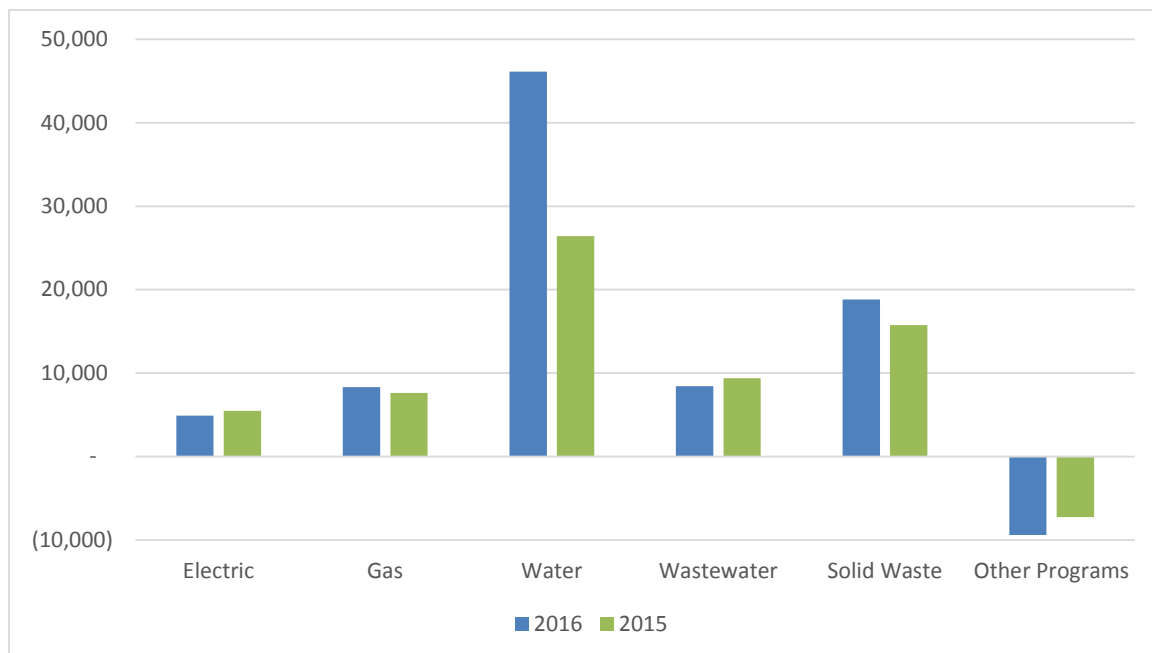


### Functional Expenses – Business-Type Activities



Total business-type activities program and general revenues increased slightly by \$3.5 million from \$359.1 million to \$362.6 million. The business-type activities total expenses decreased by \$7.9 million from \$294.2 million to \$286.3 million. The largest decrease in expenses was in the water utility, and related to the joint venture activity.

### Net (Expenses) Revenue – Business-Type Activities



## **Fund Financial Statements**

The fund financial statements are presented in Exhibits A-3 through A-10 beginning on page 19 of this report. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements as well as for managerial control to demonstrate fiduciary responsibility over the assets of the City. Traditional fund financial statements are presented for Governmental Funds (Exhibits A-3 through A-6), Proprietary Funds (Exhibits A-7 through A-9), and Fiduciary Funds (Exhibit A-10).

**Governmental funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating the City’s near-term financing requirements. Since the governmental fund financial statements focus on near-term spendable resources, while the governmental activities on the government-wide financial statements have a longer-term focus, a reconciliation of the differences between the two is provided with the fund financial statements and also in Note 2 to the basic financial statements.

**Proprietary funds** – The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds are used to accumulate and allocate costs internally among the City’s various functions. The City uses internal service funds to account for its fleet support; materials and supplies; printing and graphics; property and public liability; workers’ compensation; and employee benefits self-insurance programs. Since the primary customers of the internal service funds are the governmental activities, the assets and liabilities of those funds are included in the governmental activities column of the government-wide statement of net position. The costs of internal service funds are allocated to the various user functions on the government-wide statement of activities. The proprietary fund financial statements are prepared on the same long-term focus as the government-wide financial statements. The enterprise funds provide the same information as the government-wide financial statements, only with more detail. The internal service funds are combined into a single column on the proprietary funds statements. Additional detail of the internal service funds can be found in the combining statements (Exhibits C-3 through C-5).

**Fiduciary funds** – Fiduciary funds are used to account for resources held for the benefit of others outside the City government. Fiduciary funds are not reflected in the government-wide financial statements because the resources are not available to support the City’s programs. The fiduciary fund financial statement is prepared on the same basis as the government-wide and proprietary fund financial statements.

**Notes to the financial statements** – The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements.

**Other information** – Governments have an option of including the budgetary comparisons statements for the General Fund as either part of the fund financial statements within the basic financial statements or as required supplementary information after the notes to the financial statements. The City has chosen to present the budgetary statements as required supplementary information beginning on page 102.

## **Fund Financial Statement Analysis**

As previously mentioned, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following is a brief discussion of the financial highlights from the fund financial statements.

**Governmental Funds** - The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The City's governmental funds reported combined ending fund balance of \$219 million, a \$61.4 million decrease from the previous year. \$95.9 million of this total amount is restricted, \$28.8 million is committed, and \$4.1 million in Nonspendable, thus the balances are not available for spending in the coming year.

The decrease of \$61.4 million in the governmental funds is primarily driven by the \$77.8 million pay-off of the Highway Project Advancement Notes. Not considering the \$77.8 million debt payment, the governmental funds had a \$16.4 million increase in fund balance, primarily driven by General Fund activity.

The General Fund is the chief operating fund of the City and accounts for many of the major functions of the government including general government, public safety, community environment and cultural-recreational. At the end of the current fiscal year, total fund balance of the General Fund was \$94.8 million, while unassigned fund balance was \$79.7 million.

Total fund balance of the City's General Fund increased by \$16.9 million during the current fiscal year from \$77.9 million to \$94.8 million. This is primarily due to a decrease in transfers out in current year.

**Proprietary Funds** - The City's Enterprise Fund provides the same type of information as the government-wide financial statements, except in more detail. The total net position of the Enterprise Fund decreased by \$25.9 million during the current fiscal year from \$536.3 million to \$510.4 million. The unrestricted net position of the Enterprise Fund amounted to \$158.8 million. The decrease in current year is primarily related to transfers out to the General Fund.

## **Budgetary Highlights**

The City's annual budget is the legally adopted expenditure control document of the City. Budgetary comparison schedules are required for the General Fund and can be found in Exhibit B-6. This schedule compares the original adopted budget, the budget as amended throughout the year, and the actual expenditures prepared on a budgetary basis.

Amendments to the adopted budget may occur throughout the year in a legally permissible manner (see Note 1.f. of the notes to the financial statements for more information on budget policies). No amendments increasing the City's total adopted budget of \$1.6 billion occurred during fiscal year 2016.

General Fund revenues of \$264.9 million, on a budgetary basis, were comparable to budgeted revenues of \$270.2 million. Expenditures of \$350 million were less than the budgeted expenditures of \$383.1 million. Savings were primarily in general government and capital outlay.

## **ECONOMIC FACTORS**

In June 2016, the City Council approved a \$1.7 billion budget, which is an increase of \$60 million compared to prior year's budget. The fiscal year 2017 budget includes \$1.4 billion for operations and \$258.6 million for scheduled bond capital improvements.

The adopted fiscal year 2017 budget continues the City's fiscally conservative approach to budget development, while still providing quality services to the citizens. Rather than simply surviving budget reductions, the City has reorganized and retooled to focus on community priorities and innovative approaches. The goal has been to help Mesa grow and prosper despite a challenging national, state, and local economy.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Mesa, Arizona's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Mesa Finance Director, P.O. Box 1466, Mesa, Arizona, 85211-1466.





# Basic Financial Section

Comprehensive Annual Financial Report  
2016

CITY OF MESA, ARIZONA  
**EXHIBIT A-1**  
STATEMENT OF NET POSITION  
JUNE 30, 2016  
(in thousands)

|   | Primary Government         |                             |                   |
|---|----------------------------|-----------------------------|-------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total             |
| <b>ASSETS</b>                                     |                            |                             |                   |
| Pooled Cash and Investments                       | \$ 265,772                 | \$ 74,035                   | \$ 339,807        |
| Accounts Receivable, Net                          | 23,734                     | 26,291                      | 50,025            |
| Accrued Interest Receivable                       | 501                        | 461                         | 962               |
| Due from Other Governments                        | 18,497                     | 3,167                       | 21,664            |
| Internal Balances                                 | (2,773)                    | 2,773                       | -                 |
| Inventory   | 5,897                      | -                           | 5,897             |
| Prepaid Costs                                     | 3,444                      | 1,732                       | 5,176             |
| Deposits  | 827                        | 45                          | 872               |
| Restricted Assets:                                |                            |                             |                   |
| Pooled Cash and Investments                       | 10,900                     | 115,149                     | 126,049           |
| Cash with Fiscal Agent                            | 37,579                     | 40,390                      | 77,969            |
| Cash with Trustee                                 | 8,761                      | 61                          | 8,822             |
| Accounts Receivable, Net                          | 11,616                     | -                           | 11,616            |
| Due from Other Governments                        | 907                        | -                           | 907               |
| Customer Deposits                                 | -                          | 4,624                       | 4,624             |
| Joint Venture Construction Deposits               | -                          | 3,093                       | 3,093             |
| Investment in Joint Ventures                      | 177,716                    | 199,016                     | 376,732           |
| Capital Assets, Not Being Depreciated             | 468,349                    | 215,783                     | 684,132           |
| Capital Assets, Being Depreciated, Net            | 941,590                    | 1,209,764                   | 2,151,354         |
| Total Assets                                      | <u>1,973,317</u>           | <u>1,896,384</u>            | <u>3,869,701</u>  |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>             |                            |                             |                   |
| Debt Refunding                                    | 7,700                      | 30,956                      | 38,656            |
| Pensions  | 105,401                    | 4,555                       | 109,956           |
| Total Deferred Outflows of Resources              | <u>113,101</u>             | <u>35,511</u>               | <u>148,612</u>    |
| <b>LIABILITIES</b>                                |                            |                             |                   |
| Accounts Payable and Accrued Liabilities          | 26,044                     | 5,874                       | 31,918            |
| Claims Payable                                    | 38,448                     | -                           | 38,448            |
| Customer and Defendant Deposits                   | 6,916                      | -                           | 6,916             |
| Compensated Absences                              | 589                        | -                           | 589               |
| Liabilities Payable from Restricted Assets        | 49,638                     | 81,300                      | 130,938           |
| Noncurrent Liabilities, Due Within One Year       | 35,487                     | 25,775                      | 61,262            |
| Noncurrent Liabilities, Due in More Than One Year | 876,898                    | 1,256,384                   | 2,133,282         |
| Net Pension Liability                             | 634,414                    | 47,493                      | 681,907           |
| Total Liabilities                                 | <u>1,668,434</u>           | <u>1,416,826</u>            | <u>3,085,260</u>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>              |                            |                             |                   |
| Pensions  | 37,881                     | 4,653                       | 42,534            |
| Total Deferred Inflows of Resources               | <u>37,881</u>              | <u>4,653</u>                | <u>42,534</u>     |
| <b>NET POSITION</b>                               |                            |                             |                   |
| Net Investment in Capital Assets                  | 965,148                    | 302,521                     | 1,267,669         |
| Restricted For:                                   |                            |                             |                   |
| Airport   | -                          | 9,869                       | 9,869             |
| Bond Indentures                                   | -                          | 27,777                      | 27,777            |
| Construction                                      | -                          | 3,093                       | 3,093             |
| Debt Service                                      | 24,822                     | 8,390                       | 33,212            |
| Public Safety                                     | 6,840                      | -                           | 6,840             |
| Transportation Programs                           | 47,818                     | -                           | 47,818            |
| Other Programs                                    | 2,461                      | 10                          | 2,471             |
| Unrestricted                                      | (666,986)                  | 158,756                     | (508,230)         |
| Total Net Position                                | <u>\$ 380,103</u>          | <u>\$ 510,416</u>           | <u>\$ 890,519</u> |

The accompanying notes are an integral part of the financial statements.



## CITY OF MESA, ARIZONA

**EXHIBIT A-2**

## STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

| <b>Functions/Programs:</b>     | <b>Expenses</b>   | <b>Program Revenues</b>         |   |   |
|--------------------------------|-------------------|---------------------------------|---|---|
|                                |                   | <b>Charges for<br/>Services</b> | <b>Operating<br/>Grants and<br/>Contributions</b> | <b>Capital Grants<br/>and<br/>Contributions</b> |
| Governmental Activities:       |                   |                                 |   |   |
| General Government             | \$ 96,860         | \$ 9,278                        | \$ 493  | \$ 6,167  |
| Public Safety                  | 305,376           | 30,819                          | 9,697   | 856   |
| Community Environment          | 117,120           | 26,942                          | 15,963  | 28,896  |
| Cultural-Recreational          | 54,967            | 14,827                          | 208   | 6   |
| Interest on Long-Term Debt     | 20,424            | -                               | -   | -   |
| Total Governmental Activities  | <u>594,747</u>    | <u>81,866</u>                   | <u>26,361</u>                                     | <u>35,925</u>                                   |
| Business-type Activities:      |                   |                                 |   |   |
| Electric                       | 27,647            | 32,254                          | 8   | 281   |
| Gas                            | 31,549            | 38,962                          | 4   | 915   |
| Water                          | 95,574            | 130,674                         | 173   | 10,866  |
| Wastewater                     | 73,877            | 79,523                          | 6   | 2,797   |
| Solid Waste                    | 36,586            | 55,354                          | 74  | -   |
| Airport                        | 4,865             | 3,623                           | -   | 1,770   |
| Golf Course                    | 2,575             | 1,645                           | -   | -   |
| Convention Center              | 4,252             | 2,798                           | 1   | 200   |
| Hohokam Stadium/Fitch Complex  | 2,913             | 63                              | 1   | 100   |
| Cubs Stadium                   | 5,271             | 201                             | -   | -   |
| District Cooling               | 1,182             | 1,234                           | -   | -   |
| Total Business-type Activities | <u>286,291</u>    | <u>346,331</u>                  | <u>267</u>  | <u>16,929</u>                                   |
| Total Government               | <u>\$ 881,038</u> | <u>\$ 428,197</u>               | <u>\$ 26,628</u>                                  | <u>\$ 52,854</u>                                |

## General Revenues:

Sales Taxes

Property Taxes

Occupancy Taxes

Unrestricted Intergovernmental Revenues

Contributions Not Restricted to Specific Programs

Investment Income

Gain (Loss) on Sale of Capital Assets

Miscellaneous Revenues (Expenses)

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

**EXHIBIT A-2**  
(Continued)

| Net (Expense) Revenue and Changes in Net Position |                             |                   |
|---|-----------------------------|-------------------|
| Primary Government                                |                             |                   |
| Governmental<br>Activities                        | Business-type<br>Activities | Total             |
| \$ (80,922)                                       | \$ -                        | \$ (80,922)       |
| (264,004)   | -                           | (264,004)         |
| (45,319)  | -                           | (45,319)          |
| (39,926)  | -                           | (39,926)          |
| (20,424)  | -                           | (20,424)          |
| <u>(450,595)</u>                                  | <u>-</u>                    | <u>(450,595)</u>  |
| -   | 4,896                       | 4,896             |
| -   | 8,332                       | 8,332             |
| -   | 46,139                      | 46,139            |
| -   | 8,449                       | 8,449             |
| -   | 18,842                      | 18,842            |
| -   | 528                         | 528               |
| -   | (930)                       | (930)             |
| -   | (1,253)                     | (1,253)           |
| -   | (2,749)                     | (2,749)           |
| -   | (5,070)                     | (5,070)           |
| -   | 52                          | 52                |
| <u>-</u>  | <u>77,236</u>               | <u>77,236</u>     |
| (450,595)   | 77,236                      | (373,359)         |
| 151,826   | -                           | 151,826           |
| 33,825  | -                           | 33,825            |
| 2,331   | 1,161                       | 3,492             |
| 149,350   | -                           | 149,350           |
| 44,928  | -                           | 44,928            |
| 2,210   | 3,020                       | 5,230             |
| -   | (6,145)                     | (6,145)           |
| 6,008   | 1,039                       | 7,047             |
| 102,148   | (102,148)                   | -                 |
| <u>492,626</u>                                    | <u>(103,073)</u>            | <u>389,553</u>    |
| 42,031  | (25,837)                    | 16,194            |
| <u>338,072</u>                                    | <u>536,253</u>              | <u>874,325</u>    |
| <u>\$ 380,103</u>                                 | <u>\$ 510,416</u>           | <u>\$ 890,519</u> |

CITY OF MESA, ARIZONA  
**EXHIBIT A-3**  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2016  
(in thousands)

|   | General Fund      | Highway<br>Project<br>Advancement<br>Notes | Non-major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|-------------------|--|------------------------------------|--------------------------------|
| <b>ASSETS</b>   |                   |  |                                    |                                |
| Pooled Cash and Investments   | \$ 81,457         | \$ -                                       | \$ 118,965                         | \$ 200,422                     |
| Accounts Receivable, Net  | 18,570            | -  | 4,694                              | 23,264                         |
| Accrued Interest Receivable   | 325               | 2  | 77                                 | 404                            |
| Due from Other Governments  | 6,372             | -  | 12,120                             | 18,492                         |
| Advances to Other Funds   | 1,414             | -  | -                                  | 1,414                          |
| Prepaid Costs   | 2,621             | -  | 77                                 | 2,698                          |
| Deposits  | 176               | -  | 582                                | 758                            |
| Restricted Assets:  |                   |  |                                    |                                |
| Pooled Cash and Investments   | -                 | 7,898                                      | 3,002                              | 10,900                         |
| Cash with Fiscal Agent  | -                 | -  | 37,579                             | 37,579                         |
| Cash with Trustee   | -                 | 8,761                                      | -                                  | 8,761                          |
| Accounts Receivable   | -                 | -  | 11,616                             | 11,616                         |
| Due from Other Governments  | -                 | -  | 907                                | 907                            |
| Total Assets  | <u>\$ 110,935</u> | <u>\$ 16,661</u>                           | <u>\$ 189,619</u>                  | <u>\$ 317,215</u>              |
| <b>LIABILITIES</b>  |                   |  |                                    |                                |
| Accounts Payable and Accrued Liabilities                              | \$ 9,390          | \$ -                                       | \$ 14,236                          | \$ 23,626                      |
| Advances from Other Funds   | 2,773             | -  | 1,414                              | 4,187                          |
| Customer and Defendant Deposits                                       | 956               | -  | 5,960                              | 6,916                          |
| Compensated Absences  | 589               | -  | -                                  | 589                            |
| Payable from Restricted Assets:                                       |                   |  |                                    |                                |
| Accrued Interest Payable  | -                 | -  | 8,885                              | 8,885                          |
| Unearned Revenue  | 1,386             | 8,214                                      | 2,410                              | 12,010                         |
| Matured Bonds Payable   | -                 | -  | 28,743                             | 28,743                         |
| Total Liabilities   | <u>15,094</u>     | <u>8,214</u>                               | <u>61,648</u>                      | <u>84,956</u>                  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                  |                   |  |                                    |                                |
| Unavailable Revenue   | 1,035             | -  | 12,209                             | 13,244                         |
| Total Deferred Inflows of Resources                                   | <u>1,035</u>      | <u>-</u>                                   | <u>12,209</u>                      | <u>13,244</u>                  |
| <b>FUND BALANCES</b>  |                   |  |                                    |                                |
| Nonspendable  | 4,035             | -  | 77                                 | 4,112                          |
| Restricted  | 184               | 8,447                                      | 87,254                             | 95,885                         |
| Committed   | 227               | -  | 28,580                             | 28,807                         |
| Assigned  | 10,703            | -  | 6                                  | 10,709                         |
| Unassigned  | 79,657            | -  | (155)                              | 79,502                         |
| Total Fund Balances   | <u>94,806</u>     | <u>8,447</u>                               | <u>115,762</u>                     | <u>219,015</u>                 |
| Total Liabilities, Deferred Inflows of<br>Resources and Fund Balances | <u>\$ 110,935</u> | <u>\$ 16,661</u>                           | <u>\$ 189,619</u>                  | <u>\$ 317,215</u>              |

The accompanying notes are an integral part of the financial statements.

## CITY OF MESA, ARIZONA

**EXHIBIT A-4**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION

JUNE 30, 2016

(in thousands)

|  |            |
|--|------------|
| Fund Balances - total governmental funds | \$ 219,015 |
|--|------------|

Amounts reported for governmental activities in the statement of net position are different because (also see Note 2 to the basic financial statements):

|  |           |
|--|-----------|
| Capital assets used in governmental activities are not financial resources and therefore not reported in the governmental funds. | 1,408,008 |
|--|-----------|

|  |         |
|--|---------|
| Other assets used in governmental activities are not financial resources and therefore not reported in the governmental funds. | 177,716 |
|--|---------|

|  |         |
|--|---------|
| Deferred outflows related to deferred amounts on refunding and pensions are not financial resources and therefore not reported in the funds. | 111,951 |
|--|---------|

|  |             |
|--|-------------|
| Long-term liabilities, including bonds payable and net pension liabilities are not due and payable in the current period and therefore not reported in the governmental funds. | (1,523,754) |
|--|-------------|

|  |          |
|--|----------|
| Deferred inflows relating to pensions represent a future acquisition of net position that is not reported in the funds. Also, 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 are offset by unavailable revenue in the funds. | (23,461) |
|--|----------|

|  |        |
|--|--------|
| Internal service funds are used by management to charge the costs of certain activities to individual funds. | 10,628 |
|--|--------|

|   |                   |
|---|-------------------|
| Net position of the governmental activities - statement of net position | <u>\$ 380,103</u> |
|---|-------------------|

The accompanying notes are an integral part of the financial statements.

## CITY OF MESA, ARIZONA

**EXHIBIT A-5**

## GOVERNMENTAL FUNDS

## STATEMENT OF REVENUES, EXPENDITURES

## AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

|  | General Fund     | Highway<br>Project<br>Advancement<br>Notes | Non-major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|------------------|--|------------------------------------|--------------------------------|
| <b>REVENUES</b>  |                  |  |                                    |                                |
| Sales Taxes  | \$ 104,116       | \$ -                                       | \$ 47,710                          | \$ 151,826                     |
| Property Taxes   | -                | -  | 34,765                             | 34,765                         |
| Occupancy Taxes  | 40               | -  | 2,291                              | 2,331                          |
| Special Assessments  | -                | -  | 1,433                              | 1,433                          |
| Licenses and Permits   | 17,580           | -  | 5,674                              | 23,254                         |
| Intergovernmental  | 118,775          | 8,143                                      | 64,442                             | 191,360                        |
| Charges for Services   | 22,649           | -  | 15,529                             | 38,178                         |
| Fines and Forfeitures  | 8,795            | -  | 2,254                              | 11,049                         |
| Investment Income  | 416              | 46   | 1,021                              | 1,483                          |
| Contributions  | 300              | -  | 661                                | 961                            |
| Miscellaneous Revenue  | 1,148            | -  | 2,846                              | 3,994                          |
| Total Revenues   | <u>273,819</u>   | <u>8,189</u>                               | <u>178,626</u>                     | <u>460,634</u>                 |
| <b>EXPENDITURES</b>  |                  |  |                                    |                                |
| Current:   |                  |  |                                    |                                |
| General Government   | 71,651           | -  | 7,797                              | 79,448                         |
| Public Safety  | 223,733          | -  | 30,795                             | 254,528                        |
| Community Environment  | 13,723           | -  | 51,836                             | 65,559                         |
| Cultural-Recreational  | 36,516           | -  | 7,135                              | 43,651                         |
| Debt Service:  |                  |  |                                    |                                |
| Principal  | -                | 77,835                                     | 29,548                             | 107,383                        |
| Interest on Bonds  | -                | -  | 18,581                             | 18,581                         |
| Interest on Notes  | -                | 324  | -                                  | 324                            |
| Service Charges  | -                | -  | 14                                 | 14                             |
| Cost of Issuance   | -                | -  | 1,505                              | 1,505                          |
| Capital Outlay   | 4,580            | -  | 87,204                             | 91,784                         |
| Total Expenditures   | <u>350,203</u>   | <u>78,159</u>                              | <u>234,415</u>                     | <u>662,777</u>                 |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(76,384)</u>  | <u>(69,970)</u>                            | <u>(55,789)</u>                    | <u>(202,143)</u>               |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                  |  |                                    |                                |
| Transfers In   | 101,863          | -  | 20,709                             | 122,572                        |
| Transfers Out  | (8,618)          | -  | (15,680)                           | (24,298)                       |
| Face Amount of Bonds Issued                                  | -                | -  | 46,530                             | 46,530                         |
| Premium on Issuance of Bonds (Net)                           | -                | -  | 2,283                              | 2,283                          |
| Issuance of Refunding Bonds                                  | -                | -  | 43,304                             | 43,304                         |
| Payment to Refunding Bond Escrow Agent                       | -                | -  | (49,693)                           | (49,693)                       |
| Total Other Financing Sources (Uses)                         | <u>93,245</u>    | <u>-</u>                                   | <u>47,453</u>                      | <u>140,698</u>                 |
| Net Change in Fund Balances                                  | 16,861           | (69,970)                                   | (8,336)                            | (61,445)                       |
| Fund Balance - Beginning                                     | <u>77,945</u>    | <u>78,417</u>                              | <u>124,098</u>                     | <u>280,460</u>                 |
| Fund Balances - Ending                                       | <u>\$ 94,806</u> | <u>\$ 8,447</u>                            | <u>\$ 115,762</u>                  | <u>\$ 219,015</u>              |

The accompanying notes are an integral part of the financial statements.

CITY OF MESA, ARIZONA

**EXHIBIT A-6**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(in thousands)

|  |             |
|--|-------------|
| Net change in fund balances - total governmental funds | \$ (61,445) |
|--|-------------|

Amounts reported for governmental activities in the statement of activities are different because (also see Note 2 to the basic financial statements):

|   |          |
|---|----------|
| Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.   | 8,269    |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore not reported as expenditures in governmental funds.   | (77,407) |
| Current-year pension contributions are reclassified to deferred outflows of resources and therefore not reported as expenditures in governmental funds.   | 45,899   |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$91,784) exceeded depreciation (\$68,671) in the current period. | 23,113   |
| The net effect of miscellaneous transactions involving capital assets (e.g., donations, transfers and disposals) is to increase net position.   | 14,861   |
| Change in equity in Joint Venture   | 24,659   |
| The issuance of long-term debt (e.g., bonds and capital leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes financial resources of governmental funds. Neither transaction has any effect on net position.  | 63,830   |
| Governmental funds report the effect of premiums and deferred amounts related to refunding when the new debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.  | 7,218    |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.  | (6,966)  |

|   |                  |
|---|------------------|
| Change in net position of the governmental activities - statement of activities | <u>\$ 42,031</u> |
|---|------------------|

The accompanying notes are an integral part of the financial statements.

## CITY OF MESA, ARIZONA

**EXHIBIT A-7**

## STATEMENT OF NET POSITION

## PROPRIETARY FUNDS

JUNE 30, 2016

(in thousands)

|   | <b>Business-type<br/>Activities<br/>Enterprise<br/>Fund</b> | <b>Governmental<br/>Activities<br/>Internal<br/>Service Funds</b> |
|---|---|---|
| <b>ASSETS</b>                                   |   |   |
| Current Assets:                                 |   |   |
| Pooled Cash and Investments                     | \$ 74,035   | \$ 65,350   |
| Accounts Receivable (Net of Allowances)         | 26,291  | 311   |
| Accrued Premiums Receivable                     | -   | 159   |
| Accrued Interest Receivable                     | 461   | 97  |
| Due from Other Governments                      | 3,167   | 5   |
| Advances to Other Funds                         | 2,773   | -   |
| Inventory                                       | -   | 5,897   |
| Prepaid Costs                                   | 1,732   | 746   |
| Deposits  | 45  | 69  |
| Restricted Assets:                              |   |   |
| Pooled Cash and Investments                     | 115,149   | -   |
| Cash with Fiscal Agents                         | 40,390  | -   |
| Cash with Trustees                              | 61  | -   |
| Customer Deposits                               | 4,624   | -   |
| Joint Venture Construction Deposits             | 3,093   | -   |
| Total Current Assets                            | <u>271,821</u>  | <u>72,634</u>   |
| Noncurrent Assets:                              |   |   |
| Investment in Joint Ventures                    | 199,016   | -   |
| Capital Assets, Not Being Depreciated           | 215,783   | 80  |
| Capital Assets, Being Depreciated, Net          | <u>1,209,764</u>  | <u>1,851</u>  |
| Total Noncurrent Assets                         | <u>1,624,563</u>  | <u>1,931</u>  |
| Total Assets                                    | <u>1,896,384</u>  | <u>74,565</u>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>           |   |   |
| Deferred Amounts on Refundings                  | 30,956  | -   |
| Deferred Outflows Related to Pensions           | <u>4,555</u>  | <u>1,150</u>  |
| Total Deferred Outflows of Resources            | <u>35,511</u>   | <u>1,150</u>  |
| Total Assets and Deferred Outflows of Resources | <u>\$ 1,931,895</u>   | <u>\$ 75,715</u>  |

(Continued)

The accompanying notes are an integral part of the financial statements.



CITY OF MESA, ARIZONA  
**EXHIBIT A-7 (Continued)**  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2016  
(in thousands)

|   | <b>Business-type<br/>Activities<br/>Enterprise<br/>Fund</b> | <b>Governmental<br/>Activities<br/>Internal<br/>Service Funds</b> |
|---|---|---|
| <b>LIABILITIES</b>                                  |   |   |
| Current Liabilities-Payable From Current Assets:    |   |   |
| Accounts Payable and Accrued Liabilities            | \$ 5,874  | \$ 2,418  |
| Claims Payable                                      | -   | 38,448  |
| Current Liabilities-Payable From Restricted Assets: |   |   |
| Accounts Payable and Accrued Liabilities            | 10,947  | -   |
| Interest Payable                                    | 23,520  | -   |
| Unearned Revenue                                    | 158   | -   |
| Matured Bonds Payable                               | 16,870  | -   |
| Customer Deposits and Prepayments                   | 29,805  | -   |
| Current Portion of Long-Term Liabilities:           |   |   |
| Current Portion of Bonds Payable                    | 25,148  | -   |
| Current Portion of Notes Payable                    | 134   | -   |
| Current Portion of Compensated Absences             | 493   | 40  |
| Total Current Liabilities                           | <u>112,949</u>  | <u>40,906</u>   |
| Long-Term Liabilities:                              |   |   |
| Bonds Payable                                       | 1,133,012   | -   |
| Notes Payable                                       | 1,851   | -   |
| Unamortized Bond Premium                            | 39,396  | -   |
| Compensated Absences                                | 3,618   | 617   |
| Net Pension Liability                               | 47,493  | 12,002  |
| Post Employment Benefits                            | 78,507  | 10,386  |
| Total Long-Term Liabilities                         | <u>1,303,877</u>  | <u>23,005</u>   |
| Total Liabilities                                   | <u>1,416,826</u>  | <u>63,911</u>   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                |   |   |
| Deferred Inflows Related to Pensions                | 4,653   | 1,176   |
| Total Deferred Inflows of Resources                 | <u>4,653</u>  | <u>1,176</u>  |
| <b>NET POSITION</b>                                 |   |   |
| Net Investment in Capital Assets                    | 302,521   | 1,931   |
| Restricted For:                                     |   |   |
| Airport   | 9,869   | -   |
| Bond Indentures                                     | 27,777  | -   |
| Construction  | 3,093   | -   |
| Debt Service  | 8,390   | -   |
| Golf Course   | 10  | -   |
| Unrestricted  | 158,756   | 8,697   |
| Total Net Position                                  | <u>\$ 510,416</u>   | <u>\$ 10,628</u>  |

The accompanying notes are an integral part of the financial statements.

## CITY OF MESA, ARIZONA

**EXHIBIT A-8**

## STATEMENT OF REVENUES, EXPENSES

## AND CHANGES IN NET POSITION

## PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

|  | <b>Business-type<br/>Activities<br/>Enterprise<br/>Fund</b> | <b>Governmental<br/>Activities<br/>Internal<br/>Service Funds</b> |
|--|---|---|
| Operating Revenues:  |   |   |
| Electric Sales Pledged as Security for Revenue Bonds         | \$ 32,254   | \$ -  |
| Gas Sales Pledged as Security for Revenue Bonds              | 38,962  | -   |
| Water Sales Pledged as Security for Revenue Bonds            | 125,304   | -   |
| Wastewater Charges Pledged as Security for Revenue Bonds     | 71,708  | -   |
| Solid Waste Charges Pledged as Security for Revenue Bonds    | 54,871  | -   |
| Airport Fees   | 3,623   | -   |
| Golf Course Fees   | 1,645   | -   |
| Convention Center Fees                                       | 2,798   | -   |
| Hohokam Stadium/Fitch Complex Fees                           | 63  | -   |
| Cubs Stadium Fees  | 201   | -   |
| District Cooling Charges                                     | 1,234   | -   |
| Charges For Services   | -   | 25,331  |
| Self-Insurance Contributions                                 | -   | 78,034  |
| Other Revenue  | -   | 757   |
| Total Operating Revenues                                     | <u>332,663</u>  | <u>104,122</u>  |
| Operating Expenses:  |   |   |
| Electric   | 22,098  | -   |
| Gas  | 23,222  | -   |
| Water  | 48,113  | -   |
| Wastewater   | 31,316  | -   |
| Solid Waste  | 33,703  | -   |
| Airport  | 3,368   | -   |
| Golf Course  | 2,312   | -   |
| Convention Center  | 3,999   | -   |
| Hohokam Stadium/Fitch Complex                                | 1,131   | -   |
| Cubs Stadium   | 1,868   | -   |
| District Cooling   | 760   | -   |
| Warehouse, Maintenance & Services                            | -   | 25,461  |
| Self-Insurance   | -   | 86,012  |
| Total Operating Expenses                                     | <u>171,890</u>  | <u>111,473</u>  |
| Operating Income (Loss) Before Depreciation and Amortization | 160,773   | (7,351)   |
| Depreciation and Amortization                                | <u>(67,883)</u>   | <u>(509)</u>  |
| Operating Income (Loss)                                      | <u>92,890</u>   | <u>(7,860)</u>  |

(Continued)

The accompanying notes are an integral part of the financial statements.

## CITY OF MESA, ARIZONA

**EXHIBIT A-8 (Continued)**

## STATEMENT OF REVENUES, EXPENSES

## AND CHANGES IN NET POSITION

## PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

|   | <b>Business-type<br/>Activities<br/>Enterprise<br/>Fund</b> | <b>Governmental<br/>Activities<br/>Internal<br/>Service Funds</b> |
|---|---|---|
| Nonoperating Revenues (Expenses):                       |   |   |
| Investment Income Pledged as Security for Revenue Bonds | 2,055   | -   |
| Investment Income Unpledged                             | 965   | 727   |
| Intergovernmental                                       | 267   | -   |
| Interest Expense:                                       |   |   |
| Bonds   | (44,786)  | -   |
| Notes Payable and Other Long-Term Obligations           | (15)  | -   |
| Bond Administrative Costs                               | (43)  | -   |
| Gain/(Loss) on Disposal of Capital Assets               | (10,019)  | -   |
| Net Loss from Joint Venture                             | (4,228)   | -   |
| Utility Development Fees                                | 13,668  | -   |
| Bond Issuance Costs                                     | (1,502)   | -   |
| Occupancy Tax   | 1,161   | -   |
| Miscellaneous Revenue                                   | 5,095   | -   |
| Total Nonoperating Revenues (Expenses)                  | <u>(37,382)</u>   | <u>727</u>  |
| Income before Transfers and Capital Contributions       | 55,508  | (7,133)   |
| Capital Contributions                                   | 16,929  | 167   |
| Transfers In  | 3,051   | -   |
| Transfers Out   | <u>(101,325)</u>  | <u>-</u>  |
| Change in Net Position                                  | (25,837)  | (6,966)   |
| Total Net Position - Beginning                          | <u>536,253</u>  | <u>17,594</u>   |
| Total Net Position - Ending                             | <u>\$ 510,416</u>   | <u>\$ 10,628</u>  |

The accompanying notes are an integral part of the financial statements.

## CITY OF MESA, ARIZONA

**EXHIBIT A-9**

## STATEMENT OF CASH FLOWS

## PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

|  | <b>Business-type<br/>Activities</b> | <b>Governmental<br/>Activities</b> |
|--|-------------------------------------|------------------------------------|
|  | <b>Enterprise Fund</b>              | <b>Internal<br/>Service Funds</b>  |
| Cash Flows From Operating Activities:                      |                                     |                                    |
| Cash Received from Customers                               | \$ 337,692                          | \$ -                               |
| Cash Received from Users                                   | -                                   | 104,789                            |
| Cash Payments to Suppliers                                 | (116,917)                           | (97,971)                           |
| Cash Payments to Employees                                 | (53,699)                            | (12,166)                           |
| Other Non-Operating Revenue                                | 5,095                               | -                                  |
| Net Cash Provided By (Used For) Operating Activities       | 172,171                             | (5,348)                            |
| Cash Flows From Noncapital Financing Activities:           |                                     |                                    |
| Intergovernmental  | 1,460                               | -                                  |
| Transient Occupancy Tax                                    | 1,161                               | -                                  |
| Investment in Joint Ventures                               | 1                                   | -                                  |
| Advances to Other Funds                                    | (2,773)                             | -                                  |
| Transfers In from Other Funds                              | 3,051                               | -                                  |
| Transfers Out to Other Funds                               | (101,325)                           | -                                  |
| Net Cash Used For Noncapital Financing Activities          | (98,425)                            | -                                  |
| Cash Flows From Capital and Related Financing Activities:  |                                     |                                    |
| Proceeds from Bond Sales                                   | 248,719                             | -                                  |
| Acquisition and Construction of Capital Assets             | (67,044)                            | (148)                              |
| Principal Paid on Bonds, Leases and Notes Maturities       | (177,721)                           | -                                  |
| Interest Paid on Bonds, Leases and Notes                   | (59,933)                            | -                                  |
| Developer Contributions and Capital Grants                 | 19,278                              | -                                  |
| Net Cash Used For Capital and Related Financing Activities | (36,701)                            | (148)                              |
| Cash Flows From Investing Activities:                      |                                     |                                    |
| Interest Received on Investments                           | 2,970                               | 710                                |
| Net Cash Provided By Investing Activities                  | 2,970                               | 710                                |
| Net Change in Pooled Cash and Investments                  | 40,015                              | (4,786)                            |
| Total Cash and Investments at Beginning of Year            | 189,620                             | 70,136                             |
| Total Cash and Investments at End of Year                  | \$ 229,635                          | \$ 65,350                          |

(Continued)

The accompanying notes are an integral part of the financial statements.

CITY OF MESA, ARIZONA  
**EXHIBIT A-9 (Continued)**  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(in thousands)

|  | <b>Business-type<br/>Activities<br/>Enterprise<br/>Fund</b> | <b>Governmental<br/>Activities<br/>Internal<br/>Service Funds</b> |
|--|---|---|
| Reconciliation of Operating Income to Net Cash<br>Provided By (Used For) Operating Activities: |   |   |
| Operating Income   | \$ 92,890   | \$ (7,860)  |
| Adjustments to Reconcile Operating Income<br>to Net Cash Provided By Operating Activities:     |   |   |
| Depreciation and Amortization  | 67,883  | 509   |
| Miscellaneous Revenue  | 5,095   | -   |
| Changes in Assets and Liabilities:   |   |   |
| (Increase)/Decrease in Receivables   | 4,111   | (93)  |
| (Increase)/Decrease in Inventory   | -   | 95  |
| (Increase)/Decrease in Deposits and Prepaid Costs  | 526   | (29)  |
| Increase/(Decrease) in Accounts Payable  | (871)   | (1,041)   |
| Increase/(Decrease) in Unearned Revenue  | 36  | -   |
| Increase/(Decrease) in Pension Liability   | (1,554)   | (112)   |
| Increase/(Decrease) in Other Accrued Expenses  | 4,055   | 3,183   |
| Total Adjustments  | 79,281  | 2,512   |
| Net Cash Provided By (Used For) Operating Activities   | \$ 172,171  | \$ (5,348)  |
| Noncash Transactions Affecting Financial Position:   |   |   |
| Contributions of Capital Assets  | \$ 11,319   | \$ 167  |
| Loss on Disposal of Capital Assets   | (10,019)  | -   |
| Amortization of Bond Premium   | (3,204)   | -   |
| Amortization of Deferred Amounts on Refunding  | 7,544   | -   |

The accompanying notes are an integral part of the financial statements.

CITY OF MESA, ARIZONA

**EXHIBIT A-10**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2016

(in thousands)

|                             | <b>Payroll<br/>Agency</b> |
|-----------------------------|---------------------------|
| <b>ASSETS</b>               |                           |
| Pooled Cash and Investments | \$ 10,236                 |
| Due from Others             | 6                         |
| Total Assets                | <u>\$ 10,242</u>          |
| <b>LIABILITIES</b>          |                           |
| Accounts Payable            | \$ 1,335                  |
| Accrued Payroll Payable     | 8,907                     |
| Total Liabilities           | <u>\$ 10,242</u>          |

The accompanying notes are an integral part of the financial statements.



CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The City of Mesa, Arizona, (the City) was incorporated July 15, 1883 with an approximate population of 300 and an area of one square mile. Today, the City's estimated population is 475,274 within an area of approximately 141 square miles. The City's charter was adopted August 18, 1967 providing for a Council-Manager form of government. The City provides a full range of municipal services including police and fire protection, parks and recreation, library, transportation, health and certain social services and general administration. In addition, the City owns and operates an enterprise whose activities include operations of electricity, gas, water, wastewater, and solid waste utilities, an airport, golf course, convention center, two stadiums and district cooling.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The City's other significant accounting policies are described below:

**a. Reporting Entity**

The accompanying financial statements include the City and its blended component unit, Community Facilities District, collectively referred to as "the financial reporting entity". In accordance with GASB Statement No. 14, and as amended by GASB Statement No. 61, the component unit discussed below has been included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

**Community Facilities District ("District")** is a municipal corporation political subdivision of the State of Arizona that is organized to provide a vehicle for financing certain public infrastructure that is necessary for development of the land within the boundaries of the District. The City Council serves as the board of directors of the District and the City Manager of the City currently serves as the District Manager. Although it is legally separate from the City, the District is reported as if it is part of the primary government because the District's governing body is substantively the same as the governing body of the City and management of the City has operational responsibility for the District. Separate financial statements for the District can be obtained from the City's Finance Department, through Accounting Services at 20 E. Main Street, 3<sup>rd</sup> Floor, Mesa, Arizona 85211.

**b. Jointly Governed Organizations**

**Phoenix – Mesa Gateway Airport Authority ("PMGAA")** is a nonprofit corporation established and funded by the City, the City of Phoenix, the Towns of Gilbert and Queen Creek, and the Gila River Indian Community. The purpose of the entity is the redevelopment of Williams Air Force Base that was closed in September of 1993 to become PMGAA. The Board of Directors consists of the mayors for the respective municipalities and the governor of the tribal community. The City contributed \$1.7 million to the PMGAA operating and capital budget during this fiscal year.

**Regional Public Transportation Authority ("RPTA")** is a voluntary association of local governments, including the cities of Mesa, Tempe, Scottsdale, Glendale, Phoenix and Maricopa County. Its purpose is to create a regional public transportation plan for Maricopa County. The Board of Directors consists of the mayors of those cities and a member of the County Board of Supervisors.



CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**Arizona Municipal Water Users Association (“AMWUA”)** is a nonprofit corporation established and funded by cities in Maricopa County for the development of an urban water policy and to represent the cities’ interests before the Arizona legislature. AMWUA performs certain accounting, administrative and support services for the cities who are jointly using a multi-city sanitary sewer system.

c. **Basic Financial Statements**

**Government-wide Financial Statements:** The government-wide financial statements (the statement of net position and the statement of activities) report on the City as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. The government-wide focus is 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.

For the most part, 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. Certain charges between the Enterprise Fund’s utility systems and the various functional activities are not eliminated, as this would distort the direct costs and program revenues reported for the various functions concerned.

The government-wide statement of net position reports all financial and capital resources of the City, excluding fiduciary funds. It is presented in a format of assets plus deferred outflows of resources less liabilities plus deferred inflows of resources equals net position, with the assets and liabilities shown in order of their relative liquidity. Net position is required to be presented in three components: net investment in capital assets, restricted and unrestricted. Net investment in capital assets is capital assets net of accumulated depreciation and reduced by outstanding balances of bonds, capital leases, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net position are those with constraints placed on their use externally either imposed by creditors (such as bond covenants), grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position are those not otherwise classified as restricted, and are shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

The government-wide statement of activities demonstrates the degree to which the direct expenses of the various functional activities and segments of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific functional activity (General Government, Public Safety, Cultural-Recreational, etc.) or segment. Expenses reported for the various functional activities or segments include indirect expenses, such as overhead costs. Interest on long-term debt is not allocated to the various functions in the governmental activities. Program revenues include charges to customers or applicants who directly benefit from goods, services or privileges provided by a given function or segment. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment, including special assessments. Taxes and other items not properly included as program revenues are reported as general revenues. The general revenues support the net costs of the functions and segments not covered by program revenues.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**Fund Financial Statements:** The fund financial statements are, in substance, very similar to the financial statements presented in the previous model. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. However, the fiduciary funds are not included in the government-wide financial statements. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Major individual governmental funds are reported as separate columns in the fund financial statements. The City has only one enterprise fund, which is reported as a major fund. Non-major governmental funds, as well as the internal service funds, are summarized into a single column on the fund financial statements and are detailed in combining statements included as supplementary information after the basic financial statements.

d. **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

**Government-wide Financial Statements:** The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

**Governmental Fund Financial Statements:** The governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., measurable and available to finance the City's operations. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current period. Principal revenue sources considered to be susceptible to accrual are City sales taxes, property taxes, intergovernmental revenues and interest on investments.

In applying the susceptible to accrual concept to intergovernmental revenues pursuant to GASB Statement No. 33, receivables and revenues are recognized when all the applicable eligibility requirements, including time requirements, have been met. Resources transmitted before the eligibility requirements are met are reported as unearned revenue. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

City sales taxes collected and held by merchants at year-end on behalf of the City are recognized as revenue. State shared revenues, including sales and income taxes, highway user and auto lieu taxes, and lottery distributions for transportation assistance, which are collected and held by the State at year-end, on behalf of the City, are also recognized as revenue. Special assessments are recognized as revenue only to the extent that individual installments are considered current assets. Annual installments not currently receivable are reflected as unavailable revenue.

Licenses and permits, charges for services and miscellaneous revenues are recorded as revenue when received as cash because they are generally not available until actually received. Changes in the fair value of investments are recognized in revenue at the end of each year.

Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. An exception to this is interest on long-term debt which is recorded when due.

Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a reconciliation is

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

presented on the page following each governmental fund financial statement, which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental activities column of the government-wide financial statements. Additional reconciliations are also provided in Note 2.

**Proprietary Funds Financial Statements:** The financial statements of the proprietary fund are reported using the economic resources measurement focus and accrual basis of accounting, similar to the government-wide financial statements described above.

The proprietary fund financial statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition, such as investment income and interest expense are reported as non-operating revenues and expenses.

Internal service funds of the City, which provide services primarily to the other funds of the City, are presented in summary form as part of the proprietary fund financial statements. Since the principal users of internal services are the City's governmental activities, financial statements of the internal service funds are consolidated into the governmental activities column when presented at the government-wide level. The costs of these services are reflected in the appropriate functional activity on the government-wide statement of activities and the revenues and expenses within the internal service funds are eliminated from the government-wide financial statements to avoid any doubling up effect of these revenues and expenses.

**Fiduciary Funds Financial Statements:** The City's fiduciary fund is presented in the fund financial statements. The City's fiduciary fund is an agency fund, which is custodial in nature and does not involve measurement of results of operations. The agency fund is accounted for on the accrual basis of accounting. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide financial statements.

e. **Fund Accounting**

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the fund financial statements. GASB Statement No. 34 sets forth minimum criteria for the determination of major funds. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The City reports the following major governmental funds:

The **General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The **Highway Project Advancement Notes Fund** accumulates monies for payment of principal and interest requirements for the Highway Project Advancement Notes.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The City reports the following non-major governmental funds:

Ten non-major **Special Revenue Funds** are used to account for specific revenues that are legally restricted to expenditures for specific purposes.

Five non-major **Capital Project Funds** are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Four non-major **Debt Service Funds** are used to account for the accumulation of resources for the payment of long-term obligation principal, interest and service charges.

The City reports the following major proprietary fund:

The **Enterprise Fund** has been established to account for all enterprise functions. This includes the City-owned electric, gas, water, wastewater and solid waste systems, as well as the City-owned airport, golf course, convention center, stadiums and district cooling.

Additionally, the City reports the following fund types:

The **Internal Service Funds** are used to account for operations that provide services to other departments of the government on a cost-reimbursement basis. These services include fleet support, materials and supply, printing and graphics, self-insurance for property and public liability, workers' compensation and employee benefit programs.

The **Agency Fund** is used to account for assets being held by the City as an agent in a temporary custodial capacity. The Payroll Agency Fund accounts for all payroll transactions.

f. **Budgets and Budgetary Accounting**

Each year the City Manager issues a budget calendar giving specific completion dates for various phases of the budget preparation process. The final adoption of the operating budget is by ordinance.

Prior to June 1, the City Manager submits a proposed operating budget to the City Council for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the City to obtain citizen comments.

Prior to June 30, the budget for the ensuing year is legally adopted through passage of an ordinance; these appropriations lapse at the end of each fiscal year.

Legal control over the budget derives from State statutes that prohibit the City from exceeding its adopted budget in total and from the resolution itself that limits expenditures by fund and by departmental groupings. Transfers of sums within a specific fund or departmental group may be made upon City Manager approval.

The legally adopted budget consists of all funds except the Agency Fund. Capital Projects are budgeted as one item and governmental debt service expenditures are budgeted in the Special Revenue Funds or Debt Service Fund. A budget schedule for the General Fund is presented in the

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Required Supplementary Information Section, and the other funds are located in the Supplementary Information Section.

On June 3, 1980, the voters of Arizona approved an expenditure limitation for all local governments. This limitation restricts the growth of expenditures to a percentage determined by population and inflation, with certain expenditures excluded from the limitation. The State Economic Estimates Commission determines and publishes, prior to April 1<sup>st</sup> of each year, the expenditure limitation for the following fiscal year for each governmental unit. Fiscal year 1979-80 is the base year for calculations.

Budgets for all funds are adopted in accordance with the requirements of the Arizona Constitution, Arizona Revised Statutes and the Mesa City Charter. There are certain differences between the basis used for budgetary purposes and that used for reporting in accordance with generally accepted accounting principles. For additional detail, see the note to required supplementary information. Budgeted amounts are as originally adopted by the City Council on June 15, 2015.

g. **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

h. **Pooled Cash and Investments**

The City maintains an invested pool that is available for use by all City funds. Each fund's portion of this pool is reported on the financial statements as "pooled cash and investments". Assets related to long-term investments of the invested pool are held by a single master custodian. In addition, certain cash deposits and short-term investments are held separately in State of Arizona Local Government Investment Pools (LGIP), and FDIC Insured Cash Sweep accounts with two local banks.

The City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Interest income from investments is recorded as revenue within the fund that made the investment, with the exception of the Capital Projects and Agency Funds. Income from investments within these funds is recorded in the General or Enterprise Fund based upon their general governmental or enterprise related function.

i. **Inventories**

Inventories consist of expendable supplies held for consumption. The warehouse inventory is valued at the lower of average cost or market, while fleet support services inventory is valued at

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

cost on a first-in, first out (FIFO) basis. The cost of inventory is reported as an expenditure at the time individual items are consumed.

j. **Capital Assets**

Capital assets, including infrastructure (streets, sidewalks, street lighting, storm drainage and other assets that are immovable and of value only to the City) are defined as assets with an initial cost of \$5,000 or more and an estimated useful life of more than one year. Intangible assets for the City include goodwill, right of way, easements and computer software. The City has elected to capitalize software with an initial cost of \$100,000 or more. All capital assets, whether owned by governmental activities or business-type activities, are required to be recorded and depreciated in the government-wide financial statements.

Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Contributions of assets are stated at fair market value based on appraisals or engineering estimates of value at the time of receipt. When assets are retired or sold, the costs of the assets and the related accumulated depreciation are eliminated from the accounts, and any resultant gain or loss is charged to income or expense.

Depreciation has been provided using the straight-line method based on the estimated useful lives of the assets. Amortization of capital leased assets has been provided using the straight-line method based on the shorter of the lease period or estimated useful lives of the leased assets.

The estimated useful lives are as follows:

|                         |             |
|-------------------------|-------------|
| Buildings               | 15-50 Years |
| Other Improvements      | 5-50 Years  |
| Machinery and Equipment | 3-30 Years  |
| Intangibles             | 6-15 Years  |
| Infrastructure          | 5-50 Years  |

Gain or loss is recognized when assets are retired from service or are otherwise disposed of. Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation) or net realizable value, if lower, as of the date of the transfer.

k. **Compensated Absences**

Vacation, compensatory time and sick leave benefits are accrued as liabilities as employees earn the benefits to the extent that they meet both of the following criteria: 1) the City's obligation is attributable to employees' services already rendered; and 2) it is probable that the City will compensate the employees for the benefits through paid time off or some other means, such as cash.

For governmental funds a liability for vacation, compensatory time and sick leave are reported only if they have matured, for example, as a result of employee resignations and retirements. The entire amount of accumulated unpaid vested vacation pay, compensatory time and an estimated amount for sick leave related to the proprietary funds is included as a liability in the fund financial statements. The remaining long-term balances related to governmental activities are included in the government-wide financial statement.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

l. **Reserve for Loss and Loss Adjustment Expenses**

The Property and Public Liability, Workers' Compensation and Employee Benefits Internal Service Funds establish claim liabilities based on actuarial estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. Adjustments to claim liabilities are charged or credited to expenses in the periods in which they are made.

m. **Long-Term Obligations**

In the government-wide financial statements and the proprietary 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 statement of net position.

Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. 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 during the current period. 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 issuance are reported as other financing uses.

n. **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arizona State Retirement System Defined Benefit Plan (ASRS) and Public Safety Personnel Retirement System (PSPRS) and additions to/deductions from ASRS and PSPRS's fiduciary net position have been determined on the same basis as they are reported by ASRS and PSPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

o. **Fund Balance Policies**

In the fund financial statements, fund balance is reported in classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications of fund balance are Nonspendable, Restricted, Committed, Assigned, and Unassigned. Nonspendable and Restricted fund balances represent restricted classifications and Committed, Assigned, and Unassigned represent unrestricted classifications.

Nonspendable fund balance includes amounts that cannot be spent because either 1) it is not in a spendable form, such as inventory or prepaid items or 2) it is legally or contractually required to be maintained intact. Restricted fund balance has externally (outside the City) enforceable limitations imposed by creditors, grantors, contributors, laws and regulations of other governments, or laws through constitutional provisions or enabling legislation (changes in City Charter). Committed fund balance has self-imposed limitations imposed at the highest level of decision making authority, namely, Mayor and Council. Mayor and Council approval is required by resolution to commit resources or to rescind the commitment. Assigned fund balance represents limitations imposed by management. Assigned fund balance requests are submitted to the Chief Financial Officer for

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approval/nonapproval. City Charter authorizes the City Manager or Designee the authority to perform all financial transactions. The City Manager has authorized the Chief Financial Officer this responsibility. Unassigned fund balance represents the residual net resources in excess of the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance.

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

p. **Statement of Cash Flows**

A statement of cash flows classifies cash receipts and payments according to whether they stem from operating, non-capital financing, capital and related financing, or investing activities.

For purposes of the statements of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. This includes repurchase agreements and all monies in the State Treasurer's Local Government Investment Pool since the City may deposit or withdraw cash at any time without prior notice or penalty.

q. **Contingency Services**

The principal purpose of a contingency is to cover any unforeseen expenditures that may arise after the budget is adopted, and to cover expenditures resulting from prior year encumbrances. It is impossible to estimate revenues exactly or to determine in a prior year the exact expenditure of each program or activity for the ensuing year. Thus a contingency is essential for budgetary purposes.

Any balance of a contingency appropriation not used during one fiscal year is available to help finance the following year's budget. The contingency applications are reflected in the budget basis financial statements for the fiscal year ended June 30, 2016 and are made in accordance with State Statutes.

r. **Property Taxes**

The City's secondary 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 after November 1 and after May 1, respectively. A lien attaches to the property on the first day of January preceding the assessment and levy of taxes. Delinquent amounts bear interest at the rate of 16 percent. 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.

Secondary property taxes are levied to pay principal and interest on bonded indebtedness. The dollar amount of the secondary property tax is "unlimited" and the actual full cash value of property is used in determining the tax rate.

In fiscal year 2015-2016, current property tax collections were \$32,894,474 or 98.10% of the tax levy, and were recognized as revenue when received. At fiscal year end, the delinquent property tax is recorded as a receivable. Revenue is recognized for those payments expected to be collected within 60 days and the remaining balance is reported as unavailable revenue. The receivable at



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June 30, 2016 was \$907,249 of which \$435,548 was recorded as revenue and \$471,701 as unavailable revenue.

s. **New Accounting Pronouncements**

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The City implemented this Statement in fiscal year 2016. See Note 4 for the current year effect of implementing GASB Statement No. 72.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, improves the usefulness of information about pensions included in the financial reports of governments for making decisions and assessing accountability. The City has implemented this Statement in fiscal year 2016 with no impact.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the financial reports of governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. The City will implement this Statement in fiscal year 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, improves accounting and financial reporting by governments for postemployment benefits other than pensions. It also improves information provided by governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This Statement is effective for fiscal years beginning after June 15, 2017. The City will implement this Statement in fiscal year 2018.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, identifies the hierarchy of generally accepted accounting principles and the framework for selecting those principles reducing the GAAP hierarchy to two categories of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The City has implemented this Statement in fiscal year 2016 with no impact.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The City will implement this Statement in fiscal year 2017.

CITY OF MESA, ARIZONA  
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GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, amends Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The City is not a participant in this type of pension plan and therefore has early implemented this statement in fiscal year 2016 with no effect.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement also adds additional note disclosure requirements for governments that participate in those pools. The City has implemented this Statement in fiscal year 2016 with no impact.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, amends the blending requirements for certain component units. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The City will implement this Statement in fiscal year 2017.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, provides recognition and measurement guidance for situations in which a government is a beneficiary of an irrevocable split-interest agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. The City will implement this Statement in fiscal year 2017.

GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The City has early implemented this statement in fiscal year 2016 with no effect.

Implementation Guide No. 2015-1, provides guidance that clarifies, explains, or elaborates on GASB Statements and Interpretations and supersedes all previously issued Implementation Guides, including the 2013-2014 Comprehensive Implementation Guide. The requirements of this Implementation Guide were implemented by the City in fiscal year 2016 with no effect.

Implementation Guide No. 2016-1, *Implementation Guidance Update – 2016*, provides guidance that clarifies, explains or elaborates on GASB Statements and Interpretations and amends, removes, supersedes, or adds questions not originally contained in Implementation Guide No. 2015-1. The requirements of this Implementation Guide are effective for reporting periods beginning after June 15, 2016. The City will implement this Implementation Guide in fiscal year 2017.

Although expected to be significant, the City has not fully determined the effects that implementation of Statements No. 74 and 75 will have on the City's financial statements. The City has also not fully determined the effects that implementation of Statements No. 77 and 80, and the Implementation Guide No. 2016-1 will have on the City's financial statements.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
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**2. RECONCILIATION OF GOVERNMENTAL FUND FINANCIAL STATEMENTS TO  
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The governmental fund financial statements are presented on a current financial resources measurement focus and modified accrual accounting basis while the government-wide financial statements are prepared on a long-term economic resources measurement focus and accrual accounting basis. Reconciliations briefly explaining the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements immediately follow each governmental fund financial statement.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Reconciliation of the Governmental Funds Balance Sheet to the government-wide Statement of Net Position (in thousands):

|  | Total<br>Governmental<br>Funds | Long-term<br>Assets/<br>Liabilities (1) | Internal<br>Service<br>Funds (2) | Reclassifications<br>and<br>Eliminations | Statement of<br>Net Position<br>Total |
|--|--------------------------------|---|----------------------------------|--|---------------------------------------|
| <b>Assets</b>                                      |                                |   |                                  |  |                                       |
| Pooled Cash and Investments                        | \$ 200,422                     | \$ -                                    | \$ 65,350                        | \$ -                                     | \$ 265,772                            |
| Account and Misc Receivables, Net                  | 23,264                         | -                                       | 470                              | -  | 23,734                                |
| Accrued Interest Receivable                        | 404                            | -                                       | 97                               | -  | 501                                   |
| Due from Other Governments                         | 18,492                         | -                                       | 5                                | -  | 18,497                                |
| Advances to Other Funds                            | 1,414                          | -                                       | -                                | (4,187)                                  | (2,773)                               |
| Inventory  | -                              | -                                       | 5,897                            | -  | 5,897                                 |
| Prepaid Costs □                                    | 2,698                          | -                                       | 746                              | -  | 3,444                                 |
| Deposits   | 758                            | -                                       | 69                               | -  | 827                                   |
| Restricted Assets:                                 |                                |   |                                  |  |                                       |
| Pooled Cash and Investments                        | 10,900                         | -                                       | -                                | -  | 10,900                                |
| Cash with Fiscal Agent                             | 37,579                         | -                                       | -                                | -  | 37,579                                |
| Cash with Trustee                                  | 8,761                          | -                                       | -                                | -  | 8,761                                 |
| Accounts Receivable                                | 11,616                         | -                                       | -                                | -  | 11,616                                |
| Due from Other Governments                         | 907                            | -                                       | -                                | -  | 907                                   |
| Investment in Joint Ventures                       | -                              | 177,716                                 | -                                | -  | 177,716                               |
| Capital Assets                                     | -                              | 1,408,008                               | 1,931                            | -  | 1,409,939                             |
| Total Assets                                       | <u>317,215</u>                 | <u>1,585,724</u>                        | <u>74,565</u>                    | <u>(4,187)</u>                           | <u>1,973,317</u>                      |
| <b>Deferred Outflows of Resources</b>              |                                |   |                                  |  |                                       |
| Deferred Amounts on Refunding                      | -                              | 7,700                                   | -                                | -  | 7,700                                 |
| Pensions   | -                              | 104,251                                 | 1,150                            | -  | 105,401                               |
| Total Deferred Outflows of Resources               | <u>-</u>                       | <u>111,951</u>                          | <u>1,150</u>                     | <u>-</u>                                 | <u>113,101</u>                        |
| Total Assets and Deferred Outflows<br>of Resources | <u>\$ 317,215</u>              | <u>\$ 1,697,675</u>                     | <u>\$ 75,715</u>                 | <u>\$ (4,187)</u>                        | <u>\$ 2,086,418</u>                   |
| <b>Liabilities</b>                                 |                                |   |                                  |  |                                       |
| Accounts Payable and Accrued Liabilities           | \$ 23,626                      | \$ -                                    | \$ 2,418                         | \$ -                                     | \$ 26,044                             |
| Claims Payable                                     | -                              | -                                       | 38,448                           | -  | 38,448                                |
| Advances from Other Funds                          | 4,187                          | -                                       | -                                | (4,187)                                  | -                                     |
| Customer and Defendant Deposits                    | 6,916                          | -                                       | -                                | -  | 6,916                                 |
| Compensated Absences                               | 589                            | -                                       | -                                | -  | 589                                   |
| Restricted Bond Interest Payable                   | 8,885                          | -                                       | -                                | -  | 8,885                                 |
| Restricted Unearned Revenue                        | 12,010                         | -                                       | -                                | -  | 12,010                                |
| Matured Bonds Payable                              | 28,743                         | -                                       | -                                | -  | 28,743                                |
| Pension  | -                              | 622,412                                 | 12,002                           | -  | 634,414                               |
| Long-term Liabilities                              | -                              | 901,342                                 | 11,043                           | -  | 912,385                               |
| Total Liabilities                                  | <u>84,956</u>                  | <u>1,523,754</u>                        | <u>63,911</u>                    | <u>(4,187)</u>                           | <u>1,668,434</u>                      |
| Deferred Inflows of Resources                      |                                |   |                                  |  |                                       |
| Unavailable Revenue                                | 13,244                         | (13,244)                                | -                                | -  | -                                     |
| Pension  | -                              | 36,705                                  | 1,176                            | -  | 37,881                                |
| Total Deferred Inflows of Resources □              | <u>13,244</u>                  | <u>23,461</u>                           | <u>1,176</u>                     | <u>-</u>                                 | <u>37,881</u>                         |
| <b>Fund Balance/Net Position</b>                   |                                |   |                                  |  |                                       |
| Total Fund Balance/Net Position                    | <u>219,015</u>                 | <u>150,460</u>                          | <u>10,628</u>                    | <u>-</u>                                 | <u>380,103</u>                        |
| Total Liabilities and Fund<br>Balance/Net Position | <u>\$ 317,215</u>              | <u>\$ 1,697,675</u>                     | <u>\$ 75,715</u>                 | <u>\$ (4,187)</u>                        | <u>\$ 2,086,418</u>                   |

CITY OF MESA, ARIZONA  
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- (1) Investment in joint ventures that are to be used in governmental activities are also reported in the governmental funds as expenditures as constructed. These assets are included in the statement of net position for the City as a whole.

|                              |            |
|------------------------------|------------|
| Investment in joint ventures | \$ 177,716 |
|------------------------------|------------|

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

|                          |                     |
|--------------------------|---------------------|
| Costs of capital assets  | \$ 2,284,019        |
| Accumulated depreciation | (876,011)           |
| Total                    | <u>\$ 1,408,008</u> |

Deferred outflows consist of items that will consume net position in a future reporting period(s) and do not meet the definition of an asset. Deferred amounts on refunding result from the difference between the carrying value of refunded debt and its reacquisition price. The pension-related amounts result from differences between expected and actual experience, changes of assumptions or other inputs, the difference between projected and actual investment earnings, and contributions made to the pension plan from the employer subsequent to the measurement date of the net pension liability and before the end of the reporting period.

|                              |                   |
|------------------------------|-------------------|
| Deferred charge on refunding | \$ 7,700          |
| Pensions                     | 104,251           |
| Total                        | <u>\$ 111,951</u> |

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

|                           |                     |
|---------------------------|---------------------|
| Bonds payable             | \$ 464,855          |
| Compensated absences      | 26,788              |
| Post-employment benefits  | 396,132             |
| Unamortized bond premiums | 13,567              |
| Pension liability         | 622,412             |
| Total                     | <u>\$ 1,523,754</u> |

Unavailable revenues shown on the governmental fund statements are not deferred on the statement of net position.

|  |                  |
|--|------------------|
| Unavailable property tax revenues      | \$ 472           |
| Unavailable special assessment revenue | 11,515           |
| Receivables not yet collected          | 1,257            |
| Total                                  | <u>\$ 13,244</u> |

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Deferred inflows relating to pensions represent a future acquisition of net position that is not reported in the funds.

|                             |                  |
|-----------------------------|------------------|
| Deferred Inflows – Pensions | <u>\$ 36,705</u> |
|-----------------------------|------------------|

- (2) Internal service funds are used by management to charge the costs of certain activities, such as fleet support, materials and supplies, printing and graphics, and self-insurance, to the individual funds. The assets, liabilities, deferred inflows and deferred outflows of the internal service funds are included in the governmental activities in the statement of net position, but are not included on the governmental funds balance sheet.

|                              |                  |
|------------------------------|------------------|
| Internal Service Funds total | <u>\$ 10,628</u> |
|------------------------------|------------------|

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Government-wide Statement of Activities (in thousands):

|   | Total<br>Governmental<br>Funds | Long-term<br>Revenues/<br>Expenses(1) | Capital -<br>Related<br>Items(2) | Internal<br>Service<br>Funds(3) | Long-term<br>Debt (4) | Eliminations<br>(5) | Statement<br>of<br>Activities |
|---|--------------------------------|---------------------------------------|----------------------------------|---------------------------------|-----------------------|---------------------|-------------------------------|
| <b>Revenues and Other Sources</b>                     |                                |                                       |                                  |                                 |                       |                     |                               |
| Revenues:   |                                |                                       |                                  |                                 |                       |                     |                               |
| Sales Taxes   | \$ 151,826                     | \$ -                                  | \$ -                             | \$ -                            | \$ -                  | \$ -                | \$ 151,826                    |
| Property Taxes  | 34,765                         | (940)                                 | -                                | -                               | -                     | -                   | 33,825                        |
| Occupancy Taxes                                       | 2,331                          | -                                     | -                                | -                               | -                     | -                   | 2,331                         |
| Special Assessments                                   | 1,433                          | 7,952                                 | -                                | -                               | -                     | -                   | 9,385                         |
| Licenses and Permits                                  | 23,254                         | -                                     | -                                | -                               | -                     | -                   | 23,254                        |
| Intergovernmental                                     | 191,360                        | -                                     | -                                | -                               | -                     | -                   | 191,360                       |
| Charges for Services                                  | 38,178                         | -                                     | -                                | -                               | -                     | -                   | 38,178                        |
| Fines and Forfeitures                                 | 11,049                         | -                                     | -                                | -                               | -                     | -                   | 11,049                        |
| Investment Income                                     | 1,483                          | -                                     | -                                | 727                             | -                     | -                   | 2,210                         |
| Contributions   | 961                            | -                                     | 44,935                           | 19,308                          | -                     | -                   | 65,204                        |
| Miscellaneous   | 3,994                          | 1,257                                 | -                                | 757                             | -                     | -                   | 6,008                         |
| Other Sources:  |                                |                                       |                                  |                                 |                       |                     |                               |
| Transfers In  | 122,572                        | -                                     | 4,040                            | -                               | -                     | (24,298)            | 102,314                       |
| Face Amount of Bonds Issued                           | 89,834                         | -                                     | -                                | -                               | (89,834)              | -                   | -                             |
| Premiums on Issuance of Bonds                         | 2,283                          | -                                     | -                                | -                               | (2,283)               | -                   | -                             |
| Total Revenue and Other Sources                       | <u>\$ 675,323</u>              | <u>\$ 8,269</u>                       | <u>\$ 48,975</u>                 | <u>\$ 20,792</u>                | <u>\$ (92,117)</u>    | <u>\$ (24,298)</u>  | <u>\$ 636,944</u>             |
| <b>Expenditures/Expenses and Other Financing Uses</b> |                                |                                       |                                  |                                 |                       |                     |                               |
| Expenditures/Expenses:                                |                                |                                       |                                  |                                 |                       |                     |                               |
| Current:  |                                |                                       |                                  |                                 |                       |                     |                               |
| General Government                                    | \$ 79,448                      | \$ 2,067                              | \$ 8,014                         | \$ 13,420                       | \$ (6,089)            | \$ -                | \$ 96,860                     |
| Public Safety   | 254,528                        | 27,389                                | 11,463                           | 11,996                          | -                     | -                   | 305,376                       |
| Community Environment                                 | 65,559                         | 1,100                                 | 49,424                           | 1,037                           | -                     | -                   | 117,120                       |
| Cultural-Recreational                                 | 43,651                         | 952                                   | 9,059                            | 1,305                           | -                     | -                   | 54,967                        |
| Debt Service:   |                                |                                       |                                  |                                 |                       |                     |                               |
| Principal   | 107,383                        | -                                     | -                                | -                               | (107,383)             | -                   | -                             |
| Interest on Bonds                                     | 18,581                         | -                                     | -                                | -                               | -                     | -                   | 18,581                        |
| Interest on Notes                                     | 324                            | -                                     | -                                | -                               | -                     | -                   | 324                           |
| Service Charge  | 14                             | -                                     | -                                | -                               | -                     | -                   | 14                            |
| Cost of Issuance                                      | 1,505                          | -                                     | -                                | -                               | -                     | -                   | 1,505                         |
| Capital Outlay  | 91,784                         | -                                     | (91,784)                         | -                               | -                     | -                   | -                             |
| Other Financing Uses:                                 |                                |                                       |                                  |                                 |                       |                     |                               |
| Transfers Out   | 24,298                         | -                                     | 166                              | -                               | -                     | (24,298)            | 166                           |
| Pmt to Ref Bond Escrow Agent                          | 49,693                         | -                                     | -                                | -                               | (49,693)              | -                   | -                             |
| Total Expenditures/Expenses<br>& Other Financing Uses | <u>736,768</u>                 | <u>31,508</u>                         | <u>(13,658)</u>                  | <u>27,758</u>                   | <u>(163,165)</u>      | <u>(24,298)</u>     | <u>594,913</u>                |
| Net Change for the Year                               | <u>\$ (61,445)</u>             | <u>\$ (23,239)</u>                    | <u>\$ 62,633</u>                 | <u>\$ (6,966)</u>               | <u>\$ 71,048</u>      | <u>\$ -</u>         | <u>\$ 42,031</u>              |

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 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

- (1) Revenues in the statement of activities that do not provide current financial resources include unavailable revenues. Revenues that are “unavailable” and do not provide current financial resources are not reported in the governmental funds. However, the subsequent collection of these revenues in the governmental funds will reduce the amount reported in the statement of activities.

|                            |                 |
|----------------------------|-----------------|
| Property tax revenue       | \$ (940)        |
| Special assessment revenue | 7,952           |
| Unavailable revenue        | <u>1,257</u>    |
| Total                      | <u>\$ 8,269</u> |

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

|   |                  |
|---|------------------|
| Accrual of long-term compensated absences | \$ 860           |
| Accrual of post-employment benefits       | 23,766           |
| Pension Expense                           | <u>52,781</u>    |
| Total                                     | <u>\$ 77,407</u> |

Current-year pension contributions are reclassified to deferred outflows of resources, and therefore are not reported as expenditures in governmental funds.

|   |                    |
|---|--------------------|
| Deferral of current year pension contribution | <u>\$ (45,899)</u> |
|---|--------------------|

- (2) When capital assets that are to be used in the 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 useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of the financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.

|                                   |                  |
|-----------------------------------|------------------|
| Capital outlay for capital assets | \$ 91,784        |
| Depreciation expense              | <u>(68,671)</u>  |
| Total                             | <u>\$ 23,113</u> |

The net effect of miscellaneous transactions involving capital assets (donations, transfers and disposals) and investment in joint venture activity is to increase net position.

|   |                  |
|---|------------------|
| Change in equity interest for joint venture | \$ 24,659        |
| Donated capital and transfers               | <u>14,861</u>    |
| Total                                       | <u>\$ 39,520</u> |



CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

- (3) Internal service funds are used by management to charge the costs of certain activities, such as fleet support, materials and supplies, printing and graphics, and self-insurance, to the individual funds. The adjustments for internal service funds “close” those funds by charging the additional amounts to participating governmental activities to completely cover the internal service funds’ costs for the year.

|                             |    |                |
|-----------------------------|----|----------------|
| Revenue and other sources   | \$ | 20,792         |
| Expenditures and other uses |    | (27,758)       |
| Change in net position      | \$ | <u>(6,966)</u> |

- (4) Bond and note proceeds are reported as financing sources and the repayment of principal consumes financial resources in the governmental funds. Neither transaction has any effect on the statement of activities.

|  |    |               |
|--|----|---------------|
| New debt issued (including refunded debt): |    |               |
| General Obligation bond proceeds           | \$ | (81,004)      |
| Community Facilities District Bonds        |    | (8,830)       |
| Principal repayments                       |    | 107,383       |
| Payment to refunded bond escrow accounts   |    | 46,281        |
| Total                                      | \$ | <u>63,830</u> |

Governmental funds report bond premiums and deferred amounts relating to refunding when first issued. In the statement of activities these amounts are amortized.

|  |    |              |
|--|----|--------------|
| Amortization of deferred refunding amounts | \$ | 3,412        |
| Amortization of bond premiums              |    | 7,051        |
| Premiums on bonds                          |    | (2,283)      |
| Deferred Amounts on refunding              |    | (962)        |
| Total                                      | \$ | <u>7,218</u> |

- (5) Interfund transfers between governmental activities, other than Internal Service Funds, are eliminated in the consolidation of these activities for the statement of activities. The elimination is reflected as a reduction of transfers in and transfers out to eliminate the doubling up effect of these transactions within the governmental activities. Elimination of transfers to/from the Internal Service Funds is netted into the results of the Internal Service Funds in (3) above.

|               |    |          |
|---------------|----|----------|
| Transfers out | \$ | (24,298) |
| Transfers in  |    | 24,298   |
| Total         | \$ | <u>-</u> |

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**3. FUND BALANCE**

As of June 30, 2016 the fund balance details by classification are listed below (in thousands):

|                             | General          | Highway<br>Project<br>Advancement | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------------|------------------|-----------------------------------|------------------------------------|--------------------------------|
| <b>Fund Balances:</b>       | <b>Fund</b>      | <b>Notes</b>                      |                                    |                                |
| <b>Nonspendable:</b>        |                  |                                   |                                    |                                |
| Prepaid Costs               | \$ 2,621         | \$ -                              | \$ 77                              | \$ 2,698                       |
| Advances to Other Funds     | 1,414            | -                                 | -                                  | 1,414                          |
| Nonspendable Sub-total      | 4,035            | -                                 | 77                                 | 4,112                          |
| <b>Restricted:</b>          |                  |                                   |                                    |                                |
| Arts & Culture              | 184              | -                                 | -                                  | 184                            |
| Capital Projects            | -                | -                                 | 25,931                             | 25,931                         |
| Community Facility District | -                | -                                 | 22                                 | 22                             |
| Court                       | -                | -                                 | 1,279                              | 1,279                          |
| Debt Service                | -                | 8,447                             | 4,388                              | 12,835                         |
| Fire                        | -                | -                                 | 3,338                              | 3,338                          |
| Housing                     | -                | -                                 | 664                                | 664                            |
| Library                     | -                | -                                 | 313                                | 313                            |
| Police                      | -                | -                                 | 3,501                              | 3,501                          |
| Transportation Programs     | -                | -                                 | 47,818                             | 47,818                         |
| Restricted Sub-total        | 184              | 8,447                             | 87,254                             | 95,885                         |
| <b>Committed To:</b>        |                  |                                   |                                    |                                |
| Arts & Culture              | -                | -                                 | 1,129                              | 1,129                          |
| Capital Projects            | -                | -                                 | 4,533                              | 4,533                          |
| Cemetery                    | 193              | -                                 | 6,863                              | 7,056                          |
| Debt Service                | -                | -                                 | 2,618                              | 2,618                          |
| Development Services        | -                | -                                 | 995                                | 995                            |
| Economic Development        | 34               | -                                 | -                                  | 34                             |
| Environmental Compliance    | -                | -                                 | 9,494                              | 9,494                          |
| Parks & Recreation          | -                | -                                 | 49                                 | 49                             |
| Vehicle Replacement         | -                | -                                 | 2,899                              | 2,899                          |
| Committed To Sub-total      | 227              | -                                 | 28,580                             | 28,807                         |
| <b>Assigned To:</b>         |                  |                                   |                                    |                                |
| Development Services        | 27               | -                                 | -                                  | 27                             |
| Economic Development        | 2,010            | -                                 | -                                  | 2,010                          |
| General Government          | 5,023            | -                                 | 6                                  | 5,029                          |
| Parks & Recreation          | 398              | -                                 | -                                  | 398                            |
| Police                      | 3,245            | -                                 | -                                  | 3,245                          |
| Assigned To Sub-total       | 10,703           | -                                 | 6                                  | 10,709                         |
| <b>Unassigned</b>           | 79,657           | -                                 | (155)                              | 79,502                         |
| <b>Total Fund Balances</b>  | <b>\$ 94,806</b> | <b>\$ 8,447</b>                   | <b>\$ 115,762</b>                  | <b>\$ 219,015</b>              |

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The Mayor and Council has established a minimum fund balance policy for the General Fund of eight to ten percent of budgeted expenditures. The fund balance in the General Fund as of June 30, 2016 as reported in Exhibit B-6 is 13.4% of General Fund expenditures budgeted for fiscal year 2015-2016.

**4. POOLED CASH AND INVESTMENTS**

Total Pooled City Cash and Investments at fair value are as follows (in thousands):

|   |    |                |
|---|----|----------------|
| Cash on Hand                              | \$ | 136            |
| Carrying Amount of City Deposits          |    | 47,371         |
| Investment in Insured Cash Sweep Accounts |    | 41,036         |
| Investments in Local Govt Invest Pool     |    | 44,257         |
| Cash with Trustee (1)                     |    | 8,822          |
| Cash with Fiscal Agent (2)                |    | 77,969         |
| Long-Term Investments                     |    | 343,292        |
| Pooled Cash and Investments               |    | 562,883        |
| Less: Cash in Agency Fund                 |    | (10,236)       |
| Total City Pooled Cash and Investments    | \$ | <u>552,647</u> |

(1) Represents bond and note proceeds held with trustee in compliance with bond/note agreements. Proceeds are invested in the Local Govt Investment Pool and are used by the City for authorized capital projects.

(2) Represents cash sent by the City to fiscal agents on June 30, 2016 for debt service payments due to bondholders on July 1, 2016.

**Deposits**

At year-end, the City's cash totaled \$47,506,310 which included \$135,805 of petty cash. The carrying amount of the City's deposits was \$47,370,505 and the bank balance was \$51,209,621. The difference of \$3,839,116 represents outstanding checks and deposits in transit.

***Custodial Risk***

Cash deposits are subject to custodial risk. Custodial risk is the risk that in the event of bank failure, the city's deposits may not be returned. To mitigate this risk, on July 1, 2014 Arizona House Bill 2619 Arizona Revised Statute (§35-1201 et. seq.) went into effect establishing a pooled collateral program for public deposits and creating a Statewide Collateral Pool Administrator (the "Administrator") in the State Treasurer's Office. The purpose of this Bill is to ensure that public deposits of governmental entities placed with participating banks are backed with collateral of 102% of the amount on deposit less applicable FDIC Deposit Insurance. The Administrator will monitor, audit and report on each bank's compliance. Collateral under this program is pledged in the name of the Administrator and the City's current bank is a participant in this program. The City's cash balances on deposit as of June 30, 2016 are covered under House Bill 2619.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**Investments**

The City's Investment Policy is consistent with the City Charter which authorizes the investment of City funds in accordance with Arizona Revised Statute §35-313. These investments include obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, towns or duly organized school districts, improvement districts in this state, State Treasurer's Investment Pool, and investment grade corporate bonds, debentures, notes and other evidence of indebtedness issued or guaranteed by solvent U.S. corporations which are not in default as to principal or interest.

*Interest Rate Risk*

The City's investment policy for limiting its exposure from rising interest rates complies with Arizona Revised Statute §35-323, which limits investments of public monies to maturities of five years or less.

*Credit Risk*

The City's investment policy limits its purchase of investments to the top ratings issued by nationally recognized statistical ratings organizations such as Standard & Poor's "S&P" and Moody's Investors Service "Moody's". The City's portfolio is primarily invested in securities issued by the U.S. Treasury and by U.S. Government Agency; Securities which are rated Aaa by Moody's and AA+ by S&P.

The City's portfolio also invests in Corporate Notes rated "A" or better by Standard & Poor's and participates in the State Treasurer's Investment Pool (LGIP), which is overseen according to Arizona State Statute by the State Board of Deposit. Within the State Treasurer's Investment Pools, the City participates in Investment Pools 7 and 700. Pool 7 is a short-term fund and Pool 700 is a medium-term fund; both funds invest only in products backed by the full faith and credit of the United States Government. The Pools carried weighted average credit ratings of AAA. The City also maintains short-term investments in FDIC Insured Cash Sweep Accounts held by two local banks.

The City's investment in their own Special Improvement District bonds have no credit rating.

*Fair Value of Investments*

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

At June 30, 2016 the City had the following recurring fair value measurements (in thousands):

| <u>Investment by Fair Value Level</u>            | Fair Value       | <u>Fair Value Measurements Using:</u> |                 |                |
|--|------------------|---------------------------------------|-----------------|----------------|
|  | <u>6/30/2016</u> | <u>Level 1</u>                        | <u>Level 2</u>  | <u>Level 3</u> |
| <b><u>Debt Securities</u></b>                    |                  |                                       |                 |                |
| U.S. Treasuries                                  | \$ 118,216       | \$118,216                             | \$ -            | \$ -           |
| U.S. Agencies:                                   |                  |                                       |                 |                |
| Federal Home Loan Bank                           | 38,218           | 38,218                                | -               | -              |
| Federal Home Loan Mortgage Corp.                 | 28,056           | 28,056                                | -               | -              |
| Federal National Mortgage Assn                   | 90,919           | 90,919                                | -               | -              |
| Tennessee Valley Authority                       | 2,594            | 2,594                                 | -               | -              |
| Corporate Notes                                  |                  |                                       | -               | -              |
| Apple, Inc.                                      | 5,012            | 5,012                                 | -               | -              |
| Bank of New York Mellon Inc.                     | 5,050            | 5,050                                 | -               | -              |
| Cisco Systems Inc.                               | 2,836            | 2,836                                 | -               | -              |
| General Electric Co.                             | 4,756            | 4,756                                 | -               | -              |
| American Honda Finance Corp.                     | 5,049            | 5,049                                 | -               | -              |
| Pepsico Inc.                                     | 995              | 995                                   | -               | -              |
| Texas Instruments Inc.                           | 5,014            | 5,014                                 | -               | -              |
| Wells Fargo & Company                            | 4,475            | 4,475                                 | -               | -              |
| Chevron Corp                                     | 3,388            | 3,388                                 | -               | -              |
| JP Morgan Chase & Corp                           | 3,385            | 3,385                                 | -               | -              |
| Toyota Motor Credit Co                           | 3,370            | 3,370                                 | -               | -              |
| Commercial Paper                                 |                  |                                       |                 |                |
| Bank of Tokyo Mitsubishi                         | 6,720            | 6,720                                 | -               | -              |
| Bank of Montreal Chicago                         | 6,701            | 6,701                                 | -               | -              |
| BNP Paribas NY                                   | 6,701            | 6,701                                 | -               | -              |
| City of Mesa Special Improvement                 |                  |                                       |                 |                |
| District Bonds                                   | 1,836            | -                                     | 1,836           | -              |
| JP Morgan MMF                                    | 1                | 1                                     | -               | -              |
| FDIC Insured Cash Sweep Money Market Funds       | 41,036           | 41,036                                | -               | -              |
|  |                  |                                       |                 |                |
| Total Debt Securities at Fair Value              | <u>384,328</u>   | <u>\$382,492</u>                      | <u>\$ 1,836</u> | <u>\$ -</u>    |
| <b><u>Investments Measured at Fair Value</u></b> |                  |                                       |                 |                |
| Arizona State Treasurers Investment Pool:        |                  |                                       |                 |                |
| State of Arizona Pool 7                          | 33,640           |                                       |                 |                |
| State of Arizona Pool 700                        | <u>10,617</u>    |                                       |                 |                |
| Total Investments Measured at Fair Value:        | <u>44,257</u>    |                                       |                 |                |
|  |                  |                                       |                 |                |
| Total Investments Measured At Fair Value:        | \$ 428,585       |                                       |                 |                |

Debt classified in Level 1 are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 are valued using quoted prices for similar securities in active markets.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Investments valued using the net asset value (NAV) per share (or its equivalent) are City investments in Arizona State Treasurers Investment Pool (LGIP) and unlike more traditional investments, generally do not have readily obtainable market values. Investments valued at NAV utilized Net Asset Values as provided by State of Arizona Treasurer's Office at June 30, 2016.

The City's investments at June 30, 2016 are as follows (in thousands):

| Investment Type                  | Fair Value       | Investment Maturities (in Years) |                  |                   | Concentration<br>of Credit Risk<br>% |
|----------------------------------|------------------|----------------------------------|------------------|-------------------|--------------------------------------|
|                                  |                  | Less Than 1                      | 1-2              | More than 2       |                                      |
| U.S. Treasuries                  | \$118,216        | \$ 7,332                         | \$ 43,729        | \$ 67,155         | 34.44%                               |
| U.S. Agencies:                   |                  |                                  |                  |                   |                                      |
| Federal Home Loan Bank           | 38,218           | 6,643                            | 24,606           | 6,969             | 11.13%                               |
| Federal Home Loan Mortgage Corp. | 28,056           | 6,848                            | 16,897           | 4,311             | 8.17%                                |
| Federal National Mortgage Assn   | 90,919           | 15,393                           | 15,554           | 59,972            | 26.48%                               |
| Tennessee Valley Authority       | 2,594            | 2,594                            | -                | -                 | 0.76%                                |
| Corporate Notes                  |                  |                                  |                  |                   |                                      |
| Apple, Inc.                      | 5,012            | -                                | 5,012            | -                 | 1.46%                                |
| Bank of New York Mellon Inc.     | 5,050            | -                                | 5,050 *          | -                 | 1.47%                                |
| Cisco Systems Inc.               | 2,836            | -                                | 2,836            | -                 | 0.83%                                |
| General Electric Co.             | 4,756            | -                                | 4,756            | -                 | 1.39%                                |
| American Honda Finance Corp.     | 5,049            | -                                | 5,049            | -                 | 1.47%                                |
| Pepsico Inc.                     | 995              | -                                | 995              | -                 | 0.29%                                |
| Texas Instruments Inc.           | 5,014            | -                                | 5,014            | -                 | 1.46%                                |
| Wells Fargo & Company            | 4,475            | -                                | 4,475            | -                 | 1.30%                                |
| Chevron Corp                     | 3,388            | -                                | -                | 3,388             | 0.99%                                |
| JP Morgan Chase & Corp           | 3,385            | -                                | -                | 3,385 **          | 0.99%                                |
| Toyota Motor Credit Co           | 3,370            | -                                | -                | 3,370             | 0.98%                                |
| Commercial Paper                 |                  |                                  |                  |                   |                                      |
| Bank of Tokyo Mitsubishi         | 6,720            | 6,720                            | -                | -                 | 1.96%                                |
| Bank of Montreal Chicago         | 6,701            | 6,701                            | -                | -                 | 1.95%                                |
| BNP Paribas NY                   | 6,701            | 6,701                            | -                | -                 | 1.95%                                |
| City of Mesa Special Improvement |                  |                                  |                  |                   |                                      |
| District Bonds                   | 1,836            | 343                              | 357              | 1,136             | 0.53%                                |
| JP Morgan MMF                    | 1                | 1                                | -                | -                 | 0.00%                                |
| Total                            | <u>\$343,292</u> | <u>\$ 59,276</u>                 | <u>\$134,330</u> | <u>\$ 149,686</u> | <u>100.00%</u>                       |

\* \$5,050 of these securities are callable on or after April 22, 2018

\*\* \$3,385 of these securities are callable on or after February 22, 2019

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**5. ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS**

Accounts receivable are recorded in the various funds and displayed in the financial statements net of an allowance for uncollectible accounts as follows (in thousands):

| <u>Fund</u>                           | <u>Receivables</u> | <u>Allowance</u>  | <u>Net</u>       |
|---------------------------------------|--------------------|-------------------|------------------|
| <b>Governmental Activities:</b>       |                    |                   |                  |
| General Fund:                         |                    |                   |                  |
| Taxes                                 | \$ 11,771          | \$ (2,038)        | \$ 9,733         |
| Courts                                | 5,917              | -                 | 5,917            |
| Other Customers                       | 6,434              | (3,514)           | 2,920            |
| Due from Other Governments:           |                    |                   |                  |
| State Shared Revenues                 | 5,932              | -                 | 5,932            |
| Other                                 | 440                | -                 | 440              |
| Non-Major Governmental Funds:         |                    |                   |                  |
| Taxes                                 | 4,025              | -                 | 4,025            |
| Other Customers                       | 669                | -                 | 669              |
| Restricted-Spec. Assessments          | 11,517             | -                 | 11,517           |
| Restricted-Other                      | 99                 | -                 | 99               |
| Restricted-Due from Other Governments | 907                | -                 | 907              |
| Due from Other Governments            | 12,120             | -                 | 12,120           |
| Internal Service Funds                |                    |                   |                  |
| Premiums                              | 159                | -                 | 159              |
| Other Customers                       | 311                | -                 | 311              |
| Due from Other Governments            | 5                  | -                 | 5                |
| Total Governmental Activities         | <u>\$ 60,306</u>   | <u>\$ (5,552)</u> | <u>\$ 54,754</u> |
| <b>Business-Type Activities:</b>      |                    |                   |                  |
| Utility Customers                     | \$ 26,736          | \$ (747)          | \$ 25,989        |
| Other Customers                       | 2,985              | (2,683)           | 302              |
| Due from Other Governments            | 3,167              | -                 | 3,167            |
| Total Business-type Activities        | <u>\$ 32,888</u>   | <u>\$ (3,430)</u> | <u>\$ 29,458</u> |

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Additionally, governmental funds record unearned revenue when resources have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable and unearned revenue reported in the governmental funds were as follows (in thousands):

|  | General<br>Fund | Highway<br>Project<br>Advancement<br>Notes | Non-Major<br>Funds |
|--|-----------------|--|--------------------|
| <b><u>Unearned Revenue</u></b>                                   |                 |  |                    |
| Mesa Arts Center advanced ticket sales                           | \$ 1,239        | \$ -                                       | \$ 59              |
| Grants received prior to meeting<br>all eligibility requirements | -               | -  | 2,257              |
| Amounts paid in advance  | 146             | 8,214                                      | 94                 |
|  | <u>\$ 1,386</u> | <u>\$ 8,214</u>                            | <u>\$ 2,410</u>    |

|                                   | General<br>Fund | Non-Major<br>Funds |
|-----------------------------------|-----------------|--------------------|
| <b><u>Unavailable Revenue</u></b> |                 |                    |
| Receivables not yet collected     | \$ 1,035        | \$ 222             |
| Delinquent Property Taxes         | -               | 472                |
| Special Assessments not yet due   | -               | 11,515             |
|                                   | <u>\$ 1,035</u> | <u>\$ 12,209</u>   |

**Unbilled Accounts Receivable**

Unbilled utility service receivables are recorded in the year in which the services are provided. At June 30, 2016, unbilled utility service receivables are recorded in the Enterprise Fund as follows (in thousands):

|             |                 |
|-------------|-----------------|
| Electric    | \$ 1,025        |
| Gas         | 782             |
| Water       | 5,183           |
| Wastewater  | 2,466           |
| Solid Waste | 1,941           |
|             | <u>\$11,397</u> |



CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The following advances are included in the fund financial statements at June 30, 2016 (in thousands):

| <b>Fund</b>                  | <b>Advances<br/>to<br/>Other Funds</b> | <b>Advances<br/>from<br/>Other Funds</b> |
|------------------------------|--|--|
| Governmental Funds:          |  |  |
| General Fund                 | \$ 1,414                               | \$ 2,773                                 |
| Non-major Governmental Funds | -                                      | 1,414                                    |
| Total Governmental Funds     | 1,414                                  | 4,187                                    |
| Proprietary Funds:           |  |  |
| Enterprise Fund              | 2,773                                  | -  |
| Total                        | <u>\$ 4,187</u>                        | <u>\$ 4,187</u>                          |

The advances at June 30, 2016 are long-term loans to the Development Impact Fees fund to cover expenses which exceeded revenues received, and an advance from the Enterprise Fund to the General Fund for property acquisition. The advances outstanding at June 30, 2016 are not expected to be repaid within one year.

The following interfund transfers are reflected in the fund financial statements for the year ended June 30, 2016 (in thousands):

| <b>Fund</b>                  | <b>Transfers Out</b> | <b>Transfers In</b> |
|------------------------------|----------------------|---------------------|
| Governmental Funds:          |                      |                     |
| General Fund                 | \$ 8,618             | \$ 101,863          |
| Non-major Governmental Funds | 15,680               | 20,709              |
| Total Governmental Funds     | 24,298               | 122,572             |
| Proprietary Funds:           |                      |                     |
| Enterprise Fund              | 101,325              | 3,051               |
| Total                        | <u>\$ 125,623</u>    | <u>\$ 125,623</u>   |

Transfers from business-type activities to governmental activities on the government-wide statement of activities include a \$99,671,000 operational subsidy from the Enterprise Fund to the General Fund. The remaining interfund transfers generally fall within one of the two following categories: 1) debt service payments made from a debt service fund but funded from an operating fund; and 2) subsidy transfers. In addition to the cash transfers, the City had capital asset transfers out of the business-type activities to the governmental activities in the amount of \$4,040,000 and capital asset transfers from the governmental activities to the business-type activities in the amount of \$166,000.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**7. CAPITAL ASSETS**

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2016 follows (in thousands):

|                                    | Balance<br>July 1, 2015 | Additions        | Retirements        | Transfers       | Balance<br>June 30, 2016 |
|------------------------------------|-------------------------|------------------|--------------------|-----------------|--------------------------|
| <b>Governmental Activities:</b>    |                         |                  |                    |                 |                          |
| Non-depreciable Assets:            |                         |                  |                    |                 |                          |
| Land                               | \$ 348,421              | \$ 35,322        | \$ (1)             | \$ -            | \$ 383,742               |
| Infrastructure                     | 3,308                   | 13               | -                  | -               | 3,321                    |
| Construction-in-Progress           | 56,961                  | 83,362           | (58,871)           | (166)           | 81,286                   |
| Total Non-depreciable Assets       | <u>408,690</u>          | <u>118,697</u>   | <u>(58,872)</u>    | <u>(166)</u>    | <u>468,349</u>           |
| Depreciable Assets:                |                         |                  |                    |                 |                          |
| Buildings                          | 325,289                 | 8,190            | -                  | 1,463           | 334,942                  |
| Other Improvements                 | 171,521                 | 12,543           | (1,593)            | 2,225           | 184,696                  |
| Machinery & Equipment              | 182,070                 | 16,814           | (4,224)            | -               | 194,660                  |
| Intangibles                        | 23,249                  | 2                | -                  | -               | 23,251                   |
| Infrastructure                     | 1,075,277               | 12,712           | -                  | 352             | 1,088,341                |
| Total Depreciable Assets           | <u>1,777,406</u>        | <u>50,261</u>    | <u>(5,817)</u>     | <u>4,040</u>    | <u>1,825,890</u>         |
| Less Accumulated Depreciation for: |                         |                  |                    |                 |                          |
| Buildings                          | (89,582)                | (6,669)          | -                  | -               | (96,251)                 |
| Other Improvements                 | (97,971)                | (8,127)          | 1,429              | -               | (104,669)                |
| Machinery & Equipment              | (125,447)               | (11,009)         | 4,181              | -               | (132,275)                |
| Intangibles                        | (7,431)                 | (5,276)          | -                  | -               | (12,707)                 |
| Infrastructure                     | (500,299)               | (38,099)         | -                  | -               | (538,398)                |
| Total Accum. Depreciation          | <u>(820,730)</u>        | <u>(69,180)</u>  | <u>5,610</u>       | <u>-</u>        | <u>(884,300)</u>         |
| Total Depreciable Assets, net      | <u>956,676</u>          | <u>(18,919)</u>  | <u>(207)</u>       | <u>4,040</u>    | <u>941,590</u>           |
| Governmental Activities            |                         |                  |                    |                 |                          |
| Capital Assets, net                | <u>\$1,365,366</u>      | <u>\$ 99,778</u> | <u>\$ (59,079)</u> | <u>\$ 3,874</u> | <u>\$ 1,409,939</u>      |

Depreciation and Amortization expense was charged to governmental functions in the government-wide financial statements as follows (in thousands):

|  |                 |
|--|-----------------|
| General Government   | \$ 7,709        |
| Public Safety  | 11,319          |
| Community Environment  | 40,698          |
| Cultural-Recreational  | 8,945           |
| Capital assets held by the City's Internal Service funds are charged to the various functions based on their usage of assets | <u>509</u>      |
|  | <u>\$69,180</u> |

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

|                                    | Balance<br>July 1, 2015 | Additions | Retirements | Transfers | Balance<br>June 30, 2016 |
|------------------------------------|-------------------------|-----------|-------------|-----------|--------------------------|
| <b>Business-type Activities:</b>   |                         |           |             |           |                          |
| Non-depreciable Assets:            |                         |           |             |           |                          |
| Land                               | \$ 54,333               | \$ 481    | \$ (1)      | \$ -      | \$ 54,813                |
| Water Rights                       | 17,560                  | -         | -           | -         | 17,560                   |
| Collections of Art                 | 106                     | -         | -           | -         | 106                      |
| Construction-in-Progress           | 98,052                  | 76,686    | (27,394)    | (4,040)   | 143,304                  |
| Total Non-depreciable Assets       | 170,051                 | 77,167    | (27,395)    | (4,040)   | 215,783                  |
| Depreciable Assets:                |                         |           |             |           |                          |
| Buildings                          | 100,758                 | 4,486     | -           | -         | 105,244                  |
| Other Improvements                 | 136,983                 | -         | -           | -         | 136,983                  |
| Machinery & Equipment              | 77,410                  | 9,338     | (636)       | 166       | 86,278                   |
| Intangibles                        | 27,753                  | -         | -           | -         | 27,753                   |
| Infrastructure                     | 1,750,740               | 12,065    | (405)       | -         | 1,762,400                |
| Total Depreciable Assets           | 2,093,644               | 25,889    | (1,041)     | 166       | 2,118,658                |
| Less Accumulated Depreciation for: |                         |           |             |           |                          |
| Buildings                          | (25,294)                | (2,285)   | -           | -         | (27,579)                 |
| Other Improvements                 | (49,773)                | (4,606)   | -           | -         | (54,379)                 |
| Machinery & Equipment              | (40,254)                | (8,865)   | 636         | -         | (48,483)                 |
| Intangibles                        | (19,955)                | (1,151)   | -           | -         | (21,106)                 |
| Infrastructure                     | (706,775)               | (50,976)  | 404         | -         | (757,347)                |
| Total Accum. Depreciation          | (842,051)               | (67,883)  | 1,040       | -         | (908,894)                |
| Total Depreciable Assets, net      | 1,251,593               | (41,994)  | (1)         | 166       | 1,209,764                |
| Business-type Activities           |                         |           |             |           |                          |
| Capital Assets, net                | \$1,421,644             | \$ 35,173 | \$ (27,396) | \$(3,874) | \$ 1,425,547             |

Depreciation and Amortization expense was charged to enterprise functions in the government-wide financial statements as follows (in thousands):

|                               |                  |
|-------------------------------|------------------|
| Electric                      | \$ 4,284         |
| Gas                           | 4,511            |
| Water                         | 28,552           |
| Wastewater                    | 20,213           |
| Solid Waste                   | 2,694            |
| Airport                       | 1,497            |
| Golf Course                   | 272              |
| Convention Center             | 253              |
| Hohokam Stadium/Fitch Complex | 1,782            |
| Cubs Stadium                  | 3,403            |
| District Cooling              | 422              |
|                               | <u>\$ 67,883</u> |

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Construction in progress and related construction commitments are composed of the following (in thousands):

| <b>Governmental Activities</b>    | <b>Construction<br/>in Progress</b> | <b>Commitments</b> |
|-----------------------------------|-------------------------------------|--------------------|
| General Government                | \$ 32,303                           | \$ 21,204          |
| Public Safety                     | 978                                 | 278                |
| Community Environment             | 45,203                              | 26                 |
| Cultural-Recreational             | 2,722                               | 77                 |
| Warehouse, Maintenance & Services | 80                                  | 2                  |
| Total                             | <u>\$ 81,286</u>                    | <u>\$ 21,587</u>   |

| <b>Business-type Activities</b> | <b>Construction<br/>in Progress</b> | <b>Commitments</b> |
|---------------------------------|-------------------------------------|--------------------|
| Electric                        | \$ 5,821                            | \$ 594             |
| Gas                             | 8,524                               | 451                |
| Water                           | 79,637                              | 17,053             |
| Wastewater                      | 26,811                              | 4,947              |
| Solid Waste                     | 7,465                               | 5,664              |
| Airport                         | 4,755                               | 797                |
| Golf Course                     | 199                                 | -                  |
| Convention Center               | 1,071                               | 63                 |
| Spring Training                 | 9,021                               | 194                |
| District Cooling                | -                                   | 6                  |
| Total                           | <u>\$ 143,304</u>                   | <u>\$ 29,769</u>   |

For the year ended June 30, 2016, the City capitalized net interest costs of \$4,192,327. Total interest expense in the Business-type Activities Enterprise Fund before capitalization was \$49,527,045.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**8. LONG-TERM OBLIGATIONS**

**a. Changes in Long-Term Obligations**

The following is a summary of changes in long-term obligations (in thousands).

|                                  | <b>Beginning<br/>Balances</b> | <b>Additions</b>  | <b>Reductions</b>   | <b>Ending<br/>Balances</b> | <b>Amounts<br/>Due Within<br/>One Year</b> |
|----------------------------------|-------------------------------|-------------------|---------------------|----------------------------|--|
| <b>Governmental Activities:</b>  |                               |                   |                     |                            |  |
| Bonds Payable:                   |                               |                   |                     |                            |  |
| General Obligation Bonds         | \$ 336,716                    | \$ 81,005         | \$ (67,161)         | \$ 350,560                 | \$ 22,737                                  |
| Highway User Revenue Bonds       | 100,285                       | -                 | (7,390)             | 92,895                     | 7,900                                      |
| Special Assessment Bonds         |                               |                   |                     |                            |  |
| with Governmental Commitment     | 2,830                         | -                 | (745)               | 2,085                      | 745  |
| Community Facility District      | 10,974                        | 8,830             | (489)               | 19,315                     | 511  |
| Total Bonds Payable              | <u>450,805</u>                | <u>89,835</u>     | <u>(75,785)</u>     | <u>464,855</u>             | <u>31,893</u>                              |
| Notes Payable                    | 77,835                        | -                 | (77,835)            | -                          | -  |
| Unamortized Premiums             | 18,376                        | 2,242             | (7,051)             | 13,567                     | -  |
| Post Employment Benefits         | 382,000                       | 39,935            | (15,417)            | 406,518                    | -  |
| Compensated Absences             | 26,575                        | 24,422            | (23,552)            | 27,445                     | 3,594                                      |
| Governmental Activities Total    | <u>\$ 955,591</u>             | <u>\$ 156,434</u> | <u>\$ (199,640)</u> | <u>\$ 912,385</u>          | <u>\$ 35,487</u>                           |
| <b>Business-type Activities:</b> |                               |                   |                     |                            |  |
| Bonds Payable:                   |                               |                   |                     |                            |  |
| Revenue Bonds                    | \$1,007,455                   | \$ 228,535        | \$ (172,280)        | \$1,063,710                | \$ 25,070                                  |
| General Obligation Bonds         | 474                           | 105               | (189)               | 390                        | 78   |
| Excise Tax Revenue Obligations   | 94,060                        | -                 | -                   | 94,060                     | -  |
| Total Bonds Payable              | <u>1,101,989</u>              | <u>228,640</u>    | <u>(172,469)</u>    | <u>1,158,160</u>           | <u>25,148</u>                              |
| Notes Payable                    | 2,116                         | -                 | (131)               | 1,985                      | 134  |
| Unamortized Bond Premiums        | 22,521                        | 20,079            | (3,204)             | 39,396                     | -  |
| Post Employment Benefits         | 74,625                        | 6,324             | (2,442)             | 78,507                     | -  |
| Compensated Absences             | 3,938                         | 3,721             | (3,548)             | 4,111                      | 493  |
| Business-type Activities Total   | <u>\$1,205,189</u>            | <u>\$ 258,764</u> | <u>\$ (181,794)</u> | <u>\$1,282,159</u>         | <u>\$ 25,775</u>                           |

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for internal service funds are included as part of the above totals for governmental activities. At year-end, \$11,043,000 of internal service funds post-employment benefits and compensated absences are included in the above amounts.

For governmental activities, post-employment benefits and compensated absences are generally liquidated by the general fund.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**b. Bonds Payable**

At June 30, 2016, long-term bonds payable consisted of:

**Classified in Governmental Activities on the government-wide financial statements:**

| <b><u>General Obligation Bonds</u></b>  | <b><u>Bonds Outstanding<br/>(In Thousands)</u></b> |
|---|--|
| \$46,230,300 2004 general obligation refunding serial bonds, (partially refunded by 2016 taxable general obligation refunding), due in annual installments ranging from \$34,839 to \$31,852,800, plus semi-annual interest ranging from 2.4 percent to 5.0 percent through July 1, 2018. | \$ 17,066  |
| \$11,705,000 2005 general obligation serial bonds, due in annual installments ranging from \$500,000 to \$3,250,000, plus semi-annual interest ranging from 4.0 percent to 5.0 percent through July 1, 2024.  | 500  |
| \$9,710,000 2006 general obligation serial bonds, (partially refunded by 2016 general obligation refunding bonds), due in annual installments ranging from \$135,000 to \$4,225,000, plus semi-annual interest ranging from 4.40 percent to 5.0 percent through July 1, 2025.             | 1,750  |
| \$15,915,000 2007 general obligation serial bonds, (partially refunded by 2016 general obligation refunding bonds), due in annual installments ranging from \$615,000 to \$5,500,000, plus semi-annual interest ranging from 4.125 percent to 6.0 percent through July 1, 2027.           | 2,815  |
| \$15,450,000 2008 general obligation serial bonds due in annual installments ranging from \$375,000 to \$6,675,000, plus semi-annual interest ranging from 4.25 percent to 5.0 percent through July 1, 2028.  | 13,450   |
| \$61,830,000 2009 general obligation serial bonds due in annual installments ranging from \$1,750,000 to \$10,125,000, plus semi-annual interest ranging from 4.0 percent to 4.625 percent through July 1, 2029.  | 41,995   |
| \$30,865,000 2010 general obligation bonds due in annual installments ranging from \$1,115,000 to \$13,225,000, plus semi-annual interest ranging from 4.75 percent to 5.85 percent through July 1, 2030.   | 30,865   |
| \$29,320,000 2011 general obligation serial bonds due in annual installments ranging from \$800,000 to \$6,825,000, plus semi-annual interest ranging from 2 percent to 4.25 percent through July 1, 2031.  | 23,675   |
| \$27,290,000 2012 general obligation serial bonds due in annual installments ranging from \$840,000 to \$8,550,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2032.   | 23,825   |
| \$31,148,160 2012 general obligation refunding serial bonds due in annual installments ranging from \$419,601 to \$7,350,252, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2022.   | 12,424   |

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

|   |                   |
|---|-------------------|
| \$8,915,000 2013 general obligation refunding serial bonds due in annual installments ranging from \$30,000 to \$3,250,000, plus semi-annual interest ranging from .7 percent to 5 percent through July 1, 2024.                | \$ 8,825          |
| \$59,960,000 2013 general obligation serial bonds due in annual installments ranging from \$1,635,000 to \$12,675,000, plus semi-annual interest ranging from 1.5 percent to 4 percent through July 1, 2023.                    | 54,450            |
| \$37,550,000 2014 general obligation serial bonds due in annual installments ranging from \$1,050,000 to \$5,575,000, plus semi-annual interest ranging from 2 percent to 3.6 percent through July 1, 2034.                     | 30,925            |
| \$13,690,000 2015 general obligation serial bonds due in annual installments ranging from \$250,000 to \$6,700,000, plus semi-annual interest ranging from 2 percent to 5 percent through July 1, 2035.                         | 6,990             |
| \$37,700,000 2016 general obligation serial bonds due in annual installments ranging from \$825,000 to \$2,775,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2036.                         | 37,700            |
| \$20,475,000 2016 general obligation refunding serial bonds due in annual installments ranging from \$60,000 to \$5,300,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2027.                | 20,475            |
| \$22,829,500 2016 taxable general obligation refunding serial bonds due in annual installments ranging from \$1,000,000 to \$3,565,000, plus semi-annual interest ranging from .85 percent to 3.0 percent through July 1, 2029. | <u>\$ 22,830</u>  |
| <b>Total General Obligation Bonds</b>   | <b>\$ 350,560</b> |

**Street and Highway User Revenue Bonds**

|   |          |
|---|----------|
| \$26,805,000 2003 street and highway user revenue bonds, (partially refunded by street and highway user revenue refunding bonds, series 2012) due in annual principal installments ranging from \$500,000 to \$9,750,000, plus semi-annual interest ranging from 4.25 percent to 5.50 percent through July 1, 2018. | \$ 1,700 |
| \$9,585,000 2004 street and highway user revenue bonds (partially refunded by street and highway user revenue refunding bonds, series 2005), due in annual principal installments ranging from \$100,000 to \$225,000, plus semi-annual interest ranging from 4.00 percent to 5.00 percent through July 1, 2022.    | 875      |
| \$17,760,000 2004 street and highway user revenue refunding bonds, due in annual installments ranging from \$20,000 to \$7,250,000, plus semi-annual interest ranging from 3.5 percent to 5.0 percent through July 1, 2018.   | 11,875   |

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

\$23,800,000 2005 street and highway user revenue refunding bonds, due in annual principal installments ranging from \$25,000 to \$8,000,000, plus semi-annual interest ranging from 2.75 percent to 5.0 percent through July 1, 2023. \$ 23,750

\$10,225,000 2005 street and highway user revenue bonds, due in annual principal installments ranging from \$50,000 to \$8,500,000, plus semi-annual interest ranging from 4.0 percent to 5.0 percent through July 1, 2023. 975

\$11,675,000 2006 street and highway user revenue bonds, due in annual installments ranging from \$850,000 to \$9,850,000, plus semi-annual interest ranging from 4.50 percent to 5.25 percent through July 1, 2024. 1,825

\$10,675,000 2007 street and highway user revenue bonds, due in annual principal installments ranging from \$1,000,000 to \$3,900,000, plus semi-annual interest ranging from 4.25 percent to 5.0 percent through July 1, 2025. 3,000

\$36,090,000 2012 street and highway user revenue refunding bonds, due in annual installments ranging from \$665,000 to \$9,700,000, plus semi-annual interest ranging from 3.0 percent to 5.0 percent through July 1, 2022. 22,840

\$8,500,000 2013 street and highway user revenue refunding bonds, due in one installment of \$8,500,000 plus semi-annual interest of 5 percent through July 1, 2024. 8,500

\$17,555,000 2015 street and highway user revenue refunding bonds, due in annual installments ranging from \$15,000 to \$9,880,000 plus semi-annual interest of 3 to 5 percent through July 1, 2027. 17,555

**Total Street and Highway User Revenue Bonds \$ 92,895**

**Special Assessment Bonds (payable from special assessments levied on the benefited properties)**

\$5,025,000 2005 special assessment district bonds, due in annual principal installments of \$335,000, plus semi-annual interest of 5.80 percent, through January 1, 2021. \$ 1,675

\$4,091,840 2007 special assessment district bonds, due in annual principal installments ranging from \$408,840 to \$410,000, plus semi-annual interest of 5.0 percent, through January 1, 2017. 410

**Total Special Assessment Bonds \$ 2,085**



CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
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**Community Facilities District**

\$2,712,000 2013 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 1 Special Assessment Revenue Bonds, due in annual principle installments ranging from \$62,000 to \$95,000, plus semi-annual interest ranging from 4.6 percent to 5.3 percent through July 1, 2038. \$ 2,478

\$3,250,000 2014 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principle installments ranging from \$65,000 to \$225,000, plus semi-annual interest ranging from 4.8 percent to 5.3 percent through July 15, 2038. 3,105

\$3,367,000 2014 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 2 Special Assessment Revenue Bonds, due in annual principle installments ranging from \$85,000 to \$225,000, plus semi-annual interest ranging from 2 percent to 5.375 percent through July 1, 2039. 3,195

\$1,942,000 2015 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 3 Special Assessment Revenue Bonds, due in annual principle installments ranging from \$52,000 to \$135,000, plus semi-annual interest ranging from 2.3 percent to 5.2 percent through July 1, 2039. 1,929

\$6,800,000 2016 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principle installments ranging from \$165,000 to \$680,000, plus semi-annual interest ranging from 4 percent to 5 percent through July 15, 2039. 6,595

\$970,000 2016 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 4 Special Assessment Revenue Bonds, due in annual principle installments ranging from \$25,000 to \$65,000, plus semi-annual interest ranging from 2.4 percent to 5 percent through July 1, 2040. 953

\$1,060,000 2016 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 5 Special Assessment Revenue Bonds, due in annual principle installments ranging from \$30,000 to \$70,000, plus semi-annual interest ranging from 1.85 percent to 4.75 percent through July 1, 2040. 1,060

**Total Community Facilities District Bonds \$ 19,315**

**Total bonds payable recorded in governmental activities \$ 464,855**

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**Classified in Business-type Activities on the government-wide financial statements:**

**General Obligation Bonds**

|   |               |
|---|---------------|
| \$214,700 2004 general obligation refunding serial bonds, due in annual principal installments ranging from \$34,839 to \$31,852,800, plus semi-annual interest ranging from 2.4 percent to 5.0 percent through July 1, 2016. | \$ 79         |
| \$516,840 2012 general obligation refunding serial bonds, due in annual principal installments ranging from \$15,399 to \$269,748, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2022.        | 206           |
| \$105,501 2016 general obligation refunding serial bonds, due in annual principal installments ranging from \$4,600 to \$16,399, plus semi-annual interest ranging from .85 percent to 3 percent through July 1, 2029.        | <u>105</u>    |
| <b>Total General Obligation Bonds</b>   | <b>\$ 390</b> |

**Utility Systems Revenue Bonds**

|  |          |
|--|----------|
| \$57,950,000 2002 utility systems revenue serial bonds (partially refunded by 2004 & 2006 utility systems revenue refunding bonds), due in annual principal installments ranging from \$950,000 to \$1,000,000, plus semi-annual interest ranging from 4.25 percent to 5.75 percent through July 1, 2017.                          | \$ 1,000 |
| \$129,000,000 2002 utility systems revenue refunding serial bonds, (partially refunded by 2012, 2012 taxable & 2016 utility systems revenue refunding bonds) due in annual principal installments ranging from \$65,000 to \$29,550,000, plus semi-annual interest ranging from 3.40 percent to 5.25 percent through July 1, 2017. | 9,020    |
| \$64,625,000 2004 utility systems revenue serial bonds, (partially refunded by 2006 (Series 2) and 2016 utility systems revenue refunding bonds), due in annual principal installments ranging from \$1,125,000 to \$11,000,000, plus semi-annual interest ranging from 5.00 percent to 6.00 percent through July 1, 2022.         | 2,250    |
| \$40,345,000 2004 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$20,000 to \$21,010,000, plus semi-annual interest ranging from 3.50 percent to 5.00 percent through July 1, 2019.  | 40,235   |
| \$91,200,000 2005 utility systems revenue serial bonds, (partially refunded by 2006, 2012 & 2016 utility systems revenue refunding bonds), due in annual principal installments ranging from \$750,000 to \$24,000,000, plus semi-annual interest ranging from 4.125 percent to 5.0 percent through July 1, 2023.                  | 10,750   |

CITY OF MESA, ARIZONA  
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|   |           |
|---|-----------|
| \$105,400,000 2006 utility systems revenue serial bonds, (partially refunded by 2006 (Series 2) & 2016 utility systems revenue refunding bonds), due in annual principal installments ranging from \$8,650,000 to \$36,750,000, plus semi-annual interest ranging from 4.375 percent to 5.0 percent through July 1, 2030. | \$ 17,650 |
| \$61,300,000 2006 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$2,075,000 to \$18,000,000, plus semi-annual interest ranging from 4.0 percent to 5.0 percent through July 1, 2021.  | 58,075    |
| \$127,260,000 2006 (Series 2) utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$50,000 to \$25,845,000, plus semi-annual interest ranging from 4.0 percent to 5.25 percent through July 1, 2028.  | 126,700   |
| \$65,550,000 2007 utility systems revenue serial bonds, (partially refunded by 2016 utility systems revenue refunding bonds), due in annual principal installments ranging from \$2,500,000 to \$41,800,000, plus semi-annual interest ranging from 4.25 percent to 6.25 percent through July 1, 2031.                    | 8,000     |
| \$52,875,000 2008 utility systems revenue serial bonds, (partially refunded by 2016 utility systems revenue refunding bonds), due in annual principal installments ranging from \$700,000 to \$44,675,000, plus semi-annual interest ranging from 4.875 percent to 5.25 percent through July 1, 2032.                     | 6,100     |
| \$21,125,000 2008 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$100,000 to \$2,200,000, plus semi-annual interest ranging from 3.00 percent to 4.00 percent through July 1, 2018.   | 4,300     |
| \$59,900,000 2009 utility systems revenue serial bonds, due in annual principal installments ranging from \$900,000 to \$48,250,000, plus semi-annual interest ranging from 5.875 percent to 6.375 percent through July 1, 2033.  | 59,900    |
| \$50,380,000 2010 utility systems revenue serial bonds, due in one principal installment, plus semi-annual interest of 6.10 percent through July 1, 2034.   | 50,380    |
| \$53,950,000 2011 utility systems revenue serial bonds, due in one principal installment, plus semi-annual interest of 5.0 percent through July 1, 2035.  | 53,950    |
| \$67,300,000 2012 utility systems revenue serial bonds, due in one principal installment, plus semi-annual interest of 4.0 percent through July 1, 2036.  | 67,300    |

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

|   |                                   |
|---|-----------------------------------|
| \$31,580,000 2012 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$7,440,000 to \$9,150,000, plus semi-annual interest ranging from 4.0 percent to 4.826 percent through July 1, 2021.           | \$ 22,430                         |
| \$80,295,000 2012 taxable utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$3,225,000 to \$9,150,000, plus semi-annual interest ranging from 3.269 percent to 5.048 percent through July 1, 2035. | 80,295                            |
| \$47,290,000 2013 utility systems revenue bonds, due in one principal installment, plus semi-annual interest of 4.0 percent through July 1, 2037.   | 47,290                            |
| \$36,385,000 2014 utility systems revenue bonds, due in two principal installments of \$20,000,000 and \$16,385,000, plus semi-annual interest of 4.0 percent through July 1, 2038.   | 36,385                            |
| \$102,945,000 2014 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$475,000 to \$22,955,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2030.                 | 102,945                           |
| \$30,220,000 2015 utility systems revenue bonds, due in principal installments ranging from \$1,000,000 to \$2,375,000, plus semi-annual interest of 2 percent to 5 percent through July 1, 2039.   | 30,220                            |
| \$90,500,000 2016 utility systems revenue serial bonds, due in annual principal installments ranging from \$1,000,000 to \$22,550,000, plus semi-annual interest ranging from 3 percent to 5 percent through July 1, 2040.                          | 90,500                            |
| \$138,035,000 2016 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$3,375,000 to \$44,890,000, plus semi-annual interest ranging from 4 percent to 5 percent through July 1, 2032.               | \$ <u>138,035</u>                 |
| <b>Total Utility Systems Revenue Bonds</b>  | <b>\$ 1,063,710</b>               |
| <b><u>Excise Tax Revenue Obligations</u></b>  |                                   |
| \$94,060,000 2013 excise tax revenue obligation, due in annual principal installments ranging from \$6,620,000 to \$10,785,000, plus semi-annual interest of 5.0 percent through July 1, 2032.  | \$ <u>94,060</u>                  |
| <b>Total bonds payable recorded in business-type activities</b>   | <b>\$ <u><u>1,158,160</u></u></b> |

CITY OF MESA, ARIZONA  
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The following tables summarize the City's debt service requirements to maturity for its long term bonds payable at June 30, 2016 (in thousands). The deferred amounts on refundings are not included.

**Governmental Activities**

| <b>General Obligation Bonds</b> |                  |                  |                  | <b>Highway User Revenue Bonds</b> |                  |                  |                   |
|---------------------------------|------------------|------------------|------------------|-----------------------------------|------------------|------------------|-------------------|
| <b>Fiscal Year</b>              | <b>Principal</b> | <b>Interest</b>  | <b>Total</b>     | <b>Fiscal Year</b>                | <b>Principal</b> | <b>Interest</b>  | <b>Total</b>      |
| 2017                            | \$ 22,737        | \$ 12,996        | \$ 35,733        | 2017                              | \$ 7,900         | \$ 4,473         | \$ 12,373         |
| 2018                            | 19,269           | 12,018           | 31,287           | 2018                              | 8,375            | 4,080            | 12,455            |
| 2019                            | 17,754           | 11,253           | 29,007           | 2019                              | 8,715            | 3,663            | 12,378            |
| 2020                            | 17,290           | 10,627           | 27,917           | 2020                              | 9,155            | 3,243            | 12,398            |
| 2021                            | 17,837           | 9,999            | 27,836           | 2021                              | 9,645            | 2,796            | 12,441            |
| 2022-26                         | 101,685          | 39,963           | 141,648          | 2022-26                           | 45,200           | 6,568            | 51,768            |
| 2027-31                         | 107,163          | 19,224           | 126,387          | 2027-31                           | 3,905            | 156              | 4,061             |
| 2032-36                         | 46,825           | 2,779            | 49,604           | 2032-36                           | -                | -                | -                 |
| <b>TOTALS</b>                   | <b>\$350,560</b> | <b>\$118,859</b> | <b>\$469,419</b> | <b>TOTALS</b>                     | <b>\$ 92,895</b> | <b>\$ 24,979</b> | <b>\$ 117,874</b> |

| <b>Special Assessment Bonds</b> |                  |                 |                 | <b>Community Facilities District</b> |                  |                  |                  |
|---------------------------------|------------------|-----------------|-----------------|--------------------------------------|------------------|------------------|------------------|
| <b>Fiscal Year</b>              | <b>Principal</b> | <b>Interest</b> | <b>Total</b>    | <b>Fiscal Year</b>                   | <b>Principal</b> | <b>Interest</b>  | <b>Total</b>     |
| 2017                            | \$ 745           | \$ 98           | \$ 843          | 2017                                 | \$ 511           | \$ 910           | \$ 1,421         |
| 2018                            | 335              | 68              | 403             | 2018                                 | 527              | 895              | 1,422            |
| 2019                            | 335              | 48              | 383             | 2019                                 | 544              | 878              | 1,422            |
| 2020                            | 335              | 29              | 364             | 2020                                 | 557              | 858              | 1,415            |
| 2021                            | 335              | 10              | 345             | 2021                                 | 582              | 837              | 1,419            |
| 2022-26                         | -                | -               | -               | 2022-26                              | 3,320            | 3,801            | 7,121            |
| 2027-31                         | -                | -               | -               | 2027-31                              | 4,148            | 2,961            | 7,109            |
| 2032-36                         | -                | -               | -               | 2032-36                              | 5,306            | 1,813            | 7,119            |
| 2037-41                         | -                | -               | -               | 2037-41                              | 3,820            | 399              | 4,219            |
| <b>TOTALS</b>                   | <b>\$ 2,085</b>  | <b>\$ 253</b>   | <b>\$ 2,338</b> | <b>TOTALS</b>                        | <b>\$ 19,315</b> | <b>\$ 13,352</b> | <b>\$ 32,667</b> |

CITY OF MESA, ARIZONA  
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 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**Business-type Activities**

| <b>General Obligation Bonds</b> |                  |                 |               | <b>Revenue Bonds</b> |                     |                   |                     |
|---------------------------------|------------------|-----------------|---------------|----------------------|---------------------|-------------------|---------------------|
| <b>Fiscal Year</b>              | <b>Principal</b> | <b>Interest</b> | <b>Total</b>  | <b>Fiscal Year</b>   | <b>Principal</b>    | <b>Interest</b>   | <b>Total</b>        |
| 2017                            | \$ 78            | \$ 13           | \$ 91         | 2017                 | \$ 25,070           | \$ 47,931         | \$ 73,001           |
| 2018                            | 76               | 11              | 87            | 2018                 | 31,355              | 46,500            | 77,855              |
| 2019                            | 46               | 7               | 53            | 2019                 | 32,660              | 44,990            | 77,650              |
| 2020                            | 40               | 6               | 46            | 2020                 | 30,560              | 43,380            | 73,940              |
| 2021                            | 43               | 5               | 48            | 2021                 | 31,840              | 41,951            | 73,791              |
| 2022-26                         | 75               | 10              | 85            | 2022-26              | 197,950             | 183,658           | 381,608             |
| 2027-31                         | 32               | 1               | 33            | 2027-31              | 246,235             | 135,751           | 381,986             |
| 2032-36                         | -                | -               | -             | 2032-36              | 310,545             | 74,318            | 384,863             |
| 2037-41                         | -                | -               | -             | 2037-41              | 157,495             | 10,268            | 167,763             |
| <b>TOTALS</b>                   | <b>\$ 390</b>    | <b>\$ 53</b>    | <b>\$ 443</b> | <b>TOTALS</b>        | <b>\$ 1,063,710</b> | <b>\$ 628,747</b> | <b>\$ 1,692,457</b> |

**Excise Tax Revenue Obligations**

| <b>Fiscal Year</b> | <b>Principal</b> | <b>Interest</b>  | <b>Total</b>      |
|--------------------|------------------|------------------|-------------------|
| 2017               | \$ -             | \$ 4,703         | \$ 4,703          |
| 2018               | -                | 4,703            | 4,703             |
| 2019               | -                | 4,703            | 4,703             |
| 2020               | -                | 4,703            | 4,703             |
| 2021               | -                | 4,703            | 4,703             |
| 2022-26            | 36,585           | 20,035           | 56,620            |
| 2027-31            | 46,690           | 9,928            | 56,618            |
| 2032               | 10,785           | 539              | 11,324            |
| <b>TOTALS</b>      | <b>\$ 94,060</b> | <b>\$ 54,017</b> | <b>\$ 148,077</b> |

**Special Assessment Bonds**

The City acts as trustee for special assessment districts whereby it collects the assessments levied against owners of property within established districts and disburses the amounts collected to retire the bonds issued to finance the improvements. At June 30, 2016, the special assessments receivable, together with amounts paid in advance and interest to be received over the life of the assessment period, is adequate for the scheduled maturities of the bonds payable and the related interest.

Improvement bonds are collateralized by properties within the districts. In the event of default by the property owner, the City may enforce an auction sale to satisfy the debt service requirements of the improvement bonds. The City is contingently liable on special assessment bonds to the extent that proceeds from auction sales are insufficient to retire outstanding bonds. Special assessment bonds payable with governmental commitment currently outstanding as of June 30, 2016 are \$2,085,000.

**General Obligation Bonds**

The general obligation bonds are backed by the ultimate taxing power and general revenues of the City; however, \$390,237 of these bonds at June 30, 2016 is carried as a liability of the Enterprise Fund to reflect the intention of retirement from resources of that fund.

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All bonds, except Special Assessment Bonds, are callable by the City at various dates and at various premiums.

The Arizona Constitution provides that the general obligation bonded indebtedness of a city for general municipal purposes may not exceed 6 percent of the secondary assessed valuation of the taxable property in that city. In addition to the 6 percent limitation for general municipal purpose bonds, cities may issue general obligation bonds up to an additional 20 percent of the secondary assessed valuation for supplying such city with water, artificial light or sewers, and for the acquisition and development of land for open space preserves, parks, playgrounds and recreation facilities, public safety, law enforcement, fire and emergency services facilities and streets and transportation facilities.

The total debt margin available July 1, 2016 is (in thousands):

|                 |                   |
|-----------------|-------------------|
| 6% Bonds        | \$ 164,428        |
| 20% Bonds       | <u>201,680</u>    |
| Total Available | <u>\$ 366,108</u> |

City revenue bond indenture ordinances require that the net amount of revenues of the electric, gas, water, wastewater and solid waste systems (total revenues less operations and maintenance expenses) equal 120 percent of the principal and interest requirement in each fiscal year. The above covenant and all other bond covenants have been met.

c. **Reserves for Bond Indentures**

Pursuant to the provisions of the Bond Resolution of the City of Mesa Utility System Revenue and Refunding bonds, Replacement and Reserve Funds are required to be established, into which a sum equal to 2 percent of the gross revenues – as determined on a modified accrual basis – must be deposited until a sum equal to two percent of all tangible assets of the Utility System is accumulated. As of June 30, 2016, the amount provided in the Replacement and Extension Funds equaled \$25,293,503 which is in compliance with the bond provisions.

d. **Notes Payable**

**Governmental Activities**

The City issued \$122,835,000 of Highway Project Advancement Notes (HPAN) to provide funds to the Arizona Department of Transportation (ADOT) for the acceleration of the right-of-way acquisition, design and construction of highway improvements to State Route 24 between State Route 202L and Ellsworth Road. The City entered into an intergovernmental agreement with ADOT and the Maricopa Association of Governments to advance the improvements to State Route 24. The agreement provides for repayment by ADOT to the City of the full amount of the City advance from monies available to ADOT for the project within a 60-month loan period. As of June 30, 2016, \$122,835,000 has been repaid to the City by ADOT, and the City has paid \$122,835,000 of HPAN notes.

**Business Type Activities**

The City has entered into a loan agreement with the State of Arizona Department of Transportation Aeronautics Division State Aviation Fund for the construction of T-Hangars at the airport. The interest rate on the notes is 6.02 percent.

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The City entered into four separate loan agreements with the Water Infrastructure Finance Authority of Arizona. The purposes of the loans are to make improvements and upgrades to existing water and wastewater projects. The loans utilize funds from the United States Environmental Protection Agency pursuant to the federal American Reinvestment and Recovery Act of 2009. Subject to the City meeting the required specifications of the loan documents, two of the loans include a combined interest and fee rate subsidy and the two remaining loans include a principal forgiveness portion. Total principal (without principal forgiveness) is \$3,486,902 and the loans have a 20-year repayment period. The total principal forgiveness is \$626,000. Total interest over the 20 years with principal forgiveness and the combined interest and fee rate subsidy is \$635,736.

The following table reflects the annual requirements to amortize all notes outstanding as of June 30, 2016 (in thousands):

| <u>Fiscal Year</u> | <u>Business-type Activities</u> |                            |                |
|--------------------|---------------------------------|----------------------------|----------------|
|                    | <u>Principal</u>                | <u>Interest &amp; Fees</u> | <u>Total</u>   |
| 2017               | \$ 134                          | \$ 44                      | \$ 178         |
| 2018               | 137                             | 41                         | 178            |
| 2019               | 140                             | 38                         | 178            |
| 2020               | 143                             | 35                         | 178            |
| 2021               | 146                             | 31                         | 177            |
| 2022-26            | 781                             | 107                        | 888            |
| 2027-29            | 504                             | 22                         | 526            |
| TOTALS             | <u>\$ 1,985</u>                 | <u>\$ 318</u>              | <u>\$2,303</u> |

e. **Short-term Debt**

The City had no short-term debt activity for the fiscal year ended June 30, 2016.

f. **Series 2012 Special Activity Revenue Bonds**

PMGAA issued \$19,220,000 in special facility Revenue Bonds on February 29, 2012. The City has entered into a memorandum of understanding (MOU) with PMGAA and Able Engineering and Component Services for the development, construction and lease of an aircraft maintenance repair and overhaul facility at Phoenix-Mesa Gateway Airport. In general, the MOU addresses PMGAA issuing Special Facility Revenue Bonds, constructing the facility and leasing the facility to the City. The City, in turn, will sublease the facility to Able Engineering. The City pledged a portion of its excise taxes as security for payment of the base rent. The pledge of such excise taxes will be a junior lien subordinate to certain outstanding senior obligations. The bonds are payable from the future revenues from the City through 2038. During that time frame total principal and interest to be paid on the bonds will be \$35,216,300. The bonds are not considered the debt of the City.

g. **Pledged Revenues**

**Utility System Revenue Bonds**

The City has pledged future utility customer revenues, net of specified operating expenses, to repay approximately \$2.0 billion in utility system revenue bonds issued since 1997. Proceeds from the bonds provided financing for the construction of various utility related projects including new gas



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pipelines and water and wastewater treatment plants. The bonds are payable solely from utility customer net revenues and are payable through 2040. Annual principal and interest payments on the bonds were 35.6 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1.7 billion. Principal and interest paid for the current year and total customer net revenues were \$61,593,821 and \$166,312,000, respectively.

**Highway User Revenue Bonds**

The City has pledged future Highway User Taxes Revenue to repay \$230.5 million in highway user revenue bonds issued since 2002. Proceeds from the bonds provided financing for streets projects. The bonds are payable solely from the state shared Highway User Tax revenues and are payable through 2027. Annual principal and interest payments on the bonds were 37.9 percent of eligible revenues. The total principal and interest remaining to be paid on the bonds is \$117,874,000. Principal and interest paid for the current year and total highway user tax revenues were \$12,233,688 and \$35,383,437, respectively.

**Special Assessment Bonds**

The special assessment revenues collected by the City are pledged to repay \$9.1 million of special assessment bonds issued since 2005. Proceeds from the bonds are used to finance improvements that property owners have agreed to pay. In the event of default by the property owner, an auction sale may be enforced by the City. If collections and auction proceeds are not sufficient to retire outstanding bonds the City is contingently liable. These bonds are payable through 2021. Annual principal and interest payments on the bonds are expected to be covered 100% with collections from the property owners. The total principal and interest remaining to be paid on the bonds is \$2,338,125. Principal and interest paid for the current year and total assessments collected were \$882,615, and \$790,082, respectively.

**9. REFUNDED, REFINANCED AND DEFEASED OBLIGATIONS**

On March 17, 2016 the City defeased \$9,000,000 of utility revenue bonds.

On April 6, 2016, the City issued \$138,035,000 of utility revenue bonds with an original issue premium of \$19,395,105 to advance refund \$146,480,000 of outstanding utility revenue bonds. The refunding bonds were issued with an interest rate ranging from 4.0 to 5.0 percent. Net proceeds in the amount of \$157,081,973 (after payment of \$207,544 in underwriters' fees and deposit of \$140,588 to the City's bond fund) were provided to a refunding escrow agent to pay issuance costs of \$400,000 for insurance premiums and other issuance costs with the remaining \$156,681,973 used to provide cash and purchase United States Government securities. The cash and securities were deposited in an irrevocable trust to provide for all future debt service payments of the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the debt of the City.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$10,201,973. This difference, reported in the accompanying financial statements as a deduction from general obligation bonds payable, is being charged to operations through the year 2032 using the effective interest method. The purpose of the refunding was to take advantage of lower interest rates and restructure debt service payments to achieve a more level debt retirement schedule. The refunding will decrease debt service payments by \$11,581,762 over the next 16 years producing an economic gain (difference between the present value of old and new debt service payments) of \$13,583,987.

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On April 6, 2016, the City issued \$20,475,000 of general obligation bonds with an original issue premium of \$1,128,271 to advance refund \$20,475,000 of outstanding general obligation bonds. The refunding bonds were issued with an interest rate ranging from 2.0 to 4.0 percent. Net proceeds of \$21,536,306 (after payment of \$66,965 in underwriters' fees) were provided to a refunding escrow agent to pay issuance costs of \$187,326 for insurance premiums and other issuance costs with the remaining \$21,348,980 used to provide cash and purchase United States Government securities. The cash and securities were deposited in an irrevocable trust to provide for all future debt service payments of the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the debt of the City.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$873,980. This difference, reported in the accompanying financial statements as a deduction from general obligation bonds payable, is being charged to operations through the year 2027 using the effective interest method. The purpose of the refunding was to take advantage of lower interest rates and restructure debt service payments to achieve a more level debt retirement schedule. The refunding will decrease debt service payments by \$2,682,106 over the next 11 years producing an economic gain (difference between the present value of old and new debt service payments) of \$2,371,379.

On May 4, 2016, the City issued \$22,935,000 of taxable general obligation bonds with an original issue premium of \$133,437 and contributed cash in the amount of \$5,666,755 to advance refund and defease \$25,925,000 of outstanding general obligation bonds. The refunding bonds were issued with an interest rate ranging from 0.848 to 2.989 percent. Net proceeds in the amount of \$28,659,932 (after payment of \$71,696 in underwriters' fees and deposit of \$3,564 to the City's bond fund) were provided to a refunding escrow agent to pay issuance costs of \$185,000 for insurance premiums and other issuance costs with the remaining \$28,474,931 used to provide cash and purchase United States Government securities. The cash and securities were deposited in an irrevocable trust to provide for all future debt service payments of the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the debt of the City.

The advanced refunding and defeasance resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,549,332. This difference, reported in the accompanying financial statements as a deduction from general obligation bonds payable, is being charged to operations through the year 2029 using the effective interest method. The purpose of the refunding was to restructure debt service payments to achieve a more level debt retirement schedule. The refunding will increase debt service payments by \$4,312,717 over the next 13 years producing an economic loss (difference between the present value of old and new debt service payments) of \$1,159,105.

**Liabilities to be Paid from Assets Held in Escrow**

Liabilities to be paid from assets held in escrow include bonded debt of the City that has been provided for through an Advanced Refunding Bond Issue. Under an advanced refunding arrangement, refunding bonds are issued and the net proceeds, plus 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.

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In accordance with GASB Statement No. 7, the refunded debt outstanding at June 30, 2016 as reflected below is not included in the City's financial statements (in thousands).

|  |                          |
|--|--------------------------|
| Utility System Revenue Bond Issue dated February 1, 2002           | \$ 15,200                |
| Utility System Revenue Refunding Bond Issue dated February 1, 2002 | 7,000                    |
| Utility System Revenue Bond Issue dated February 1, 2003           | 4,000                    |
| General Obligation Bond Issue dated January 15, 2004               | 22,935                   |
| Utility System Revenue Bond Issue dated June 1, 2004               | 3,875                    |
| Utility System Revenue Bond Issue dated June 1, 2005               | 2,750                    |
| General Obligation Bond Issue dated June 1, 2006                   | 7,375                    |
| General Obligation Bond Issue dated May 1, 2007                    | 13,100                   |
| Utility System Revenue Bond Issue dated May 1, 2007                | 57,550                   |
| Street and Highway User Revenue Bond Issue dated May 1, 2007       | 7,675                    |
| Utility System Revenue Bond Issue dated May 29, 2008               | <u>46,775</u>            |
| Total Refunded Bonds Outstanding                                   | <u><b>\$ 188,235</b></u> |

**10. SELF-INSURANCE INTERNAL SERVICE FUND**

The Property and Public Liability, Workers' Compensation and Employee Benefits Internal Service Funds have been established to account for the costs of claims incurred by the City under self-insurance programs. The City is fully self-insured for all public liability risks, up to a maximum of \$3,000,000 per occurrence, for the current policy year under the Property and Public Liability Insurance program. In addition, the City carries full property insurance with a \$50,000 per occurrence deductible. Under the Workers' Compensation Program, the City is subject to a maximum deductible of \$1,000,000 liability per occurrence. In the Employee Benefits Fund, the City has excess insurance coverage when an individual's claims exceed \$225,000 per contract year. There were no changes in insurance coverage during this fiscal year for any of the three Self-Insurance Funds.

The Workers' Compensation Fund does not have a stop loss receivable at June 30, 2016. Over the past three fiscal years the Fund has received settlements in excess of insurance coverage of \$189,911. The Fund has not received any settlements in excess of insurance coverage this past year. The Property and Public Liability Fund does not have a stop loss receivable at June 30, 2016, and the Fund has not received any settlements in excess of insurance coverage over the past three fiscal years. The Employee Benefits Fund does not have stop loss receivable at June 30, 2016. Over the past three fiscal years the Fund has received settlements in excess of insurance coverage of \$4,519,450 with \$2,023,119 received this current fiscal year.

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The various funds of the City include, as expenditures, amounts contributed to each of the self-insurance funds during the fiscal year. The estimated liability for claims outstanding is determined by a yearly actuarial study in the Property and Public Liability Fund and the Workers Compensation Fund. The claims liability in the Employee Benefits Fund is generated by a third-party claims processing company.

Changes in the balances of claims liabilities during the past two fiscal years are as follows (in thousands):

|                                  | <b>Property<br/>&amp; Public<br/>Liability</b> | <b>Workers'<br/>Compensation</b> | <b>Employee<br/>Benefits</b> | <b>Total</b>     |
|----------------------------------|--|----------------------------------|------------------------------|------------------|
| Unpaid Claims, 6/30/14           | \$ 9,581                                       | \$ 22,807                        | \$ 4,669                     | \$ 37,057        |
| Adjustments to Reserves-FY 14-15 | 679  | 3,976                            | 54,894                       | 59,549           |
| Claim Payments-FY 14-15          | <u>(636)</u>                                   | <u>(3,118)</u>                   | <u>(56,825)</u>              | <u>(60,579)</u>  |
| Unpaid Claims, 6/30/15           | 9,624  | 23,665                           | 2,738                        | 36,027           |
| Adjustments to Reserves-FY 15-16 | 3,578  | 2,481                            | 66,977                       | 73,036           |
| Claim Payments-FY 15-16          | <u>(603)</u>                                   | <u>(2,993)</u>                   | <u>(67,019)</u>              | <u>(70,615)</u>  |
| Unpaid Claims, 6/30/16           | <u>\$ 12,599</u>                               | <u>\$ 23,153</u>                 | <u>\$ 2,696</u>              | <u>\$ 38,448</u> |

All unpaid claims are reported as current liabilities in the Statement of Net Position as the change in these amounts have already been expensed in the statement of activities.

## 11. COMMITMENTS AND CONTINGENT LIABILITIES

### a. **Pending Litigation**

The City is subject to a number of lawsuits, investigations, and other claims (some of which involve substantial amounts) that are incidental to the ordinary course of its operations, including those related to wrongful death and personal injury matters. 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 material adverse effect on the City's financial position.

### b. **Sick Leave Benefits**

Sick leave benefits provided for ordinary sick pay are not vested with the employee. Fifty percent of unused benefits are payable only upon retirement of an employee. In accordance with the criteria, sick leave paid within 60 days of the year-end has been recorded as a liability in the governmental fund financial statements. Long-term liabilities of governmental funds are not shown on the fund financial statements. In the government-wide financial statements as well as the proprietary fund

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financial statements, an amount of estimated sick leave payable to employees has been expensed and the liability is shown in the appropriate funds. These amounts have been calculated based on the vested method.

The total sick leave balance recorded as a liability at June 30, 2016, is \$11,448,098.

**12. NET POSITION**

a. **Restricted Net Position**

The government-wide statement of net position reports \$131.1 million of restricted net position, of which \$50.5 million is restricted by enabling legislation.

b. **Designated Net Position**

The net position in the Employee Benefits Self Insurance Fund is designated for anticipated future losses and is a result of excess premiums charged to increase the fund balance specifically for this purpose.

c. **Deficit Net Position**

The deficit in the Worker's Compensation Self-Insurance Fund consists of prior years' deficit where claims expenses exceeded revenues received. The City's funding plan calls for yearly contributions from various funds to equal the years estimated claims and claim related expenses. Future claim liabilities are not considered in determining funding for each year.

The deficit in the Warehouse, Maintenance and Services fund and Property and Public Liability Fund were a result of other post-employment benefit charges and pension expense.

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**13. ENTERPRISE ACTIVITIES OPERATIONS DETAIL**

The Enterprise Fund includes operations of electricity, gas, water, wastewater, solid waste, airport, golf course, convention center, stadiums and district cooling. Although the City's Enterprise Fund does not meet the requirements for disclosing segment information, these services provided by the City are of such significance as to warrant certain additional disclosures. Operating revenue, expenses and operating income (loss) for the year ended June 30, 2016 for these services are as follows (in thousands):

| <b>Functions</b>       | <b>Operating Revenues</b> | <b>Operating Expenses</b>            |                  | <b>Operating Income (Loss)</b> |
|------------------------|---------------------------|--------------------------------------|------------------|--------------------------------|
|                        |                           | <b>Depreciation and Amortization</b> | <b>Other</b>     |                                |
| Electric               | \$ 32,254                 | \$ 4,284                             | \$ 22,098        | \$ 5,872                       |
| Gas                    | 38,962                    | 4,511                                | 23,222           | 11,229                         |
| Water                  | 125,304                   | 28,552                               | 48,113           | 48,639                         |
| Wastewater             | 71,708                    | 20,213                               | 31,316           | 20,179                         |
| Solid Waste            | 54,871                    | 2,694                                | 33,703           | 18,474                         |
| Airport                | 3,623                     | 1,497                                | 3,368            | (1,242)                        |
| Golf Course            | 1,645                     | 272                                  | 2,312            | (939)                          |
| Convention Center      | 2,798                     | 253                                  | 3,999            | (1,454)                        |
| Hohokam /Fitch Complex | 63                        | 1,782                                | 1,131            | (2,850)                        |
| Cubs Stadium           | 201                       | 3,403                                | 1,868            | (5,070)                        |
| District Cooling       | 1,234                     | 422                                  | 760              | 52                             |
| Total                  | <u>\$ 332,663</u>         | <u>\$ 67,883</u>                     | <u>\$171,890</u> | <u>\$ 92,890</u>               |

**14. JOINT VENTURES**

The City currently participates in five joint ventures. The Greenfield Water Reclamation Plant and TOPAZ Regional Wireless Cooperative are managed by the City of Mesa, while the Subregional Operating Group, the Val Vista Water Treatment Plant, and Valley Metro Rail, Inc. are managed externally.

The City's investment in these Joint Ventures as of June 30, 2016 is as follows (in thousands):

|                                      | <b>Governmental Activities</b> | <b>Business-Type Activities</b> | <b>Total</b>     |
|--------------------------------------|--------------------------------|---------------------------------|------------------|
| Valley Metro Rail Inc.               | \$ 172,723                     | \$ -                            | \$172,723        |
| TOPAZ Regional Wireless Cooperative  | 4,993                          | -                               | 4,993            |
| Subregional Operating Group          | -                              | 85,862                          | 85,862           |
| Val Vista Water Treatment Plant      | -                              | 56,042                          | 56,042           |
| Greenfield Water Reclamation Plant   | -                              | 57,112                          | 57,112           |
| Joint Ventures Construction Deposits | -                              | 3,093                           | 3,093            |
| Total Investment in Joint Ventures   | <u>\$ 177,716</u>              | <u>\$ 202,109</u>               | <u>\$379,825</u> |

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**Valley Metro Rail, Inc. “VMRI”**

The City currently participates in the Central Phoenix/East Valley Light Rail Transit (LRT) along with the cities of Phoenix, Tempe and Glendale. Valley Metro Rail, Inc. (VMRI) is the management agency that was incorporated to administer the joint agreement between the cities and has oversight responsibility for the planning, design, construction and operation of the system. The agreement provides voting rights for members of the representative cities, including passage of an annual budget. The City has ongoing financial responsibility as a result of the joint agreement including participation in the cost to construct and to operate the light rail project less any Federal reimbursements and operating fares.

A total of \$1,244,863,412 has been spent on this project through the fiscal year ended June 30, 2016, of which the City’s share and equity interest is \$172,723,066. The City has received and accrued \$59.7 million of funding from the Federal Transit Administration (FTA), Congestion Mitigation Air Quality (CMAQ) and Public Transit Funds (PTF) related to this project.

In March 2010, the Mesa City Council approved a 3-mile extension of the LRT system and in August 2010, the Federal Transit Administration approved the alignment for project development as the next step toward federal funding. The extension begins at the eastern limits of VMRI’s existing light rail system (Sycamore) and extends east on Main Street to Mesa Drive. The entire extension is within the City of Mesa. There are four stations on Main Street including a station at Alma School Road, Country Club Drive, Center Street, and Mesa Drive. The extension opened on August 22, 2015. The total capital cost of \$199.0 million was funded with a combination of federal and regional funds.

In May 2011, the City entered into an agreement with VMRI for a developmental study to further extend the LRT system an additional two miles from Mesa Drive to Gilbert Road. Construction started fall of 2016. The extension is expected to open in late 2018.

Separate financial statements for the activity can be obtained through Valley Metro Rail Inc. at 101 North First Avenue, Suite 1300, Phoenix, Arizona, 85003.

**TOPAZ Regional Wireless Cooperative**

The City of Mesa currently participates with the City of Apache Junction, Superstition Fire and Medical, the Town of Gilbert, the Town of Queen Creek and Rio Verde Fire District (the Parties) in an intergovernmental agreement to plan, design, construct, operate, maintain and finance the TOPAZ Regional Wireless Cooperative Network (TOPAZ). TOPAZ is a 700/800 MHz Network procured and built by the City of Mesa. The City acts as the lead agency and is responsible for the planning, budgeting, construction, operation and maintenance of the network. As lead agent, the City provides all management personnel and financing arrangements. The Parties participate in ownership of the network and are charged for operating and capital expenses based on six month rolling average of airtime. The City’s equity in the joint venture is \$4,993,312 and is reflected in the governmental funds financial statements. Separate financial statements are not prepared.

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Total investment in the joint venture as of June 30, 2016 is (in thousands):

|                               |                 |
|-------------------------------|-----------------|
| City of Mesa                  | \$ 4,993        |
| Town of Gilbert               | 1,150           |
| City of Apache Junction       | 101             |
| Superstition Fire and Medical | 411             |
| Town of Queen Creek           | 69              |
| Rio Verde Fire District       | 10              |
| Fort McDowell                 | -               |
| Total Joint Venture           | <u>\$ 6,734</u> |

**Wastewater**

*Subregional Operating Group*

The City participates with the cities of Phoenix, Glendale, Scottsdale and Tempe in the Subregional Operating Group (SROG). SROG was formed pursuant to the Joint Exercise of Powers Agreement (JEPA) in order to govern the construction, operation and maintenance of a multi-city sanitary sewer system (the "System"). The System includes the 91st Avenue Wastewater Treatment Plant, the Salt River Outfall Sewer, the Southern Avenue Interceptor and related transportation facilities.

The City of Phoenix acts as the lead agency in SROG and is responsible for the planning, budgeting, construction, operation and maintenance of the plant in addition to providing all management personnel and financing arrangements. The various cities participate in ownership of the plant and are charged for operating expenses based on gallons of flow. The different agencies participate in each facility at varying rates depending on their needs at the time each facility was constructed. The City's equity in the joint venture is \$85,861,975 and is reflected in the proprietary funds financial statements.

SROG has no bonded debt outstanding. Separate financial statements for the activity under the joint venture agreement can be obtained through the AMWUA office at 3003 N. Central Avenue, Suite 1550, Phoenix, Arizona, 85012.

*Greenfield Water Reclamation Project*

Construction of a joint water reclamation plant with the Towns of Gilbert and Queen Creek was completed on December 2, 2006. An expansion of the plant is expected to be completed in 2020. The City acts as the lead agency and is responsible for the planning, budgeting, construction, operation and maintenance of the plant. As lead agent, the City provides all management personnel and financing arrangements. Mesa, Gilbert and Queen Creek participate in ownership of the plant and are charged for operating expenses based on gallons of flow. The City's equity in the joint venture is \$57,112 and is reflected in the proprietary funds financial statements. Separate financial statements are not prepared.

Total investment in the joint venture as of June 30, 2016 is (in thousands):

|                     |                   |
|---------------------|-------------------|
| Mesa's Share        | \$ 57,112         |
| Gilbert's Share     | 54,279            |
| Queen Creek's Share | <u>24,095</u>     |
| Total Joint Venture | <u>\$ 135,486</u> |



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**Water**

*Val Vista Water Treatment Plant*

The City also participates with the City of Phoenix in the Val Vista Water Treatment Plant and Transmission Line. The City of Phoenix is responsible for the planning, budgeting, construction, operation and maintenance of the plant. As lead agency, Phoenix provides all management personnel and financing arrangements. Phoenix and Mesa participate in ownership of the plant and are charged for operating expenses based on gallons of water treated. The City's investment in the joint venture is \$56,041,918 and is reflected in the proprietary funds financial statements.

The water treatment plant has no bonded debt outstanding. Separate financial statements for the activity can be obtained through the City of Phoenix, Finance Department, Financial Accounting and Reporting Division at 251 W. Washington Street, 9th Floor, Phoenix, Arizona, 85003.

**15. RETIREMENT AND PENSION PLANS**

All benefitted employees of the City are covered by one of three pension systems. The Arizona State Retirement System is for the benefit of the employees of the state and certain other governmental jurisdictions. All benefited City employees, except sworn fire and police personnel and the Mayor and City Council Members, are included in the plan that is a multiple-employer cost-sharing defined benefit pension plan. All sworn fire and police personnel participate in the Public Safety Personnel Retirement System that is an agent multiple-employer plan. The Mayor and City Council Members contribute to the State's Elected Officials Retirement Plan that is also a multiple-employer cost-sharing pension plan. The Elected Officials Retirement Plan is not described below because of its relative insignificance to the financial statements.

At June 30, 2016, the City reported the following aggregate amounts related to pensions for all plans to which it contributes (in thousands):

| Statement of Net Position and<br>Statement of Activities | Governmental<br>Activities | Business-Type<br>Activities | Total      |
|--|----------------------------|-----------------------------|------------|
| Net Pension Liabilities                                  | \$ 634,414                 | \$ 47,493                   | \$ 681,907 |
| Deferred Outflows of Resources                           | 105,401                    | 4,555                       | 109,956    |
| Deferred Inflows of Resources                            | 37,881                     | 4,653                       | 42,534     |
| Pension Expense  | 53,949                     | 2,058                       | 56,007     |

**Arizona State Retirement System Defined Benefit Plan:**

a. **Plan Description**

All the City's eligible benefitted general employees participate in the Arizona State Retirement System ("ASRS"), a multiple-employer, cost-sharing defined benefit pension plan. ASRS 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. ASRS is administered in accordance with Title 38, Chapter 5 of the Arizona Revised Statutes ("A.R.S."). ASRS provides for retirement, disability, and death and survivor benefits. ASRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Arizona State Retirement System, P.O. Box 33910, Phoenix, Arizona, 85067-3910 or by calling 1-800-621-3778.

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b. **Benefits Provided**

The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

|   | Retirement Initial Membership Date:  |  |
|---|--|--|
|   | Before<br>July 1, 2011   | On or After<br>July 1, 2011  |
| Years of service and age<br>required to receive benefit | Sum of years and age equals 80<br>10 years age 62<br>5 years age 50*<br>any years age 65 | 30 years age 55<br>25 years age 60<br>10 years age 62<br>5 years age 50*<br>any years age 65 |
| Final average salary is based on                        | Highest 36 consecutive<br>months of last 120 months                                      | Highest 60 consecutive<br>months of last 120 months  |
| Benefit percentage per<br>year of service               | 2.1% to 2.3 %  | 2.1% to 2.3 %  |

\* With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

c. **Contributions**

The A.R.S. 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. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2016, covered employees were required by state statute to contribute at the actuarially determined rate of 11.47 percent (11.35 pension plus 0.12 long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.47 percent (10.85 percent for retirement, 0.50 percent for the health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll.

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Additionally, the City is required to pay an ASRS Alternate Contribution Rate (ACR) for retired members who return to work on or after July 1, 2012, in any capacity and in a position ordinarily filled by an employee of the City to mitigate the potential impact that retired members who return to work may have on the ASRS Trust Fund. The contribution rate for the year ended June 30, 2016 was 9.57 percent (9.31 percent retirement, 0.20 percent health, 0.06 percent long-term disability). The City's ACR contributions to the System for the year ending June 30, 2016 were \$111,503.

d. **Pension Liability**

At June 30, 2016, the City reported a liability of \$255,337,070 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015.

The City's reported liability at June 30, 2016, increased by \$13,545,310 from the City's prior year liability of \$241,791,760 because of changes in the ASRS' net pension liability and the City's proportionate share of that liability. The ASRS' publicly available financial report provides details on the change in the net pension liability. The City's proportion of the net pension liability was based on the City's fiscal year 2015 contributions. The City's proportion measured as of June 30, 2015, was 1.639250 percent, which was a decrease of 0.005147 from its proportion measured as of June 30, 2014.

e. **Pension Expense and Deferred Outflows/Inflows of Resources**

For the year ended June 30, 2016, the City recognized pension expense for ASRS of \$11,066,538. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience                                  | \$ 6,968                             | \$ 13,380                           |
| Net difference between projected and actual earnings<br>on pension plan investments | -                                    | 8,183                               |
| Changes in proportion and differences between City<br>contributions                 | 569                                  | 3,455                               |
| City contributions subsequent to the measurement date                               | 16,955                               | -                                   |
| Total   | <u>\$ 24,492</u>                     | <u>\$ 25,018</u>                    |

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The \$16,955,163 reported as deferred outflows of resources related to ASRS pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows (in thousands):

|            | Year Ended June 30, |
|------------|---------------------|
| 2016       | \$ (7,818)          |
| 2017       | (9,709)             |
| 2018       | (5,861)             |
| 2019       | 5,907               |
| 2020       | -                   |
| Thereafter | -                   |
|            | <u>\$ (17,481)</u>  |

f. **Actuarial Assumptions**

The significant actuarial assumptions used to measure the total pension liability are as follows:

|                             |                   |
|-----------------------------|-------------------|
| Actuarial Valuation Date    | June 30, 2014     |
| Actuarial Roll Forward Date | June 30, 2015     |
| Actuarial Cost Method       | Entry Age Normal  |
| Investment Rate of Return   | 8%                |
| Projected Salary Increases  | 3 - 6.75%         |
| Inflation                   | 3%                |
| Permanent Benefit Increase  | Included          |
| Mortality Rates             | 1994 GAM Scale BB |

Actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2013.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------|--------------------------|---|
| Equity             | 58%                      | 3.94%   |
| Fixed Income       | 25%                      | 0.93%   |
| Commodities        | 2%                       | 0.08%   |
| Real Estate        | 10%                      | 0.42%   |
| Multi-asset class  | 5%                       | 0.17%   |
| Total              | <u>100%</u>              |   |

g. **Discount Rate**

The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

h. **Sensitivity of the City's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate**

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate (in thousands):

|  | <u>1% Decrease<br/>7%</u> | <u>Current<br/>Discount Rate<br/>8%</u> | <u>1% Increase<br/>9%</u> |
|--|---------------------------|---|---------------------------|
| City's proportionate share of<br>the net pension liability | \$ 334,579                | \$ 255,337                              | \$ 201,031                |

i. **Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

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**Public Safety Personnel Retirement System:**

a. **Plan Description**

The City contributes to the 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 sworn fire and police agencies within the state. All sworn fire and police personnel are eligible to participate in the plan. The plan provides retirement, disability benefits, and death benefits to plan members and beneficiaries. The PSPRS is jointly administered by the Fund Manager and 256 Local Boards and was established by Title 38, Chapter 5 Article 4 of the Arizona Revised Statutes. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Public Safety Personnel Retirement System, 1020 East Missouri, Phoenix, Arizona, 85014 or by calling 602-255-5575.

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b. **Benefits Provided**

The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

|   | Initial Membership Date:   |   |
|---|--|---|
|   | Before<br>January 1, 2012  | On or after January 1, 2012                                 |
| <u>Retirement and Disability</u>                        |  |   |
| Years of service<br>and age required to receive benefit | 20 years any age<br>15 years age 62  | 25 years age of 52.5  |
| Final average salary is based on                        | Highest 36 consecutive<br>months of last 20 years  | Highest 60 consecutive months<br>of last 20 years           |
| Benefit percentage                                      |  |   |
| Normal Retirement                                       | 50% less 2.0% for each year of credited<br>service less than 20 years OR plus 2.0% to<br>2.5% for each year of credited service, not to<br>exceed 80%  | 2.5% for each year of credited<br>service not to exceed 80% |
| Accidental Disability Retirement                        | 50% or normal retirement, whichever is greater   |   |
| Catastrophic Disability Retirement                      | 90% for the first 60 months then reduced to either 62.5% or normal retirement,<br>whichever is greater   |   |
| Ordinary Disability Retirement                          | Normal retirement calculated with actual years of credited service or 20 years of<br>credited service, whichever is greater, multiplied by years of credited service (not<br>to exceed 20 years) divided by 20 |   |
| <u>Survivor Benefit</u>                                 |  |   |
| Retired Members   | 80% to 100% of retired member's pension benefit  |   |
| Active Members  | 80% to 100% of accidental disability retirement benefit or 100% of average<br>monthly compensation if death was the result of injuries received on the job   |   |

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

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c. **Employees Covered by Benefit Terms**

At June 30, 2016, the following employees were covered by the agent pension plans' benefit terms:

|  | PSPRS<br>Firefighters | PSPRS<br>Police |
|--|-----------------------|-----------------|
| Inactive employees or beneficiaries currently receiving benefits | 219                   | 475             |
| Inactive employees entitled to but not yet receiving benefits    | 56                    | 129             |
| Active employees   | 382                   | 748             |
| Total  | 657                   | 1,352           |

d. **Contributions**

Benefit and contribution provisions are established by state law and may be amended only by the State of Arizona Legislature (A.R.S. Section 38-843). PSPRS members are required to contribute 11.65 percent of their annual covered salary. The City is required to contribute an actuarially determined rate expressed as a percent of covered salary and a distribution of the net earnings of the Fund. The City's rates for the fiscal years ending June 30, 2016 were 34.40 percent (34.17 pension plus 0.23 health care), for fire personnel and 35.52 percent (34.58 pension plus 0.94 health care) for police members.

e. **Annual Pension Contributions**

Fire personnel contributed \$3,914,204 (\$3,800,638 regular members plus \$113,566 DROP members) and police personnel contributed \$7,521,263 (\$7,303,439 regular members plus \$217,824 DROP members) during fiscal year 2015-2016. For 2016, the City's annual pension cost of \$11,223,876 (\$11,146,750 pension, \$77,126 health care) for fire and \$22,267,577 (\$21,673,738 pension, \$593,839 health care) for police was equal to the City's required and actual contributions for the pension cost including health care. The required contribution was determined as part of the June 30, 2014 actuarial valuation using an individual entry-age actuarial cost method.

The City is also required to pay a PSPRS Alternate Contribution Rate (ACR) for retired members who return to work in any capacity and in a position ordinarily filled by an employee of the City, unless the retired member is required to participate in another state retirement system and the retired member returned to work before July 20, 2011. The ACR rate is equal to the portion of the total required contribution that is applied to the amortization of the unfunded actuarial accrued liability for the fiscal year beginning July 1, based on the actuarial calculation of the total required contribution for the preceding fiscal year ended on June 30. The contribution rate for the year ended June 30, 2016 was 28.62 percent for both fire and police. The City's ACR contributions for the year ending June 30, 2016 were \$49,968 for fire and \$23,632 for police.

f. **Pension Liability**

At June 30, 2016, the City reported net pension liabilities of \$143,957,780 and \$282,610,577 for fire and police, respectively. The net pension liabilities were measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.



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g. **Pension Expense and Deferred Outflows/Inflows of Resources**

For the year ended June 30, 2016, the City recognized pension expense of \$14,385,864 and \$30,683,253 for fire and police, respectively. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

| <b>Fire</b>   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience                                  | \$ -                                 | \$ 8,072                            |
| Changes in assumptions  | 16,673                               | -                                   |
| Net difference between projected and actual earnings<br>on pension plan investments | 484                                  | -                                   |
| City contributions subsequent to the measurement date                               | 11,197                               | -                                   |
| Total   | <u>\$ 28,354</u>                     | <u>\$ 8,072</u>                     |
|   |                                      |                                     |
| <b>Police</b>   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
| Differences between expected and actual experience                                  | \$ -                                 | \$ 9,444                            |
| Changes in assumptions  | 34,475                               | -                                   |
| Net difference between projected and actual earnings<br>on pension plan investments | 939                                  | -                                   |
| City contributions subsequent to the measurement date                               | 21,697                               | -                                   |
| Total   | <u>\$ 57,111</u>                     | <u>\$ 9,444</u>                     |

The amounts reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (or an increase in the net pension asset) in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

| <b><u>Year Ending June 30,</u></b> | <b><u>Fire</u></b> | <b><u>Police</u></b> |
|------------------------------------|--------------------|----------------------|
| 2016                               | \$ 1,489           | \$ 5,722             |
| 2017                               | 1,489              | 5,722                |
| 2018                               | 1,489              | 5,722                |
| 2019                               | 3,111              | 8,450                |
| 2020                               | 1,774              | 400                  |
| Thereafter                         | (267)              | (46)                 |
|                                    | <u>\$ 9,085</u>    | <u>\$ 25,970</u>     |

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h. **Pension Actuarial Methods and Assumptions**

The significant actuarial assumptions used to measure the total pension liability are as follows:

|                            |  |
|----------------------------|--|
| Actuarial Valuation Date   | June 30, 2015  |
| Actuarial Cost Method      | Entry Age Normal   |
| Investment Rate of Return  | 7.85%  |
| Projected Salary Increases | 4% - 8% including inflation  |
| Inflation                  | 3%   |
| Permanent Benefit Increase | Included   |
| Mortality Rates            | RP-2000 mortality table (adjusted by 105%<br>for both males and females) |

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2015, these best estimates are summarized in the following table:

| Asset Class            | Target<br>Allocation | Long-Term<br>Expected Real<br>Rate of Return |
|------------------------|----------------------|--|
| Short Term Investments | 2%                   | 0.75%  |
| Absolute Return        | 5%                   | 4.11%  |
| Risk Parity            | 4%                   | 5.13%  |
| Fixed Income           | 7%                   | 2.92%  |
| Real Assets            | 8%                   | 4.77%  |
| GTAA                   | 10%                  | 4.38%  |
| Real Estate            | 10%                  | 9.50%  |
| Private Equity         | 11%                  | 4.48%  |
| Credit Opportunities   | 13%                  | 7.08%  |
| Non-U.S. Equity        | 14%                  | 8.25%  |
| U.S. Equity            | 16%                  | 6.23%  |
| Total                  | 100%                 |  |

i. **Discount Rate**

A discount rate of 7.85% was used to measure the total pension liability. This discount rate was based on the expected rate of return on pension plan investments of 7.85%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

j. **Changes in the Agent Plans Net Pension Liability**

The following tables present changes in the City's net pension liability for the PSPRS – Fire and Police pension plans as follows (in thousands):

| <b>Fire</b>                                    | <b>Total Pension<br/>Liability</b> | <b>Plan Fiduciary<br/>Net Position</b> | <b>Net Position<br/>Liability</b> |
|--|------------------------------------|--|-----------------------------------|
| Balance at June 30, 2015                       | \$ 299,681                         | \$ 161,964                             | \$ 137,717                        |
| Changes for the Year:                          |                                    |  |                                   |
| Service Cost                                   | 6,127                              | -                                      | 6,127                             |
| Interest on the Total Pension Liability        | 23,086                             | -                                      | 23,086                            |
| Changes of Benefit Terms                       | -                                  | -                                      | -                                 |
| Differences Between Expected and Actual        |                                    |  |                                   |
| Experience in the Measurement of the Liability | (3,518)                            | -                                      | (3,518)                           |
| Changes of Assumptions or Other Inputs         | -                                  | -                                      | -                                 |
| Contributions - Employer                       | -                                  | 9,828                                  | (9,828)                           |
| Contributions - Employee                       | -                                  | 3,847                                  | (3,847)                           |
| Net Investment Income                          | -                                  | 5,878                                  | (5,878)                           |
| Benefit Payments, Including Refunds of         |                                    |  |                                   |
| Employee Contributions                         | (17,323)                           | (17,323)                               | -                                 |
| Administrative Expenses                        | -                                  | (144)                                  | 144                               |
| Other Changes                                  | -                                  | 45                                     | (45)                              |
| Net Changes                                    | 8,372                              | 2,131                                  | 6,241                             |
| Balances as of June 30, 2016                   | <u>\$ 308,053</u>                  | <u>\$ 164,095</u>                      | <u>\$ 143,958</u>                 |

| <b>Police</b>                                  | <b>Total Pension<br/>Liability</b> | <b>Plan Fiduciary<br/>Net Position</b> | <b>Net Position<br/>Liability</b> |
|--|------------------------------------|--|-----------------------------------|
| Balance at June 30, 2015                       | \$ 542,745                         | \$ 274,946                             | \$ 267,799                        |
| Changes for the Year:                          |                                    |  |                                   |
| Service Cost                                   | 12,216                             | -                                      | 12,216                            |
| Interest on the Total Pension Liability        | 41,908                             | -                                      | 41,908                            |
| Changes of Benefit Terms                       | -                                  | -                                      | -                                 |
| Differences Between Expected and Actual        |                                    |  |                                   |
| Experience in the Measurement of the Liability | (2,173)                            | -                                      | (2,173)                           |
| Changes of Assumptions or Other Inputs         | -                                  | -                                      | -                                 |
| Contributions - Employer                       | -                                  | 19,680                                 | (19,680)                          |
| Contributions - Employee                       | -                                  | 7,613                                  | (7,613)                           |
| Net Investment Income                          | -                                  | 10,065                                 | (10,065)                          |
| Benefit Payments, Including Refunds of         |                                    |  |                                   |
| Employee Contributions                         | (29,998)                           | (29,998)                               | -                                 |
| Administrative Expenses                        | -                                  | (246)                                  | 246                               |
| Other Changes                                  | -                                  | 28                                     | (28)                              |
| Net Changes                                    | 21,953                             | 7,142                                  | 14,811                            |
| Balances as of June 30, 2016                   | <u>\$ 564,698</u>                  | <u>\$ 282,088</u>                      | <u>\$ 282,610</u>                 |

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

k. **Sensitivity of the City's Net Pension Liability to Changes in the Discount Rate**

The following table presents the City's net pension liabilities calculated using the discount rates noted above, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate (in thousands):

|                              | 1% Decrease<br>6.85% | Current<br>Discount<br>Rate<br>7.85% | 1% Increase<br>8.85% |
|------------------------------|----------------------|--------------------------------------|----------------------|
| Fire Net Pension Liability   | \$ 179,652           | \$ 143,958                           | \$ 114,035           |
| Police Net Pension Liability | 352,716              | 282,610                              | 224,406              |

l. **Annual Other Post-Employment Benefits Cost (Health Insurance Subsidy)**

For 2015 the City's annual Other Post-Employment Benefits (OPEB) cost of \$541,790 for fire and \$1,187,849 for police was equal to the City's required contributions.

**Funded Status and Funding Progress**

The funded status of the Health Insurance Subsidy plans as of June 30, 2015 (Latest actuarial date available) is as follows (in thousands):

|   | <b>Fire</b> | <b>Police</b> |
|---|-------------|---------------|
| Actuarial accrued liability (AAL)                 | \$ 7,702    | \$ 17,283     |
| Actuarial value of plan assets                    | 7,727       | 10,724        |
| Unfunded actuarial accrued liability (UAAL)       | \$ (25)     | \$ 6,559      |
| Funded ratio (actuarial value of plan assets/AAL) | 100%        | 62%           |
| Covered payroll (active plan members)             | \$31,661    | \$62,461      |
| UAAL as a percentage of covered payroll           | 0.00%       | 10.50%        |

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF MESA, ARIZONA  
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 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows (in thousands):

| <b><u>Fire</u></b>            |                             |   |                                |
|-------------------------------|-----------------------------|---|--------------------------------|
| <b>Fiscal Year<br/>Ending</b> | <b>Annual<br/>OPEB Cost</b> | <b>Percentage of<br/>Annual OPEB Cost<br/>Contributed</b> | <b>Net OPEB<br/>Obligation</b> |
| 2013                          | \$ 490                      | 100%  | \$ -                           |
| 2014                          | 495                         | 100%  | -                              |
| 2015                          | 542                         | 100%  | -                              |

| <b><u>Police</u></b>          |                             |   |                                |
|-------------------------------|-----------------------------|---|--------------------------------|
| <b>Fiscal Year<br/>Ending</b> | <b>Annual<br/>OPEB Cost</b> | <b>Percentage of<br/>Annual OPEB Cost<br/>Contributed</b> | <b>Net OPEB<br/>Obligation</b> |
| 2013                          | \$ 1,105                    | 100%  | \$ -                           |
| 2014                          | 1,083                       | 100%  | -                              |
| 2015                          | 1,188                       | 100%  | -                              |

#### 16. POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 15, the City provides post-retirement health care benefits to all eligible retirees in accordance with the compensation plan adopted by the City Council each fiscal year. These benefits include medical, dental and vision insurance programs and are the same as those offered to active employees. Retirees may select single or family coverage. As of June 30, 2016, approximately 1,825 former employees were eligible for these benefits.

The cost of post-employment healthcare benefits, from an accrual accounting perspective, similar to the cost of pension benefits, should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In implementing the requirements of GASB Statement No. 45, the City recognizes the cost of post-employment healthcare in the year the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows. Recognition of the liability accumulated from prior years will be amortized over 30 years, the first period commencing with the fiscal year ending June 30, 2008.

The unfunded actuarial accrued annual required contribution for current retirees as well as current active members for fiscal year 2015-2016 was \$28,400,907. A liability of \$3,882,510 is accrued in the business-type activities financial statements; the remaining \$24,518,397 has been accrued in the governmental activities column in the government-wide financial statements.

#### **Plan Description**

The City provides post-employment medical care (OPEB) for retired employees through a single-employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses and dependents through the City's self-insurance health insurance plan which covers both active and retired members. The benefits, benefit levels and contribution rates are determined annually

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

by the City's Benefits Advisory Board and approved by the Mesa City Council. The plan is not accounted for as a trust fund, and an irrevocable trust has not been established to account for the plan. The plan does not issue a separate financial report.

**Benefits Provided**

The City provides post-employment medical care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under one of the state retirement plans for public employees and be covered under the City's medical plan during their active status. Employees must enroll in a City plan immediately after they retire or their eligibility for this benefit ceases. All medical care benefits are provided through the City's self-insured health plan. The benefit levels are the same as those afforded to active employees. Upon a retiree's death, the retiree's dependents are no longer eligible for City coverage.

As of July 1, 2015, Membership Consisted of:

|   |                     |
|---|---------------------|
| Retirees and Beneficiaries Receiving Benefits | 1,825               |
| Active Employees                              | <u>3,176</u>        |
| Total   | <u><u>5,001</u></u> |

**Funding Policy**

The plan premium rates are determined annually by the Benefits Advisory Board and approved by the City Council. The City's contribution to the retiree's health insurance premium is determined by their length of service with the City and their original hire date. To receive maximum benefits an employee must meet the following:

- Ten years of service for employees hired prior to January 1, 2001
- Fifteen years of service for employees hired at January 1, 2001 but before January 1, 2006.
- Twenty years of service for employees hired on or after January 1, 2006.
- As of January 1, 2009, new hires are no longer eligible for benefits.

For fiscal year ended June 30, 2016, the City contributed \$17,858,318 to the plan (approximately 70.4 percent of total premiums). Plan members receiving benefits contributed \$7,510,361 or approximately 29.6 percent of total premiums.

**Annual OPEB Costs / Net OPEB Obligation**

The City's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The City's annual OPEB cost for the current year and the related information for the plan are as follows at June 30, 2016 (in thousands):

|  |                         |
|--|-------------------------|
| Annual Required Contribution             | \$ 53,744               |
| Interest on Net OPEB Obligation          | 20,547                  |
| Adjusted to Annual Required Contribution | <u>(28,033)</u>         |
| Annual OPEB Cost                         | 46,258                  |
| Contributions Made                       | <u>(17,858)</u>         |
| Increase in Net OPEB Obligation          | 28,400                  |
| Net OPEB Obligation – Beginning of year  | <u>456,625</u>          |
| Net OPEB Obligation – End of year        | <u><u>\$485,025</u></u> |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the three years ending June 30, 2014 through 2016 were as follows:

| Fiscal<br>Year<br>Ended | Annual<br>OPEB<br>Cost | Actual<br>Contribution | Percentage of<br>OPEB Cost<br>Contributed | Net<br>OPEB<br>Obligation |
|-------------------------|------------------------|------------------------|---|---------------------------|
| 2014                    | 49,962                 | 16,011                 | 32.0%                                     | 423,000                   |
| 2015                    | 50,750                 | 17,125                 | 33.7%                                     | 456,625                   |
| 2016                    | 46,258                 | 17,858                 | 38.6%                                     | 485,025                   |

**Funded Status and Funding Progress**

The funded status of the plan as of July 1, 2015 was as follows (in thousands): (Latest actuarial date available)

|  |                          |
|--|--------------------------|
| Actuarial Value of Plan Assets   | \$ -                     |
| Actuarial Accrued Liability  | <u>639,564</u>           |
| Unfunded actuarial accrued liability                                       | <u><u>\$ 639,564</u></u> |
| Funded ratio   | 0.0%                     |
| Covered payroll  | \$ 380,860               |
| Unfunded actuarial accrued liability<br>as a percentage of covered payroll | 167.9%                   |

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**Actuarial Methods and Assumptions**

Projections of benefits are based on the substantive plan (the plan understood by the employer and plan members) and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the City and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions used for this fiscal year valuation were as follows:

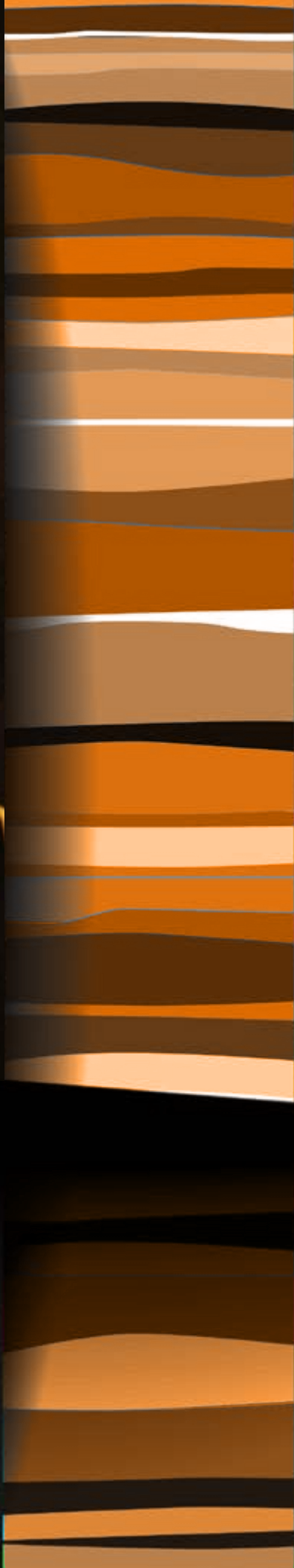
|                                 |   |
|---------------------------------|---|
| Valuation Date                  | July 1, 2015  |
| Actuarial Cost Method           | Entry age normal, level dollar amount   |
| Amortization method             | 30-year amortization open   |
| Remaining amortization period   | 30 years  |
| Asset Valuation Method          | N/A, no assets in trust   |
| Actuarial Assumptions:          |   |
| Discount rate                   | 4.50%   |
| Health care cost trend rate:    |   |
| • Medical, Drugs                | 8.5% in 2013-2014, grading down by 0.5% each year to an ultimate rate of 5.0% |
| • Dental, Mental Health, Vision | 5%  |
| • Retiree contribution increase | Same as medical trend   |





# Required Supplementary Information

Comprehensive Annual Financial Report  
2016



## CITY OF MESA, ARIZONA

**EXHIBIT B-1**

## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

## COST-SHARING PENSION PLAN

JUNE 30, 2016

(in thousands)

**Arizona State Retirement System**

|  | Reporting Fiscal Year<br>(Measurement Date) |                |                              |
|--|---|----------------|------------------------------|
|  | 2016<br>(2015)                              | 2015<br>(2014) | 2014 through<br>2006         |
| City's Proportion of the Net Pension Liability   | 1.639250%                                   | 1.634103%      | Information<br>not available |
| City's Proportionate Share of the Net Pension Liability  | \$ 255,337                                  | \$ 241,792     |                              |
| City's Covered-Employee Payroll  | \$ 151,154                                  | \$ 147,402     |                              |
| City's Proportionate Share of the Net Pension Liability<br>as a Percentage of its Covered-Employee Payroll | 168.93%                                     | 164.04%        |                              |
| Plan Fiduciary Net Position as a Percentage of the<br>Total Pension Liability                              | 68.35%                                      | 69.49%         |                              |

See accompanying notes to pension plan schedules.

## CITY OF MESA, ARIZONA

**EXHIBIT B-2**

## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

## AGENT PENSION PLANS

JUNE 30, 2016

(in thousands)

**Public Safety Personnel Retirement System - Fire**

|   | Reporting Fiscal Year<br>(Measurement Date) |                |                              |
|---|---|----------------|------------------------------|
|   | 2016<br>(2015)                              | 2015<br>(2014) | 2014 through<br>2006         |
| Total Pension Liability   |   |                | Information<br>not available |
| Service Cost  | \$ 6,127                                    | \$ 6,281       |                              |
| Interest on the Total Pension Liability   | 23,086                                      | 20,708         |                              |
| Changes of Benefit Terms  | -   | 4,044          |                              |
| Differences Between Expected and Actual Experience<br>in the Measurement of the Pension Liability | (3,518)                                     | (6,961)        |                              |
| Changes of Assumptions or Other Inputs  | -   | 23,097         |                              |
| Benefit Payments, Including Refunds<br>of Employee Contributions                                  | (17,323)                                    | (16,309)       |                              |
| Net Change in Total Pension Liability   | 8,372                                       | 30,860         |                              |
| Total Pension Liability - Beginning   | 299,681                                     | 268,821        |                              |
| Total Pension Liability - Ending (a)  | 308,053                                     | 299,681        |                              |
| Plan Fiduciary Net Position   |   |                |                              |
| Contributions - Employer  | 9,828                                       | 9,157          |                              |
| Contributions - Employee  | 3,847                                       | 3,488          |                              |
| Net Investment Income   | 5,878                                       | 19,840         |                              |
| Benefit Payments, Including Refunds<br>of Employee Contributions                                  | (17,323)                                    | (16,309)       |                              |
| Administrative Expense  | (144)                                       | (160)          |                              |
| Other Changes   | 45  | (113)          |                              |
| Net Change in Plan Fiduciary Net Position   | 2,131                                       | 15,903         |                              |
| Plan Fiduciary Net Position - Beginning   | 161,964                                     | 146,061        |                              |
| Plan Fiduciary Net Position - Ending (b)  | 164,095                                     | 161,964        |                              |
| City's Net Pension Liability - Ending (a) - (b)   | \$ 143,958                                  | \$ 137,717     |                              |
| Plan Fiduciary Net Position as a Percentage<br>of the Total Pension Liability                     | 53.27%                                      | 54.05%         |                              |
| Covered-Employee Payroll  | \$ 31,661                                   | \$ 30,782      |                              |
| City's Net Pension Liability as a Percentage<br>of Covered-Employee Payroll                       | 454.69%                                     | 447.39%        |                              |

See accompanying notes to pension plan schedules.

## CITY OF MESA, ARIZONA

**EXHIBIT B-2 (concluded)**

## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

## AGENT PENSION PLANS

JUNE 30, 2016

(in thousands)

**Public Safety Personnel Retirement System - Police**

|   | Reporting Fiscal Year<br>(Measurement Date) |                   |                              |
|---|---|-------------------|------------------------------|
|   | 2016<br>(2015)                              | 2015<br>(2014)    | 2014 through<br>2006         |
| Total Pension Liability   |   |                   | Information<br>not available |
| Service Cost  | \$ 12,216                                   | \$ 12,481         |                              |
| Interest on the Total Pension Liability   | 41,908                                      | 36,514            |                              |
| Changes of Benefit Terms  | -   | 8,728             |                              |
| Differences Between Expected and Actual Experience<br>in the Measurement of the Pension Liability | (2,173)                                     | (11,331)          |                              |
| Changes of Assumptions or Other Inputs  | -   | 51,228            |                              |
| Benefit Payments, Including Refunds<br>of Employee Contributions                                  | (29,998)                                    | (27,566)          |                              |
| Net Change in Total Pension Liability   | 21,953                                      | 70,054            |                              |
| Total Pension Liability - Beginning   | 542,745                                     | 472,691           |                              |
| Total Pension Liability - Ending (a)  | 564,698                                     | 542,745           |                              |
| Plan Fiduciary Net Position   |   |                   |                              |
| Contributions - Employer  | 19,680                                      | 17,443            |                              |
| Contributions - Employee  | 7,613                                       | 6,784             |                              |
| Net Investment Income   | 10,065                                      | 33,360            |                              |
| Benefit Payments, Including Refunds<br>of Employee Contributions                                  | (29,998)                                    | (27,566)          |                              |
| Administrative Expense  | (246)                                       | (269)             |                              |
| Other Changes   | 28  | 288               |                              |
| Net Change in Plan Fiduciary Net Position   | 7,142                                       | 30,040            |                              |
| Plan Fiduciary Net Position - Beginning   | 274,946                                     | 244,906           |                              |
| Plan Fiduciary Net Position - Ending (b)  | 282,088                                     | 274,946           |                              |
| City's Net Pension Liability - Ending (a) - (b)   | <u>\$ 282,610</u>                           | <u>\$ 267,799</u> |                              |
| Plan Fiduciary Net Position as a Percentage<br>of the Total Pension Liability                     | 49.95%                                      | 50.66%            |                              |
| Covered-Employee Payroll  | \$ 62,461                                   | \$ 59,688         |                              |
| City's Net Pension Liability as a Percentage<br>of Covered-Employee Payroll                       | 452.46%                                     | 448.66%           |                              |

See accompanying notes to pension plan schedules.

## CITY OF MESA, ARIZONA

**EXHIBIT B-3**

## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF CITY PENSION CONTRIBUTIONS

JUNE 30, 2016

(in thousands)

**Arizona State Retirement System**

|   | Reporting Fiscal Year |             |             | 2013 through<br>2006<br>Information<br>not available |
|---|-----------------------|-------------|-------------|--|
|   | 2016                  | 2015        | 2014        |  |
| Statutorily Required Contribution   | \$ 16,955             | \$ 16,146   | \$ 15,750   | Information<br>not available                         |
| City's Contribution in Relation to the<br>Statutorily Required Contribution | 16,955                | 16,146      | 15,750      |  |
| City's Contribution Deficiency (Excess)                                     | <u>\$ -</u>           | <u>\$ -</u> | <u>\$ -</u> |  |
| City's Covered-Employee Payroll   | \$ 155,868            | \$ 151,154  | \$ 147,402  |  |
| City's Contributions as a Percentage of<br>Covered-Employee Payroll         | 10.88%                | 10.68%      | 10.68%      |  |

**Public Safety Personnel Retirement System - Fire**

|   | Reporting Fiscal Year |             |             | 2013 through<br>2006<br>Information<br>not available |
|---|-----------------------|-------------|-------------|--|
|   | 2016                  | 2015        | 2014        |  |
| Actuarially Determined Contribution   | \$ 11,197             | \$ 9,827    | \$ 9,157    | Information<br>not available                         |
| City's Contribution in Relation to the<br>Actuarially Determined Contribution | 11,197                | 9,827       | 9,157       |  |
| City's Contribution Deficiency (Excess)                                       | <u>\$ -</u>           | <u>\$ -</u> | <u>\$ -</u> |  |
| City's Covered-Employee Payroll   | \$ 32,796             | \$ 31,661   | \$ 30,782   |  |
| City's Contributions as a Percentage<br>of Covered-Employee Payroll           | 34.14%                | 31.04%      | 29.75%      |  |

**Public Safety Personnel Retirement System - Police**

|   | Reporting Fiscal Year |             |             | 2013 through<br>2006<br>Information<br>not available |
|---|-----------------------|-------------|-------------|--|
|   | 2016                  | 2015        | 2014        |  |
| Actuarially Determined Contribution   | \$ 21,697             | \$ 19,680   | \$ 17,443   | Information<br>not available                         |
| City's Contribution in Relation to the<br>Actuarially Determined Contribution | 21,697                | 19,680      | 17,443      |  |
| City's Contribution Deficiency (Excess)                                       | <u>\$ -</u>           | <u>\$ -</u> | <u>\$ -</u> |  |
| City's Covered-Employee Payroll   | \$ 62,760             | \$ 62,461   | \$ 59,688   |  |
| City's Contributions as a Percentage<br>of Covered-Employee Payroll           | 34.57%                | 31.51%      | 29.22%      |  |

See accompanying notes to pension plan schedules.

CITY OF MESA, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO PENSION PLAN SCHEDULES  
JUNE 30, 2016  
(in thousands)

Actuarial determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

|                               |  |
|-------------------------------|--|
| Actuarial Cost Method         | Entry age normal   |
| Amortization Method           | Level percent of payroll, closed   |
| Remaining Amortization Period | 23 years for unfunded actuarial accrued liability, 20 years for excess   |
| Asset Valuation Method        | 7-year smoothed market value; 20% corridor   |
| Actuarial Assumptions:        |  |
| Investment Rate of Return     | In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%  |
| Projected Salary Increases    | In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%   |
| Wage Growth                   | In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%   |
| Retirement Age                | Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006-June 30, 2011. |
| Mortality                     | RP-2000 mortality table (adjusted by 105% for both males and females)  |

## CITY OF MESA, ARIZONA

**EXHIBIT B-4**

## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF AGENT OTHER POST-EMPLOYMENT BENEFITS PLAN'S FUNDING PROGRESS

JUNE 30, 2016

(in thousands)

**Health Insurance Premium Benefit**

| <b>Actuarial<br/>Valuation<br/>Date<br/>June 30,</b> | <b>Actuarial<br/>Value of<br/>Assets<br/>( a )</b> | <b>Actuarial<br/>Accrued<br/>Liability (AAL)<br/>( b )</b> | <b>Unfunded<br/>AAL<br/>(UAAL)<br/>( b - a )</b> | <b>Funded<br/>Ratio<br/>( a / b )</b> | <b>Annual<br/>Covered<br/>Payroll<br/>( c )</b> | <b>UAAL as a<br/>% of<br/>Covered<br/>Payroll<br/>(( b - a ) / c )</b> |
|--|--|--|--|---------------------------------------|---|--|
| <b>Fire</b>  |  |  |  |                                       |   |  |
| 2013   | \$ -   | \$ 7,331   | \$ 7,331   | 0.0%                                  | \$ 31,008                                       | 23.6%  |
| 2014   | 7,364  | 7,578  | 214  | 97.2%                                 | 30,782  | 0.7%   |
| 2015   | 7,727  | 7,702  | (25)   | 100.3%                                | 31,661  | -0.1%  |
| <b>Police</b>  |  |  |  |                                       |   |  |
| 2013   | \$ -   | \$ 15,823  | \$ 15,823  | 0.0%                                  | \$ 60,096                                       | 26.3%  |
| 2014   | 10,193   | 16,585   | 6,392  | 61.5%                                 | 59,688  | 10.7%  |
| 2015   | 10,724   | 17,283   | 6,559  | 62.0%                                 | 62,461  | 10.5%  |

**Note:** Beginning in fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plan recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plan transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's Pension Fund to the new Health Insurance Fund.

## CITY OF MESA, ARIZONA

**EXHIBIT B-5**

## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF OTHER POST-EMPLOYMENT BENEFITS PLAN'S FUNDING PROGRESS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

| <b>Actuarial<br/>Valuation<br/>Date<br/>July 1,</b> | <b>Actuarial<br/>Value<br/>of Assets<br/>( a )</b> | <b>Actuarial<br/>Accrued<br/>Liability<br/>(AAL)<br/>( b )</b> | <b>Percent<br/>Funded<br/>( a / b )</b> | <b>Unfunded<br/>AAL<br/>( b - a )</b> | <b>Annual<br/>Covered<br/>Payroll<br/>( c )</b> | <b>Unfunded<br/>AAL as a<br/>Percentage<br/>of Covered<br/>Payroll<br/>(( b - a ) / c )</b> |
|---|--|--|---|---------------------------------------|---|---|
| 2011  | \$ -   | \$ 992,016   | 0.0%                                    | \$ 992,016                            | \$ 330,113                                      | 300.5%  |
| 2013  | -  | 650,918  | 0.0%                                    | 650,918                               | 360,860   | 180.4%  |
| 2015  | -  | 639,563  | 0.0%                                    | 639,563                               | 380,860   | 167.9%  |



## CITY OF MESA, ARIZONA

**EXHIBIT B-6**

## REQUIRED SUPPLEMENTARY INFORMATION

## BUDGETARY COMPARISON SCHEDULE

## GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

|  | <b>Budgeted Amounts</b> |                  | <b>Actual -<br/>Budgetary<br/>Basis</b> | <b>Variance with<br/>Final Budget</b> |
|--|-------------------------|------------------|---|---------------------------------------|
|  | <b>Original</b>         | <b>Final</b>     |   |                                       |
| Revenues:  |                         |                  |   |                                       |
| Sales Taxes  | \$ 101,807              | \$ 101,807       | \$ 95,334                               | \$ (6,473)                            |
| Occupancy Taxes  | -                       | -                | 40                                      | 40                                    |
| Licenses and Permits   | 16,489                  | 16,489           | 17,580                                  | 1,091                                 |
| Intergovernmental  | 120,070                 | 120,070          | 118,775                                 | (1,295)                               |
| Charges for Services   | 22,325                  | 22,325           | 22,649                                  | 324                                   |
| Fines and Forfeitures  | 7,548                   | 7,548            | 8,795                                   | 1,247                                 |
| Investment Income  | 146                     | 146              | 235                                     | 89                                    |
| Contributions  | 312                     | 312              | 300                                     | (12)                                  |
| Miscellaneous Revenues                                       | 1,512                   | 1,512            | 1,148                                   | (364)                                 |
| Total Revenues   | <u>270,209</u>          | <u>270,209</u>   | <u>264,856</u>                          | <u>(5,353)</u>                        |
| Expenditures:  |                         |                  |   |                                       |
| Current:   |                         |                  |   |                                       |
| General Government   | 90,978                  | 89,100           | 71,457                                  | 17,643                                |
| Public Safety  | 223,563                 | 226,214          | 223,733                                 | 2,481                                 |
| Community Environment  | 14,704                  | 15,146           | 13,723                                  | 1,423                                 |
| Cultural-Recreational  | 37,355                  | 38,111           | 36,516                                  | 1,595                                 |
| Capital Outlay   | 9,739                   | 14,517           | 4,580                                   | 9,937                                 |
| Total Expenditures   | <u>376,339</u>          | <u>383,088</u>   | <u>350,009</u>                          | <u>33,079</u>                         |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (106,130)               | (112,879)        | (85,153)                                | 27,726                                |
| Other Financing Sources (Uses):                              |                         |                  |   |                                       |
| Transfers In   | 121,789                 | 121,789          | 101,863                                 | (19,926)                              |
| Transfers Out  | (27,751)                | (36,511)         | (8,618)                                 | 27,893                                |
| Total Other Financing Sources (Uses)                         | <u>94,038</u>           | <u>85,278</u>    | <u>93,245</u>                           | <u>7,967</u>                          |
| Net Change in Fund Balances                                  | (12,092)                | (27,601)         | 8,092                                   | 35,693                                |
| Fund Balance - Beginning                                     | <u>55,652</u>           | <u>55,652</u>    | <u>43,297</u>                           | <u>(12,355)</u>                       |
| Fund Balance - Ending  | <u>\$ 43,560</u>        | <u>\$ 28,051</u> | <u>\$ 51,389</u>                        | <u>\$ 23,338</u>                      |

See accompanying note to budgetary comparison schedule.

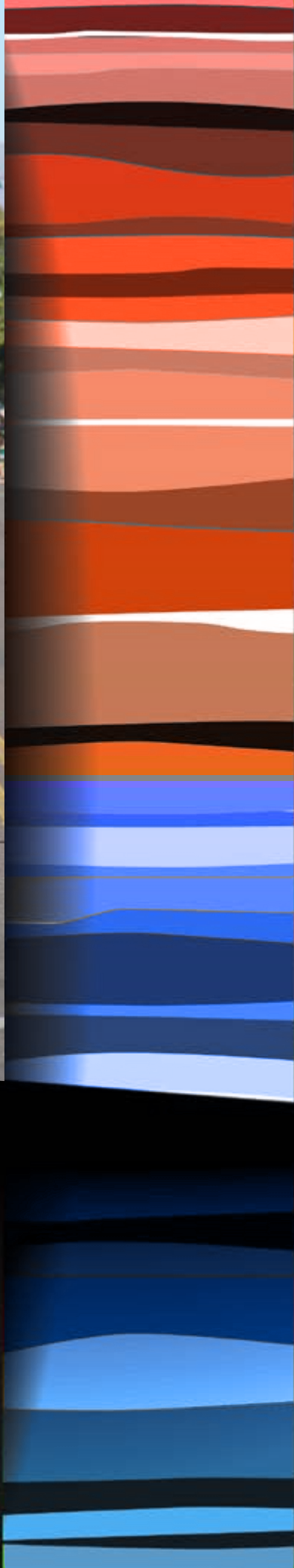
CITY OF MESA, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO BUDGETARY COMPARISON SCHEDULES  
JUNE 30, 2016  
(in thousands)

The financial statements for the City are prepared in accordance with generally accepted accounting principles – “GAAP basis”. Since Mesa, like most other Arizona cities, prepares its annual budget on a modified cash basis that differs from the “GAAP basis”, additional schedules of revenues and expenditures are presented for the General Fund to provide a meaningful comparison of actual results to budget on the “budget basis”.

Adjustments necessary to convert the results of operations of the General Fund for the year ended June 30, 2016 on the “GAAP basis” to the “budget basis” as follows:

|  |                         |
|--|-------------------------|
| Net Change in Fund Balance-Budget Basis -<br>Exhibit B-6 | \$ 8,092                |
| Basis Differences:                                       |                         |
| Compensated Absences                                     | (194)                   |
| Sales Tax Accrual  | 8,782                   |
| Unrealized Gain on Investments                           | <u>181</u>              |
| Net Change in Fund Balance-GAAP Basis -<br>Exhibit A-5   | <u><u>\$ 16,861</u></u> |





# Combining Statements

Comprehensive Annual Financial Report  
2016

## **NON-MAJOR GOVERNMENTAL FUNDS**

### **Special Revenue Funds**

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

**Cemetery** is designed to provide an accumulation of monies from which the interest earnings will provide perpetual care of the Cemetery.

**Community Facilities District** accounts for the operations of the Eastmark and other Community Facility Districts which are paid from special assessments levied against the benefited properties.

**Development Impact Fees** is designed to provide a balance of monies to ensure that new development bears a proportionate share of the cost of improvements to the City's parks, cultural facilities, libraries, fire facilities and equipment, police facilities and equipment, general government facilities and storm sewers. These funds are provided through the collection of development impact fees.

**Environmental Compliance** accounts for expenditures that are a result of federal and state environmental requirements. Financing for this fund is derived from a monthly environmental compliance fee that is charged to each utility customer.

**Grants and Special Programs** accounts for federal and state grant expenditures and other City programs. The principle financing source is federal and state grant revenues.

**Highway User Revenue** accounts for capital projects and maintenance of the City's streets and highways, as mandated by the Arizona Revised Statutes. Financing for this fund is provided by the state shared fuel taxes.

**Mesa Arts Center Restoration** is designed to provide an accumulation of monies to be used to replace or refurbish the Mesa Arts Center facilities. These funds are provided through a fee on all ticketed events at the facility.

**Mesa Housing Authority** accounts for expenditures of the City's housing assistance programs that provide rent subsidy payments to private sector owners of dwelling units. Financing for this fund is derived from grants from the United States Department of Housing and Urban Development.

**Quality of Life Sales Tax** accounts for expenditures of the voter-approved sales tax to improve the quality of life for Mesa residents.

**Street Sales Tax** accounts for expenditures of the voter-approved sales tax that is used as the City match for the MAG Proposition 400 sales tax funds and also provides a local revenue source that is dedicated for street programs.

## **Capital Projects Funds**

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and special revenue funds.

**Community Facilities District Capital Projects** accounts for the costs of construction of drains, basins, channels and other storm sewer improvements and street improvements in the Eastmark and other Community Facilities Districts.

**General Capital Projects** accounts for the costs of general City construction projects and for expenditures related to the acquisition of replacement vehicles for the City's governmental funds. The funds are provided through transfers from the City's General Fund

**Parks** accounts for the costs of park facilities and improvements.

**Public Safety** accounts for the cost of public safety facilities.

**Streets** accounts for the cost of right-of-way acquisitions and street improvements.

## **Debt Service Funds**

These funds are established to account for the accumulation of resources for, and the payment of, principal and interest not serviced by the Enterprise Fund.

**Community Facilities District Debt Service** accumulates monies for the payment of Eastmark and other Community Facilities Districts Bonds that are issued to finance the costs of improvements which are to be paid from special assessments levied against the benefited properties.

**General Obligation Bonds** accumulates monies for the payment of principal and interest requirements of the City's General Obligation Bonds.

**Highway User Revenue Bonds** accumulates monies for the payment of principal and interest requirements of the City's Highway User Revenue Bonds.

**Special Assessment Bonds** accumulates monies for the payment of the Special Assessment Bonds that are issued to finance the costs of improvements which are to be paid from special assessments levied against the benefited properties.



CITY OF MESA, ARIZONA  
**EXHIBIT C-1**  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2016  
(in thousands)

|   | <b>Special Revenue Funds</b> |  |                                    |                                     |
|---|------------------------------|--|------------------------------------|-------------------------------------|
|   | <b>Cemetery</b>              | <b>Community<br/>Facilities<br/>District</b> | <b>Development<br/>Impact Fees</b> | <b>Environmental<br/>Compliance</b> |
| <b>ASSETS</b>   |                              |  |                                    |                                     |
| Pooled Cash and Investments   | \$ 6,779                     | \$ 54  | \$ 4,927                           | \$ 9,931                            |
| Accounts Receivable, Net  | 73                           | 62   | -                                  | 7                                   |
| Accrued Interest Receivable   | 14                           | -  | 3                                  | 7                                   |
| Due from Other Governments  | -                            | -  | -                                  | -                                   |
| Prepaid Costs   | -                            | -  | -                                  | -                                   |
| Deposits  | -                            | -  | -                                  | -                                   |
| Restricted Assets:  |                              |  |                                    |                                     |
| Pooled Cash and Investments   | -                            | -  | -                                  | -                                   |
| Cash with Fiscal Agent  | -                            | -  | -                                  | -                                   |
| Accounts Receivable   | -                            | -  | -                                  | -                                   |
| Due from Other Governments  | -                            | -  | -                                  | -                                   |
| Total Assets  | <u>\$ 6,866</u>              | <u>\$ 116</u>                                | <u>\$ 4,930</u>                    | <u>\$ 9,945</u>                     |
| <b>LIABILITIES</b>  |                              |  |                                    |                                     |
| Accounts Payable and Accrued Liabilities                              | \$ -                         | \$ -   | \$ -                               | \$ 446                              |
| Advances from Other Funds   | -                            | -  | 1,414                              | -                                   |
| Customer and Defendant Deposits                                       | -                            | -  | -                                  | -                                   |
| Payable from Restricted Assets:                                       |                              |  |                                    |                                     |
| Accrued Interest Payable  | -                            | -  | -                                  | -                                   |
| Unearned Revenue  | -                            | 94   | -                                  | -                                   |
| Matured Bonds Payable   | -                            | -  | -                                  | -                                   |
| Total Liabilities   | <u>-</u>                     | <u>94</u>                                    | <u>1,414</u>                       | <u>446</u>                          |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                  |                              |  |                                    |                                     |
| Unavailable Revenue   | 3                            | -  | -                                  | 5                                   |
| Total Deferred Inflows of Resources                                   | <u>3</u>                     | <u>-</u>                                     | <u>-</u>                           | <u>5</u>                            |
| <b>FUND BALANCES</b>  |                              |  |                                    |                                     |
| Nonspendable  | -                            | -  | -                                  | -                                   |
| Restricted  | -                            | 22   | 3,516                              | -                                   |
| Committed   | 6,863                        | -  | -                                  | 9,494                               |
| Assigned  | -                            | -  | -                                  | -                                   |
| Unassigned  | -                            | -  | -                                  | -                                   |
| Total Fund Balances   | <u>6,863</u>                 | <u>22</u>                                    | <u>3,516</u>                       | <u>9,494</u>                        |
| Total Liabilities, Deferred Inflows of<br>Resources and Fund Balances | <u>\$ 6,866</u>              | <u>\$ 116</u>                                | <u>\$ 4,930</u>                    | <u>\$ 9,945</u>                     |



**EXHIBIT C-1**  
(Continued)

| Special Revenue Funds                |                            |                                    |                              |                                    |                        | Total<br>Special<br>Revenue<br>Funds |
|--------------------------------------|----------------------------|------------------------------------|------------------------------|------------------------------------|------------------------|--------------------------------------|
| Grants<br>and<br>Special<br>Programs | Highway<br>User<br>Revenue | Mesa Arts<br>Center<br>Restoration | Mesa<br>Housing<br>Authority | Quality<br>of Life<br>Sales<br>Tax | Street<br>Sales<br>Tax |                                      |
| \$ 5,161                             | \$ 11,916                  | \$ 1,344                           | \$ 1,489                     | \$ 802                             | \$41,252               | \$ 83,655                            |
| 92                                   | -                          | -                                  | 176                          | 1,830                              | 2,454                  | 4,694                                |
| 2                                    | 2                          | 3                                  | -                            | 1                                  | 44                     | 76                                   |
| 3,617                                | 3,250                      | -                                  | 1,360                        | -                                  | -                      | 8,227                                |
| 5                                    | -                          | -                                  | -                            | -                                  | 69                     | 74                                   |
| -                                    | -                          | -                                  | -                            | -                                  | -                      | -                                    |
| -                                    | -                          | -                                  | -                            | -                                  | -                      | -                                    |
| -                                    | -                          | -                                  | -                            | -                                  | -                      | -                                    |
| -                                    | -                          | -                                  | -                            | -                                  | -                      | -                                    |
| <u>\$ 8,877</u>                      | <u>\$ 15,168</u>           | <u>\$ 1,347</u>                    | <u>\$ 3,025</u>              | <u>\$ 2,633</u>                    | <u>\$43,819</u>        | <u>\$ 96,726</u>                     |
| \$ 1,716                             | \$ 1,119                   | \$ 35                              | \$ 619                       | \$ -                               | \$ 3,880               | \$ 7,815                             |
| -                                    | -                          | -                                  | -                            | -                                  | -                      | 1,414                                |
| -                                    | -                          | -                                  | -                            | -                                  | 5,960                  | 5,960                                |
| -                                    | -                          | -                                  | -                            | -                                  | -                      | -                                    |
| 515                                  | -                          | 59                                 | 1,742                        | -                                  | -                      | 2,410                                |
| -                                    | -                          | -                                  | -                            | -                                  | -                      | -                                    |
| <u>2,231</u>                         | <u>1,119</u>               | <u>94</u>                          | <u>2,361</u>                 | <u>-</u>                           | <u>9,840</u>           | <u>17,599</u>                        |
| 73                                   | -                          | -                                  | -                            | -                                  | 141                    | 222                                  |
| <u>73</u>                            | <u>-</u>                   | <u>-</u>                           | <u>-</u>                     | <u>-</u>                           | <u>141</u>             | <u>222</u>                           |
| 5                                    | -                          | -                                  | -                            | -                                  | 69                     | 74                                   |
| 5,798                                | 14,049                     | -                                  | 664                          | 2,633                              | 33,769                 | 60,451                               |
| 919                                  | -                          | 1,253                              | -                            | -                                  | -                      | 18,529                               |
| 6                                    | -                          | -                                  | -                            | -                                  | -                      | 6                                    |
| (155)                                | -                          | -                                  | -                            | -                                  | -                      | (155)                                |
| <u>6,573</u>                         | <u>14,049</u>              | <u>1,253</u>                       | <u>664</u>                   | <u>2,633</u>                       | <u>33,838</u>          | <u>78,905</u>                        |
| <u>\$ 8,877</u>                      | <u>\$ 15,168</u>           | <u>\$ 1,347</u>                    | <u>\$ 3,025</u>              | <u>\$ 2,633</u>                    | <u>\$43,819</u>        | <u>\$ 96,726</u>                     |

## CITY OF MESA, ARIZONA

**EXHIBIT C-1**

## NON-MAJOR GOVERNMENTAL FUNDS

## COMBINING BALANCE SHEET

JUNE 30, 2016

(in thousands)

|   | Capital Projects Funds              |                                |                |                  |                 | Total<br>Capital<br>Projects<br>Funds |
|---|-------------------------------------|--------------------------------|----------------|------------------|-----------------|---------------------------------------|
|   | Community<br>Facilities<br>District | General<br>Capital<br>Projects | Parks          | Public<br>Safety | Streets         |                                       |
| <b>ASSETS</b>   |                                     |                                |                |                  |                 |                                       |
| Pooled Cash and Investments   | \$ -                                | \$ 8,157                       | \$7,681        | \$4,769          | \$14,703        | \$ 35,310                             |
| Accounts Receivable, Net  | -                                   | -                              | -              | -                | -               | -                                     |
| Accrued Interest Receivable   | -                                   | -                              | -              | -                | -               | -                                     |
| Due from Other Governments  | -                                   | -                              | -              | -                | 3,893           | 3,893                                 |
| Prepaid Costs   | -                                   | 3                              | -              | -                | -               | 3                                     |
| Deposits  | -                                   | -                              | 148            | -                | 434             | 582                                   |
| Restricted Assets:  |                                     |                                |                |                  |                 |                                       |
| Pooled Cash and Investments   | -                                   | -                              | -              | -                | -               | -                                     |
| Cash with Fiscal Agent  | -                                   | -                              | -              | -                | -               | -                                     |
| Accounts Receivable   | -                                   | -                              | -              | -                | -               | -                                     |
| Due from Other Governments  | -                                   | -                              | -              | -                | -               | -                                     |
| Total Assets  | <u>\$ -</u>                         | <u>\$ 8,160</u>                | <u>\$7,829</u> | <u>\$4,769</u>   | <u>\$19,030</u> | <u>\$ 39,788</u>                      |
| <b>LIABILITIES</b>  |                                     |                                |                |                  |                 |                                       |
| Accounts Payable and Accrued Liabilities                              | \$ -                                | \$ 724                         | \$ 928         | \$2,017          | \$ 2,752        | \$ 6,421                              |
| Advances from Other Funds   | -                                   | -                              | -              | -                | -               | -                                     |
| Customer and Defendant Deposits                                       | -                                   | -                              | -              | -                | -               | -                                     |
| Payable from Restricted Assets:                                       |                                     |                                |                |                  |                 |                                       |
| Accrued Interest Payable  | -                                   | -                              | -              | -                | -               | -                                     |
| Unearned Revenue  | -                                   | -                              | -              | -                | -               | -                                     |
| Matured Bonds Payable   | -                                   | -                              | -              | -                | -               | -                                     |
| Total Liabilities   | <u>-</u>                            | <u>724</u>                     | <u>928</u>     | <u>2,017</u>     | <u>2,752</u>    | <u>6,421</u>                          |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                  |                                     |                                |                |                  |                 |                                       |
| Unavailable Revenue   | -                                   | -                              | -              | -                | -               | -                                     |
| Total Deferred Inflows of Resources                                   | <u>-</u>                            | <u>-</u>                       | <u>-</u>       | <u>-</u>         | <u>-</u>        | <u>-</u>                              |
| <b>FUND BALANCES</b>  |                                     |                                |                |                  |                 |                                       |
| Nonspendable  | -                                   | 3                              | -              | -                | -               | 3                                     |
| Restricted  | -                                   | -                              | 6,901          | 2,752            | 16,278          | 25,931                                |
| Committed   | -                                   | 7,433                          | -              | -                | -               | 7,433                                 |
| Assigned  | -                                   | -                              | -              | -                | -               | -                                     |
| Unassigned  | -                                   | -                              | -              | -                | -               | -                                     |
| Total Fund Balances   | <u>-</u>                            | <u>7,436</u>                   | <u>6,901</u>   | <u>2,752</u>     | <u>16,278</u>   | <u>33,367</u>                         |
| Total Liabilities, Deferred Inflows of<br>Resources and Fund Balances | <u>\$ -</u>                         | <u>\$ 8,160</u>                | <u>\$7,829</u> | <u>\$4,769</u>   | <u>\$19,030</u> | <u>\$ 39,788</u>                      |

**EXHIBIT C-1**  
(Concluded)

| <b>Debt Service Funds</b>                    |   |   |   | <b>Total<br/>Debt<br/>Service<br/>Funds</b> | <b>Total Nonmajor<br/>Governmental<br/>Funds</b> |
|--|---|---|---|---|--|
| <b>Community<br/>Facilities<br/>District</b> | <b>General<br/>Obligation<br/>Bonds</b> | <b>Highway<br/>User<br/>Revenue<br/>Bonds</b> | <b>Special<br/>Assessment<br/>Bonds</b> |   |  |
| \$ -   | \$ -                                    | \$ -  | \$ -                                    | \$ -  | \$ 118,965                                       |
| -  | -                                       | -   | -                                       | -   | 4,694  |
| -  | 1                                       | -   | -                                       | 1   | 77   |
| -  | -                                       | -   | -                                       | -   | 12,120   |
| -  | -                                       | -   | -                                       | -   | 77   |
| -  | -                                       | -   | -                                       | -   | 582  |
| 829  | 2,087                                   | 37  | 49                                      | 3,002                                       | 3,002  |
| 934  | 26,823                                  | 9,812   | 10                                      | 37,579                                      | 37,579   |
| 9,610  | 95                                      | -   | 1,911                                   | 11,616                                      | 11,616   |
| -  | 907                                     | -   | -                                       | 907   | 907  |
| <u>\$ 11,373</u>                             | <u>\$ 29,913</u>                        | <u>\$ 9,849</u>                               | <u>\$ 1,970</u>                         | <u>\$53,105</u>                             | <u>\$ 189,619</u>                                |
|  |   |   |   |   |  |
| \$ -   | \$ -                                    | \$ -  | \$ -                                    | \$ -  | \$ 14,236  |
| -  | -                                       | -   | -                                       | -   | 1,414  |
| -  | -                                       | -   | -                                       | -   | 5,960  |
| 461  | 5,943                                   | 2,422   | 59                                      | 8,885                                       | 8,885  |
| -  | -                                       | -   | -                                       | -   | 2,410  |
| 473  | 20,880                                  | 7,390   | -                                       | 28,743                                      | 28,743   |
| <u>934</u>                                   | <u>26,823</u>                           | <u>9,812</u>                                  | <u>59</u>                               | <u>37,628</u>                               | <u>61,648</u>                                    |
|  |   |   |   |   |  |
| 9,604  | 472                                     | -   | 1,911                                   | 11,987                                      | 12,209   |
| <u>9,604</u>                                 | <u>472</u>                              | <u>-</u>                                      | <u>1,911</u>                            | <u>11,987</u>                               | <u>12,209</u>                                    |
|  |   |   |   |   |  |
| -  | -                                       | -   | -                                       | -   | 77   |
| 835  | -                                       | 37  | -                                       | 872   | 87,254   |
| -  | 2,618                                   | -   | -                                       | 2,618                                       | 28,580   |
| -  | -                                       | -   | -                                       | -   | 6  |
| -  | -                                       | -   | -                                       | -   | (155)  |
| <u>835</u>                                   | <u>2,618</u>                            | <u>37</u>                                     | <u>-</u>                                | <u>3,490</u>                                | <u>115,762</u>                                   |
|  |   |   |   |   |  |
| <u>\$ 11,373</u>                             | <u>\$ 29,913</u>                        | <u>\$ 9,849</u>                               | <u>\$ 1,970</u>                         | <u>\$53,105</u>                             | <u>\$ 189,619</u>                                |

## CITY OF MESA, ARIZONA

**EXHIBIT C-2**

## NON-MAJOR GOVERNMENTAL FUNDS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES

## AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

**Special Revenue Funds**

|  | <b>Cemetery</b> | <b>Community<br/>Facilities<br/>District</b> | <b>Development<br/>Impact Fees</b> | <b>Environmental<br/>Compliance</b> |
|--|-----------------|--|------------------------------------|-------------------------------------|
| Revenues:  |                 |  |                                    |                                     |
| Sales Taxes  | \$ -            | \$ -   | \$ -                               | \$ -                                |
| Property Taxes   | -               | 53   | -                                  | -                                   |
| Occupancy Taxes  | -               | -  | -                                  | -                                   |
| Special Assessments  | -               | -  | -                                  | -                                   |
| Licenses and Permits   | -               | -  | 4,941                              | -                                   |
| Intergovernmental  | -               | -  | -                                  | 152                                 |
| Charges for Services   | 95              | -  | -                                  | 15,066                              |
| Fines and Forfeitures  | -               | -  | -                                  | -                                   |
| Investment Income  | 121             | -  | 70                                 | 76                                  |
| Contributions  | -               | 84   | -                                  | -                                   |
| Miscellaneous Revenues                                       | -               | -  | -                                  | -                                   |
| Total Revenues   | <u>216</u>      | <u>137</u>                                   | <u>5,011</u>                       | <u>15,294</u>                       |
| Expenditures:  |                 |  |                                    |                                     |
| Current:   |                 |  |                                    |                                     |
| General Government   | -               | 78   | -                                  | 911                                 |
| Public Safety  | -               | -  | -                                  | 80                                  |
| Community Environment  | -               | -  | -                                  | 3,990                               |
| Cultural-Recreational  | -               | -  | -                                  | 6,285                               |
| Debt Service:  |                 |  |                                    |                                     |
| Principal Retirement   | -               | -  | -                                  | -                                   |
| Interest on Bonds  | -               | -  | -                                  | -                                   |
| Service Charges  | -               | 3  | -                                  | -                                   |
| Cost of Issuance   | -               | -  | -                                  | -                                   |
| Capital Outlay   | -               | -  | 1                                  | 1,694                               |
| Total Expenditures   | <u>-</u>        | <u>81</u>                                    | <u>1</u>                           | <u>12,960</u>                       |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>216</u>      | <u>56</u>                                    | <u>5,010</u>                       | <u>2,334</u>                        |
| Other Financing Sources (Uses):                              |                 |  |                                    |                                     |
| Transfers In   | -               | -  | -                                  | -                                   |
| Transfers Out  | -               | (32)   | (2,855)                            | -                                   |
| Face Amount of Bonds Issued                                  | -               | -  | -                                  | -                                   |
| Premium on Issuance of Bonds (Net)                           | -               | -  | -                                  | -                                   |
| Issuance of Refunding Bonds                                  | -               | -  | -                                  | -                                   |
| Payment to Refunding Bond Escrow Agent                       | -               | -  | -                                  | -                                   |
| Total Other Financing Sources (Uses)                         | <u>-</u>        | <u>(32)</u>                                  | <u>(2,855)</u>                     | <u>-</u>                            |
| Net Change in Fund Balances                                  | 216             | 24   | 2,155                              | 2,334                               |
| Fund Balances - Beginning                                    | <u>6,647</u>    | <u>(2)</u>                                   | <u>1,361</u>                       | <u>7,160</u>                        |
| Fund Balances - Ending                                       | <u>\$ 6,863</u> | <u>\$ 22</u>                                 | <u>\$ 3,516</u>                    | <u>\$ 9,494</u>                     |

**EXHIBIT C-2**

(Continued)

| Special Revenue Funds                |                            |                                    |                              |                                    |                        |                                      |
|--------------------------------------|----------------------------|------------------------------------|------------------------------|------------------------------------|------------------------|--------------------------------------|
| Grants<br>and<br>Special<br>Programs | Highway<br>User<br>Revenue | Mesa Arts<br>Center<br>Restoration | Mesa<br>Housing<br>Authority | Quality<br>of Life<br>Sales<br>Tax | Street<br>Sales<br>Tax | Total<br>Special<br>Revenue<br>Funds |
| \$ -                                 | \$ -                       | \$ -                               | \$ -                         | \$ 21,693                          | \$ 26,017              | \$ 47,710                            |
| -                                    | -                          | -                                  | -                            | -                                  | -                      | 53                                   |
| 2,291                                | -                          | -                                  | -                            | -                                  | -                      | 2,291                                |
| -                                    | -                          | -                                  | -                            | -                                  | -                      | -                                    |
| 492                                  | -                          | -                                  | -                            | 90                                 | 151                    | 5,674                                |
| 11,690                               | 35,403                     | 2                                  | 16,319                       | -                                  | 152                    | 63,718                               |
| 15                                   | 10                         | -                                  | 1                            | -                                  | 342                    | 15,529                               |
| 1,051                                | -                          | 560                                | -                            | -                                  | -                      | 1,611                                |
| 27                                   | 14                         | 30                                 | 61                           | 31                                 | 587                    | 1,017                                |
| 196                                  | -                          | -                                  | -                            | -                                  | -                      | 280                                  |
| 1,620                                | 5                          | -                                  | -                            | -                                  | 699                    | 2,324                                |
| <u>17,382</u>                        | <u>35,432</u>              | <u>592</u>                         | <u>16,381</u>                | <u>21,814</u>                      | <u>27,948</u>          | <u>140,207</u>                       |
| 2,692                                | -                          | -                                  | -                            | -                                  | 4,116                  | 7,797                                |
| 7,845                                | -                          | -                                  | 266                          | 22,258                             | 346                    | 30,795                               |
| 175                                  | 18,130                     | -                                  | 15,655                       | -                                  | 13,886                 | 51,836                               |
| 850                                  | -                          | -                                  | -                            | -                                  | -                      | 7,135                                |
| -                                    | -                          | -                                  | -                            | -                                  | -                      | -                                    |
| -                                    | -                          | -                                  | -                            | -                                  | -                      | -                                    |
| -                                    | -                          | -                                  | -                            | -                                  | -                      | 3                                    |
| -                                    | -                          | -                                  | -                            | -                                  | -                      | -                                    |
| 5,821                                | 1,097                      | 538                                | 357                          | -                                  | 14,611                 | 24,119                               |
| <u>17,383</u>                        | <u>19,227</u>              | <u>538</u>                         | <u>16,278</u>                | <u>22,258</u>                      | <u>32,959</u>          | <u>121,685</u>                       |
| <u>(1)</u>                           | <u>16,205</u>              | <u>54</u>                          | <u>103</u>                   | <u>(444)</u>                       | <u>(5,011)</u>         | <u>18,522</u>                        |
| 18                                   | -                          | -                                  | -                            | -                                  | -                      | 18                                   |
| (538)                                | (12,238)                   | -                                  | -                            | -                                  | -                      | (15,663)                             |
| -                                    | -                          | -                                  | -                            | -                                  | -                      | -                                    |
| -                                    | -                          | -                                  | -                            | -                                  | -                      | -                                    |
| -                                    | -                          | -                                  | -                            | -                                  | -                      | -                                    |
| <u>(520)</u>                         | <u>(12,238)</u>            | <u>-</u>                           | <u>-</u>                     | <u>-</u>                           | <u>-</u>               | <u>(15,645)</u>                      |
| (521)                                | 3,967                      | 54                                 | 103                          | (444)                              | (5,011)                | 2,877                                |
| 7,094                                | 10,082                     | 1,199                              | 561                          | 3,077                              | 38,849                 | 76,028                               |
| <u>\$ 6,573</u>                      | <u>\$ 14,049</u>           | <u>\$ 1,253</u>                    | <u>\$ 664</u>                | <u>\$ 2,633</u>                    | <u>\$ 33,838</u>       | <u>\$ 78,905</u>                     |

## CITY OF MESA, ARIZONA

**EXHIBIT C-2**

## NON-MAJOR GOVERNMENTAL FUNDS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES

## AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

|  | <b>Capital Projects Funds</b>                |   |                 |                          |                  | <b>Total<br/>Capital<br/>Projects<br/>Funds</b> |
|--|--|---|-----------------|--------------------------|------------------|---|
|  | <b>Community<br/>Facilities<br/>District</b> | <b>General<br/>Capital<br/>Projects</b> | <b>Parks</b>    | <b>Public<br/>Safety</b> | <b>Streets</b>   |   |
| Revenues:  |  |   |                 |                          |                  |   |
| Sales Taxes  | \$ -   | \$ -                                    | \$ -            | \$ -                     | \$ -             | \$ -  |
| Property Taxes   | -  | -                                       | -               | -                        | -                | -   |
| Occupancy Taxes  | -  | -                                       | -               | -                        | -                | -   |
| Special Assessments  | -  | -                                       | -               | -                        | -                | -   |
| Licenses and Permits   | -  | -                                       | -               | -                        | -                | -   |
| Intergovernmental  | -  | -                                       | -               | -                        | 165              | 165   |
| Charges for Services   | -  | -                                       | -               | -                        | -                | -   |
| Fines and Forfeitures  | -  | -                                       | -               | -                        | -                | -   |
| Investment Income  | -  | -                                       | -               | -                        | -                | -   |
| Contributions  | 217  | -                                       | -               | -                        | -                | 217   |
| Miscellaneous Revenues                                       | -  | 522                                     | -               | -                        | -                | 522   |
| Total Revenues   | <u>217</u>                                   | <u>522</u>                              | <u>-</u>        | <u>-</u>                 | <u>165</u>       | <u>904</u>                                      |
| Expenditures:  |  |   |                 |                          |                  |   |
| Current:   |  |   |                 |                          |                  |   |
| General Government   | -  | -                                       | -               | -                        | -                | -   |
| Public Safety  | -  | -                                       | -               | -                        | -                | -   |
| Community Environment  | -  | -                                       | -               | -                        | -                | -   |
| Cultural-Recreational  | -  | -                                       | -               | -                        | -                | -   |
| Debt Service:  |  |   |                 |                          |                  |   |
| Principal Retirement   | 44   | -                                       | -               | -                        | -                | 44  |
| Interest on Bonds  | -  | -                                       | -               | -                        | -                | -   |
| Service Charges  | -  | -                                       | -               | -                        | -                | -   |
| Cost of Issuance   | 626  | -                                       | 27              | 288                      | 120              | 1,061   |
| Capital Outlay   | <u>8,210</u>                                 | <u>9,026</u>                            | <u>4,335</u>    | <u>27,967</u>            | <u>13,547</u>    | <u>63,085</u>                                   |
| Total Expenditures   | <u>8,880</u>                                 | <u>9,026</u>                            | <u>4,362</u>    | <u>28,255</u>            | <u>13,667</u>    | <u>64,190</u>                                   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(8,663)</u>                               | <u>(8,504)</u>                          | <u>(4,362)</u>  | <u>(28,255)</u>          | <u>(13,502)</u>  | <u>(63,286)</u>                                 |
| Other Financing Sources (Uses):                              |  |   |                 |                          |                  |   |
| Transfers In   | -  | 5,456                                   | -               | -                        | -                | 5,456   |
| Transfers Out  | (17)   | -                                       | -               | -                        | -                | (17)  |
| Face Amount of Bonds Issued                                  | 8,685  | -                                       | 2,310           | 24,950                   | 10,440           | 46,385  |
| Premium on Issuance of Bonds (Net)                           | -  | -                                       | 63              | 676                      | 283              | 1,022   |
| Issuance of Refunding Bonds                                  | -  | -                                       | -               | -                        | -                | -   |
| Payment to Refunding Bond Agent                              | -  | -                                       | -               | -                        | -                | -   |
| Total Other Financing Sources (Uses)                         | <u>8,668</u>                                 | <u>5,456</u>                            | <u>2,373</u>    | <u>25,626</u>            | <u>10,723</u>    | <u>52,846</u>                                   |
| Net Change in Fund Balances                                  | 5  | (3,048)                                 | (1,989)         | (2,629)                  | (2,779)          | (10,440)  |
| Fund Balances - Beginning                                    | <u>(5)</u>                                   | <u>10,484</u>                           | <u>8,890</u>    | <u>5,381</u>             | <u>19,057</u>    | <u>43,807</u>                                   |
| Fund Balances - Ending                                       | <u>\$ -</u>                                  | <u>\$ 7,436</u>                         | <u>\$ 6,901</u> | <u>\$ 2,752</u>          | <u>\$ 16,278</u> | <u>\$ 33,367</u>                                |

**EXHIBIT C-2**  
(Concluded)

| <b>Debt Service Funds</b>                    |   |   |   |   |  |
|--|---|---|---|---|--|
| <b>Community<br/>Facilities<br/>District</b> | <b>General<br/>Obligation<br/>Bonds</b> | <b>Highway<br/>User<br/>Revenue<br/>Bonds</b> | <b>Special<br/>Assessment<br/>Bonds</b> | <b>Total Debt<br/>Service<br/>Funds</b> | <b>Total Nonmajor<br/>Governmental<br/>Funds</b> |
| \$ -   | \$ -                                    | \$ -  | \$ -                                    | \$ -                                    | \$ 47,710  |
| 677  | 34,035                                  | -   | -                                       | 34,712                                  | 34,765   |
| -  | -                                       | -   | -                                       | -                                       | 2,291  |
| 643  | -                                       | -   | 790                                     | 1,433                                   | 1,433  |
| -  | -                                       | -   | -                                       | -                                       | 5,674  |
| -  | 559                                     | -   | -                                       | 559                                     | 64,442   |
| -  | -                                       | -   | -                                       | -                                       | 15,529   |
| -  | 643                                     | -   | -                                       | 643                                     | 2,254  |
| -  | 4                                       | -   | -                                       | 4                                       | 1,021  |
| -  | 164                                     | -   | -                                       | 164                                     | 661  |
| -  | -                                       | -   | -                                       | -                                       | 2,846  |
| <u>1,320</u>                                 | <u>35,405</u>                           | <u>-</u>                                      | <u>790</u>                              | <u>37,515</u>                           | <u>178,626</u>                                   |
| -  | -                                       | -   | -                                       | -                                       | 7,797  |
| -  | -                                       | -   | -                                       | -                                       | 30,795   |
| -  | -                                       | -   | -                                       | -                                       | 51,836   |
| -  | -                                       | -   | -                                       | -                                       | 7,135  |
| 489  | 20,880                                  | 7,390   | 745                                     | 29,504                                  | 29,548   |
| 832  | 12,767                                  | 4,844   | 138                                     | 18,581                                  | 18,581   |
| -  | 7                                       | 4   | -                                       | 11                                      | 14   |
| -  | 444                                     | -   | -                                       | 444                                     | 1,505  |
| -  | -                                       | -   | -                                       | -                                       | 87,204   |
| <u>1,321</u>                                 | <u>34,098</u>                           | <u>12,238</u>                                 | <u>883</u>                              | <u>48,540</u>                           | <u>234,415</u>                                   |
| <u>(1)</u>                                   | <u>1,307</u>                            | <u>(12,238)</u>                               | <u>(93)</u>                             | <u>(11,025)</u>                         | <u>(55,789)</u>                                  |
| 49   | 2,855                                   | 12,238  | 93                                      | 15,235                                  | 20,709   |
| -  | -                                       | -   | -                                       | -                                       | (15,680)   |
| 145  | -                                       | -   | -                                       | 145                                     | 46,530   |
| -  | 1,261                                   | -   | -                                       | 1,261                                   | 2,283  |
| -  | 43,304                                  | -   | -                                       | 43,304                                  | 43,304   |
| -  | (49,693)                                | -   | -                                       | (49,693)                                | (49,693)   |
| <u>194</u>                                   | <u>(2,273)</u>                          | <u>12,238</u>                                 | <u>93</u>                               | <u>10,252</u>                           | <u>47,453</u>                                    |
| 193  | (966)                                   | -   | -                                       | (773)                                   | (8,336)  |
| 642  | 3,584                                   | 37  | -                                       | 4,263                                   | 124,098  |
| <u>\$ 835</u>                                | <u>\$ 2,618</u>                         | <u>\$ 37</u>                                  | <u>\$ -</u>                             | <u>\$ 3,490</u>                         | <u>\$ 115,762</u>                                |

## **INTERNAL SERVICE FUNDS**

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

**Warehouse, Maintenance and Services Fund** was established to finance and account for services and commodities furnished by Fleet Support, Materials and Supply, and Printing and Graphics.

**Property and Public Liability Self-Insurance Fund** was established to account for the cost of claims incurred by the City under a self-insurance program.

**Workers' Compensation Self-Insurance Fund** was established to account for the costs of maintaining a self-insurance program for industrial insurance at the City.

**Employee Benefit Self-Insurance Fund** was established to account for the costs of maintaining the City's self-insurance health program.



CITY OF MESA, ARIZONA  
**EXHIBIT C-3**  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2016  
(in thousands)

|  | Warehouse,<br>Maintenance<br>and Services | Property and<br>Public<br>Liability Self<br>Insurance | Workers'<br>Compensation<br>Self Insurance | Employee<br>Benefits<br>Self<br>Insurance | Total     |
|--|---|---|--|---|-----------|
| <b>ASSETS</b>                                      |   |   |  |   |           |
| Current Assets:                                    |   |   |  |   |           |
| Pooled Cash and Investments                        | \$ 737                                    | \$ 9,643  | \$ 8,614                                   | \$ 46,356                                 | \$ 65,350 |
| Accounts Receivable                                | 288                                       | -   | -  | 23  | 311       |
| Accrued Premiums Receivable                        | -   | -   | -  | 159                                       | 159       |
| Accrued Interest Receivable                        | -   | 15  | 8  | 74  | 97        |
| Due from Other Governments                         | 5   | -   | -  | -   | 5         |
| Inventory  | 5,897                                     | -   | -  | -   | 5,897     |
| Prepaid Costs                                      | 7   | 517   | 209  | 13  | 746       |
| Deposits   | -   | -   | -  | 69  | 69        |
| Total Current Assets                               | 6,934                                     | 10,175  | 8,831                                      | 46,694                                    | 72,634    |
| Noncurrent Assets:                                 |   |   |  |   |           |
| Capital Assets, Not Being Depreciated              | 66  | -   | -  | 14  | 80        |
| Capital Assets, Being Depreciated, Net             | 1,407                                     | -   | -  | 444                                       | 1,851     |
| Total Noncurrent Assets                            | 1,473                                     | -   | -  | 458                                       | 1,931     |
| Total Assets                                       | 8,407                                     | 10,175  | 8,831                                      | 47,152                                    | 74,565    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>              |   |   |  |   |           |
| Deferred Outflows Related to Pensions              | 857                                       | 122   | 49   | 122                                       | 1,150     |
| Total Deferred Outflows of Resources               | 857                                       | 122   | 49   | 122                                       | 1,150     |
| Total Assets and Deferred<br>Outflows of Resources | 9,264                                     | 10,297  | 8,880                                      | 47,274                                    | 75,715    |
| <b>LIABILITIES</b>                                 |   |   |  |   |           |
| Current Liabilities                                |   |   |  |   |           |
| Accounts Payable and Accrued Liabilities           | 573                                       | 30  | 33   | 1,782                                     | 2,418     |
| Estimated Claims Incurred-Not Reported             | -   | 1,946   | 9,153                                      | 2,696                                     | 13,795    |
| Estimated Claims Incurred and Pending              | -   | 10,653  | 14,000                                     | -   | 24,653    |
| Current Portion of Compensated Absences            | 40  | -   | -  | -   | 40        |
| Total Current Liabilities                          | 613                                       | 12,629  | 23,186                                     | 4,478                                     | 40,906    |
| Long-Term Liabilities                              |   |   |  |   |           |
| Compensated Absences                               | 617                                       | -   | -  | -   | 617       |
| Net Pension Liability                              | 8,937                                     | 1,277   | 511  | 1,277                                     | 12,002    |
| Post Employment Benefits                           | 7,909                                     | 1,001   | 417  | 1,059                                     | 10,386    |
| Total Long-Term Liabilities                        | 17,463                                    | 2,278   | 928  | 2,336                                     | 23,005    |
| Total Liabilities                                  | 18,076                                    | 14,907  | 24,114                                     | 6,814                                     | 63,911    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>               |   |   |  |   |           |
| Deferred Inflows Related to Pensions               | 876                                       | 125   | 50   | 125                                       | 1,176     |
| Total Deferred Inflows of Resources                | 876                                       | 125   | 50   | 125                                       | 1,176     |
| <b>NET POSITION</b>                                |   |   |  |   |           |
| Net Investment in Capital Assets                   | 1,473                                     | -   | -  | 458                                       | 1,931     |
| Unrestricted                                       | (11,161)                                  | (4,735)   | (15,284)                                   | 39,877                                    | 8,697     |
| Total Net Position                                 | \$ (9,688)                                | \$ (4,735)  | \$ (15,284)                                | \$ 40,335                                 | \$ 10,628 |

CITY OF MESA, ARIZONA  
**EXHIBIT C-4**  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(in thousands)

|   | <b>Warehouse,<br/>Maintenance<br/>and Services</b> | <b>Property and<br/>Public<br/>Liability Self<br/>Insurance</b> | <b>Workers'<br/>Compensation<br/>Self Insurance</b> | <b>Employee<br/>Benefits<br/>Self<br/>Insurance</b> | <b>Total</b>     |
|---|--|---|---|---|------------------|
| Operating Revenues:                         |  |   |   |   |                  |
| Charges For Services:                       |  |   |   |   |                  |
| Warehouse                                   | \$ 6,472   | \$ -  | \$ -  | \$ -  | \$ 6,472         |
| Fleet Support Services                      | 17,939   | -   | -   | -   | 17,939           |
| Printing and Graphics                       | 920  | -   | -   | -   | 920              |
| Self-Insurance Contributions:               |  |   |   |   |                  |
| Employee                                    | -  | -   | -   | 14,287  | 14,287           |
| City  | -  | 2,892   | 4,210   | 52,453  | 59,555           |
| State Retirement System                     | -  | -   | -   | 4,192   | 4,192            |
| Other                                       | -  | -   | 213   | 544   | 757              |
| Total Operating Revenues                    | <u>25,331</u>                                      | <u>2,892</u>  | <u>4,423</u>  | <u>71,476</u>                                       | <u>104,122</u>   |
| Operating Expenses:                         |  |   |   |   |                  |
| Warehouse                                   | 6,292  | -   | -   | -   | 6,292            |
| Fleet Support Services                      | 17,951   | -   | -   | -   | 17,951           |
| Printing and Graphics                       | 1,218  | -   | -   | -   | 1,218            |
| Administrative Costs                        | -  | 1,145   | 979   | 7,199   | 9,323            |
| Claims and Premiums Paid                    | -  | 4,798   | 2,988   | 68,903  | 76,689           |
| Total Operating Expenses                    | <u>25,461</u>                                      | <u>5,943</u>  | <u>3,967</u>  | <u>76,102</u>                                       | <u>111,473</u>   |
| Operating Income (Loss) Before Depreciation | (130)  | (3,051)   | 456   | (4,626)   | (7,351)          |
| Depreciation                                | <u>(315)</u>                                       | <u>-</u>  | <u>-</u>  | <u>(194)</u>  | <u>(509)</u>     |
| Operating Income (Loss)                     | <u>(445)</u>                                       | <u>(3,051)</u>  | <u>456</u>  | <u>(4,820)</u>                                      | <u>(7,860)</u>   |
| Nonoperating Revenues (Expense):            |  |   |   |   |                  |
| Investment Income                           | -  | 125   | 48  | 554   | 727              |
| Total Nonoperating Revenues (Expenses)      | <u>-</u>   | <u>125</u>  | <u>48</u>   | <u>554</u>  | <u>727</u>       |
| Income (Loss) Before Capital Contributions  | (445)  | (2,926)   | 504   | (4,266)   | (7,133)          |
| Capital Contributions                       | 167  | -   | -   | -   | 167              |
| Transfers In                                | 2,953  | -   | -   | -   | 2,953            |
| Transfers Out                               | <u>(670)</u>                                       | <u>(927)</u>  | <u>(374)</u>  | <u>(982)</u>  | <u>(2,953)</u>   |
| Change in Net Position                      | 2,005  | (3,853)   | 130   | (5,248)   | (6,966)          |
| Total Net Position - Beginning              | <u>(11,693)</u>                                    | <u>(882)</u>  | <u>(15,414)</u>                                     | <u>45,583</u>                                       | <u>17,594</u>    |
| Total Net Position - Ending                 | <u>\$ (9,688)</u>                                  | <u>\$ (4,735)</u>   | <u>\$ (15,284)</u>                                  | <u>\$ 40,335</u>                                    | <u>\$ 10,628</u> |

CITY OF MESA, ARIZONA  
**EXHIBIT C-5**  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(in thousands)

|   | <b>Warehouse,<br/>Maintenance<br/>and Services</b> | <b>Property and<br/>Public<br/>Liability Self<br/>Insurance</b> | <b>Workers'<br/>Compensation<br/>Self Insurance</b> | <b>Employee<br/>Benefits<br/>Self<br/>Insurance</b> | <b>Total</b>      |
|---|--|---|---|---|-------------------|
| Cash Flows from Operating Activities:   |  |   |   |   |                   |
| Cash Received from Users  | \$ 25,225  | \$ 2,892  | \$ 4,423  | \$ 72,249   | \$ 104,789        |
| Cash Payments to Suppliers  | (17,685)   | (1,061)   | (3,708)   | (75,517)  | (97,971)          |
| Cash Payments to Employees  | (9,891)  | (917)   | (431)   | (927)   | (12,166)          |
| Net Cash Provided by (Used For)<br>Operating Activities   | (2,351)  | 914   | 284   | (4,195)   | (5,348)           |
| Cash Flows From Noncapital Financing Activities:  |  |   |   |   |                   |
| Operating Transfers-In From Other Funds   | 2,283  | (927)   | (374)   | (982)   | -                 |
| Net Cash Provided By (Used For)<br>Noncapital Financing Activities                                | 2,283  | (927)   | (374)   | (982)   | -                 |
| Cash Flows from Capital and Related<br>Financing Activities:                                      |  |   |   |   |                   |
| Acquisition and Construction of Capital Assets  | (17)   | -   | -   | (131)   | (148)             |
| Net Cash Provided By (Used For) Capital<br>and Related Financing Activities                       | (17)   | -   | -   | (131)   | (148)             |
| Cash Flows from Investing Activities:   |  |   |   |   |                   |
| Interest Received on Investments  | -  | 123   | 46  | 541   | 710               |
| Net Cash Provided by Investing Activities   | -  | 123   | 46  | 541   | 710               |
| Net Change in Cash and Cash Equivalents   | (85)   | 110   | (44)  | (4,767)   | (4,786)           |
| Pooled Cash and Investments at Beginning of Year  | 822  | 9,533   | 8,658   | 51,123  | 70,136            |
| Pooled Cash and Investments at End of Year  | <u>\$ 737</u>                                      | <u>\$ 9,643</u>   | <u>\$ 8,614</u>                                     | <u>\$ 46,356</u>                                    | <u>\$ 65,350</u>  |
| Reconciliation of Operating Income (Loss)<br>to Net Cash Provided by Operating Activities:        |  |   |   |   |                   |
| Operating Income (Loss)   | \$ (445)   | \$ (3,051)  | \$ 456  | \$ (4,820)  | \$ (7,860)        |
| Adjustments to Reconcile Operating Income (Loss)<br>to Net Cash Provided by Operating Activities: |  |   |   |   |                   |
| Depreciation  | 315  | -   | -   | 194   | 509               |
| Changes in Assets and Liabilities:  |  |   |   |   |                   |
| (Increase)/Decrease in Receivables  | (106)  | -   | -   | 13  | (93)              |
| (Increase)/Decrease in Inventory  | 95   | -   | -   | -   | 95                |
| (Increase)/Decrease in Deposits and Prepaid Costs   | -  | (21)  | 13  | (21)  | (29)              |
| (Decrease)/Increase in Accounts Payable   | (416)  | 14  | (75)  | (564)   | (1,041)           |
| (Decrease)/Increase in Pension Liability  | (79)   | (4)   | (15)  | (14)  | (112)             |
| (Decrease)/Increase in Other Accrued Expenses   | (1,715)  | 3,976   | (95)  | 1,017   | 3,183             |
| Total Adjustments   | (1,906)  | 3,965   | (172)   | 625   | 2,512             |
| Net Cash Provided by (Used for) Operating Activities  | <u>\$ (2,351)</u>                                  | <u>\$ 914</u>   | <u>\$ 284</u>                                       | <u>\$ (4,195)</u>                                   | <u>\$ (5,348)</u> |
| Noncash Transactions Affecting Financial Position:  |  |   |   |   |                   |
| Contributions of Capital Assets   | \$ 167   | \$ -  | \$ -  | \$ -  | \$ 167            |

## **AGENCY FUND**

The Agency Fund accounts for assets held by the City in a custodial capacity for the benefit of a third party and cannot be used to address activities or obligations of the City.

The **Payroll Agency Fund** accounts for all payroll transactions.

## CITY OF MESA, ARIZONA

**EXHIBIT C-6**

## STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

## AGENCY FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

|                             | <b>Balance<br/>July 1, 2015</b> | <b>Additions</b>  | <b>Deductions</b> | <b>Balance<br/>June 30, 2016</b> |
|-----------------------------|---------------------------------|-------------------|-------------------|----------------------------------|
| <b>PAYROLL AGENCY FUND</b>  |                                 |                   |                   |                                  |
| Assets:                     |                                 |                   |                   |                                  |
| Pooled Cash and Investments | \$ 14,269                       | \$ 637,457        | \$ 641,490        | \$ 10,236                        |
| Due from Others             | 2                               | 58                | 54                | 6                                |
| Total Assets                | <u>\$ 14,271</u>                | <u>\$ 637,515</u> | <u>\$ 641,544</u> | <u>\$ 10,242</u>                 |
| Liabilities:                |                                 |                   |                   |                                  |
| Accounts Payable            | \$ 98                           | \$ 330,323        | \$ 329,086        | \$ 1,335                         |
| Accrued Payroll Payable     | 14,173                          | 413,486           | 418,752           | 8,907                            |
| Total Liabilities           | <u>\$ 14,271</u>                | <u>\$ 743,809</u> | <u>\$ 747,838</u> | <u>\$ 10,242</u>                 |





# Supplemental Information

Comprehensive Annual Financial Report  
2016

CITY OF MESA, ARIZONA  
**EXHIBIT D-1**  
SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
COMMUNITY FACILITIES DISTRICT SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(in thousands)

|  | <b>Budgeted Amounts</b> |              |               |                                       |
|--|-------------------------|--------------|---------------|---------------------------------------|
|  | <b>Original</b>         | <b>Final</b> | <b>Actual</b> | <b>Variance with<br/>Final Budget</b> |
| Revenues:  |                         |              |               |                                       |
| Property Taxes   | \$ 60                   | \$ 60        | \$ 53         | \$ (7)                                |
| Contributions  | 88                      | 88           | 84            | (4)                                   |
| Total Revenues   | <u>148</u>              | <u>148</u>   | <u>137</u>    | <u>(11)</u>                           |
| Expenditures:  |                         |              |               |                                       |
| Current:   |                         |              |               |                                       |
| General Government   | 148                     | 145          | 78            | 67                                    |
| Debt Service:  |                         |              |               |                                       |
| Service Charges  | -                       | 3            | 3             | -                                     |
| Total Expenditures   | <u>148</u>              | <u>148</u>   | <u>81</u>     | <u>67</u>                             |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>-</u>                | <u>-</u>     | <u>56</u>     | <u>56</u>                             |
| Other Financing Uses:  |                         |              |               |                                       |
| Transfers Out  | -                       | (36)         | (32)          | 4                                     |
| Total Other Financing Uses                                   | <u>-</u>                | <u>(36)</u>  | <u>(32)</u>   | <u>4</u>                              |
| Net Change in Fund Balances                                  | -                       | (36)         | 24            | 60                                    |
| Fund Balance - Beginning                                     | <u>51</u>               | <u>51</u>    | <u>(2)</u>    | <u>(53)</u>                           |
| Fund Balance - Ending  | <u>\$ 51</u>            | <u>\$ 15</u> | <u>\$ 22</u>  | <u>\$ 7</u>                           |



## CITY OF MESA, ARIZONA

**EXHIBIT D-2**

## SUPPLEMENTAL INFORMATION

## BUDGETARY COMPARISON SCHEDULE

## ENVIRONMENTAL COMPLIANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

|  | <b>Budgeted Amounts</b> |                |                 |                                       |
|--|-------------------------|----------------|-----------------|---------------------------------------|
|  | <b>Original</b>         | <b>Final</b>   | <b>Actual</b>   | <b>Variance with<br/>Final Budget</b> |
| Revenues:  |                         |                |                 |                                       |
| Intergovernmental  | \$ -                    | \$ -           | \$ 152          | \$ 152                                |
| Charges for Services   | 14,800                  | 14,800         | 15,066          | 266                                   |
| Investment Income  | 2                       | 2              | 76              | 74                                    |
| Total Revenues   | <u>14,802</u>           | <u>14,802</u>  | <u>15,294</u>   | <u>492</u>                            |
| Expenditures:  |                         |                |                 |                                       |
| Current:   |                         |                |                 |                                       |
| General Government   | 1,142                   | 1,144          | 911             | 233                                   |
| Public Safety  | 2,010                   | 82             | 80              | 2                                     |
| Community Environment  | 4,599                   | 4,940          | 3,990           | 950                                   |
| Cultural-Recreational  | 6,356                   | 6,359          | 6,285           | 74                                    |
| Capital Outlay   | 2,941                   | 4,881          | 1,694           | 3,187                                 |
| Total Expenditures   | <u>17,048</u>           | <u>17,406</u>  | <u>12,960</u>   | <u>4,446</u>                          |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(2,246)</u>          | <u>(2,604)</u> | <u>2,334</u>    | <u>4,938</u>                          |
| Net Change in Fund Balances                                  | (2,246)                 | (2,604)        | 2,334           | 4,938                                 |
| Fund Balances - Beginning                                    | <u>3,435</u>            | <u>3,435</u>   | <u>7,160</u>    | <u>3,725</u>                          |
| Fund Balance - Ending  | <u>\$ 1,189</u>         | <u>\$ 831</u>  | <u>\$ 9,494</u> | <u>\$ 8,663</u>                       |

## CITY OF MESA, ARIZONA

**EXHIBIT D-3**

## SUPPLEMENTAL INFORMATION

## BUDGETARY COMPARISON SCHEDULE

## GRANTS AND SPECIAL PROGRAMS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

|  | <b>Budgeted Amounts</b> |                   |                 |                                       |
|--|-------------------------|-------------------|-----------------|---------------------------------------|
|  | <b>Original</b>         | <b>Final</b>      | <b>Actual</b>   | <b>Variance with<br/>Final Budget</b> |
| Revenues:  |                         |                   |                 |                                       |
| Occupancy Taxes  | \$ 1,739                | \$ 1,739          | \$ 2,291        | \$ 552                                |
| Licenses and Permits   | -                       | -                 | 492             | 492                                   |
| Intergovernmental  | 23,421                  | 23,421            | 11,690          | (11,731)                              |
| Charges for Services   | 64                      | 64                | 15              | (49)                                  |
| Fines and Forfeitures  | 1,095                   | 1,095             | 1,051           | (44)                                  |
| Investment Income  | -                       | -                 | 27              | 27                                    |
| Contributions  | 194                     | 194               | 196             | 2                                     |
| Miscellaneous Revenues                                       | 2,246                   | 2,246             | 1,620           | (626)                                 |
| Total Revenues   | <u>28,759</u>           | <u>28,759</u>     | <u>17,382</u>   | <u>(11,377)</u>                       |
| Expenditures:  |                         |                   |                 |                                       |
| Current:   |                         |                   |                 |                                       |
| General Government   | 2,072                   | 3,144             | 2,692           | 452                                   |
| Public Safety  | 13,667                  | 13,523            | 7,845           | 5,678                                 |
| Community Environment  | 133                     | 607               | 175             | 432                                   |
| Cultural-Recreational  | 1,013                   | 1,182             | 850             | 332                                   |
| Capital Outlay   | 13,862                  | 14,617            | 5,821           | 8,796                                 |
| Total Expenditures   | <u>30,747</u>           | <u>33,073</u>     | <u>17,383</u>   | <u>15,690</u>                         |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (1,988)                 | (4,314)           | (1)             | 4,313                                 |
| Other Financing Sources (Uses):                              |                         |                   |                 |                                       |
| Transfers In   | -                       | -                 | 18              | 18                                    |
| Transfers Out  | -                       | -                 | (538)           | (538)                                 |
| Total Other Financing Uses                                   | <u>-</u>                | <u>-</u>          | <u>(520)</u>    | <u>(520)</u>                          |
| Net Change in Fund Balances                                  | (1,988)                 | (4,314)           | (521)           | 3,793                                 |
| Fund Balances - Beginning                                    | <u>2,266</u>            | <u>2,266</u>      | <u>7,094</u>    | <u>4,828</u>                          |
| Fund Balance - Ending  | <u>\$ 278</u>           | <u>\$ (2,048)</u> | <u>\$ 6,573</u> | <u>\$ 8,621</u>                       |

## CITY OF MESA, ARIZONA

**EXHIBIT D-4**

## SUPPLEMENTAL INFORMATION

## BUDGETARY COMPARISON SCHEDULE

## HIGHWAY USER REVENUE

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

|  | <b>Budgeted Amounts</b> |                 |                  | <b>Variance with</b> |
|--|-------------------------|-----------------|------------------|----------------------|
|  | <b>Original</b>         | <b>Final</b>    | <b>Actual</b>    | <b>Final Budget</b>  |
| Revenues:  |                         |                 |                  |                      |
| Intergovernmental  | \$ 34,281               | \$ 34,281       | \$ 35,403        | \$ 1,122             |
| Charges for Services   | -                       | -               | 10               | 10                   |
| Investment Income  | -                       | -               | 14               | 14                   |
| Miscellaneous Revenues                                       | -                       | -               | 5                | 5                    |
| Total Revenues   | <u>34,281</u>           | <u>34,281</u>   | <u>35,432</u>    | <u>1,151</u>         |
| Expenditures:  |                         |                 |                  |                      |
| Current:   |                         |                 |                  |                      |
| Community Environment  | 21,455                  | 19,068          | 18,130           | 938                  |
| Capital Outlay   | 591                     | 2,760           | 1,097            | 1,663                |
| Total Expenditures   | <u>22,046</u>           | <u>21,828</u>   | <u>19,227</u>    | <u>2,601</u>         |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>12,235</u>           | <u>12,453</u>   | <u>16,205</u>    | <u>3,752</u>         |
| Other Financing Uses:  |                         |                 |                  |                      |
| Transfers Out  | (12,235)                | (12,239)        | (12,238)         | 1                    |
| Total Other Financing Uses                                   | <u>(12,235)</u>         | <u>(12,239)</u> | <u>(12,238)</u>  | <u>1</u>             |
| Net Change in Fund Balances                                  | -                       | 214             | 3,967            | 3,753                |
| Fund Balances - Beginning                                    | <u>-</u>                | <u>-</u>        | <u>10,082</u>    | <u>10,082</u>        |
| Fund Balance - Ending  | <u>\$ -</u>             | <u>\$ 214</u>   | <u>\$ 14,049</u> | <u>\$ 13,835</u>     |

## CITY OF MESA, ARIZONA

**EXHIBIT D-5**

## SUPPLEMENTAL INFORMATION

## BUDGETARY COMPARISON SCHEDULE

## MESA HOUSING AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

|  | <b>Budgeted Amounts</b> |                 |               |                                       |
|--|-------------------------|-----------------|---------------|---------------------------------------|
|  | <b>Original</b>         | <b>Final</b>    | <b>Actual</b> | <b>Variance with<br/>Final Budget</b> |
| Revenues:  |                         |                 |               |                                       |
| Intergovernmental  | \$ 26,831               | \$ 26,831       | \$ 16,319     | \$ (10,512)                           |
| Charges for Services   | -                       | -               | 1             | 1                                     |
| Investment Income  | 3                       | 3               | 61            | 58                                    |
| Total Revenues   | <u>26,834</u>           | <u>26,834</u>   | <u>16,381</u> | <u>(10,453)</u>                       |
| Expenditures:  |                         |                 |               |                                       |
| Current:   |                         |                 |               |                                       |
| General Government   | 22                      | 22              | -             | 22                                    |
| Public Safety  | 154                     | 367             | 266           | 101                                   |
| Community Environment  | 26,778                  | 25,381          | 15,655        | 9,726                                 |
| Capital Outlay   | 696                     | 700             | 357           | 343                                   |
| Total Expenditures   | <u>27,650</u>           | <u>26,470</u>   | <u>16,278</u> | <u>10,192</u>                         |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(816)</u>            | <u>364</u>      | <u>103</u>    | <u>(261)</u>                          |
| Net Change in Fund Balances                                  | (816)                   | 364             | 103           | (261)                                 |
| Fund Balances - Beginning                                    | <u>4,086</u>            | <u>4,086</u>    | <u>561</u>    | <u>(3,525)</u>                        |
| Fund Balance - Ending  | <u>\$ 3,270</u>         | <u>\$ 4,450</u> | <u>\$ 664</u> | <u>\$ (3,786)</u>                     |

## CITY OF MESA, ARIZONA

**EXHIBIT D-6**

## SUPPLEMENTAL INFORMATION

## BUDGETARY COMPARISON SCHEDULE

## QUALITY OF LIFE SALES TAX

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

|  | <b>Budgeted Amounts</b> |                   |                 |                                       |
|--|-------------------------|-------------------|-----------------|---------------------------------------|
|  | <b>Original</b>         | <b>Final</b>      | <b>Actual</b>   | <b>Variance with<br/>Final Budget</b> |
| Revenues:  |                         |                   |                 |                                       |
| Sales Taxes  | \$ 21,210               | \$ 21,210         | \$ 21,693       | \$ 483                                |
| Licenses and Permits   | -                       | -                 | 90              | 90                                    |
| Investment Income  | -                       | -                 | 31              | 31                                    |
| Total Revenues   | <u>21,210</u>           | <u>21,210</u>     | <u>21,814</u>   | <u>604</u>                            |
| Expenditures:  |                         |                   |                 |                                       |
| Current:   |                         |                   |                 |                                       |
| Public Safety  | <u>21,210</u>           | <u>22,258</u>     | <u>22,258</u>   | <u>-</u>                              |
| Total Expenditures   | <u>21,210</u>           | <u>22,258</u>     | <u>22,258</u>   | <u>-</u>                              |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>-</u>                | <u>(1,048)</u>    | <u>(444)</u>    | <u>604</u>                            |
| Net Change in Fund Balances                                  | -                       | (1,048)           | (444)           | 604                                   |
| Fund Balances - Beginning                                    | <u>-</u>                | <u>-</u>          | <u>3,077</u>    | <u>3,077</u>                          |
| Fund Balance - Ending  | <u>\$ -</u>             | <u>\$ (1,048)</u> | <u>\$ 2,633</u> | <u>\$ 3,681</u>                       |

## CITY OF MESA, ARIZONA

**EXHIBIT D-7**

## SUPPLEMENTAL INFORMATION

## BUDGETARY COMPARISON SCHEDULE

## STREET SALES TAX

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

|  | <b>Budgeted Amounts</b> |                  |                  |                                       |
|--|-------------------------|------------------|------------------|---------------------------------------|
|  | <b>Original</b>         | <b>Final</b>     | <b>Actual</b>    | <b>Variance with<br/>Final Budget</b> |
| Revenues:  |                         |                  |                  |                                       |
| Sales Taxes  | \$ 25,452               | \$ 25,452        | \$ 26,017        | \$ 565                                |
| Licenses and Permits   | 289                     | 289              | 151              | (138)                                 |
| Intergovernmental  | -                       | -                | 152              | 152                                   |
| Charges for Services   | 130                     | 130              | 342              | 212                                   |
| Fines and Forfeitures  | 206                     | 206              | -                | (206)                                 |
| Investment Income  | 71                      | 71               | 587              | 516                                   |
| Miscellaneous Revenues                                       | 2                       | 2                | 699              | 697                                   |
| Total Revenues   | <u>26,150</u>           | <u>26,150</u>    | <u>27,948</u>    | <u>1,798</u>                          |
| Expenditures:  |                         |                  |                  |                                       |
| Current:   |                         |                  |                  |                                       |
| General Government   | 3,011                   | 3,271            | 4,116            | (845)                                 |
| Public Safety  | 341                     | 352              | 346              | 6                                     |
| Community Environment  | 17,782                  | 17,300           | 13,886           | 3,414                                 |
| Capital Outlay   | 20,039                  | 21,795           | 14,611           | 7,184                                 |
| Total Expenditures   | <u>41,173</u>           | <u>42,718</u>    | <u>32,959</u>    | <u>9,759</u>                          |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(15,023)</u>         | <u>(16,568)</u>  | <u>(5,011)</u>   | <u>11,557</u>                         |
| Net Change in Fund Balances                                  | (15,023)                | (16,568)         | (5,011)          | 11,557                                |
| Fund Balances - Beginning                                    | <u>33,577</u>           | <u>33,577</u>    | <u>38,849</u>    | <u>5,272</u>                          |
| Fund Balance - Ending  | <u>\$ 18,554</u>        | <u>\$ 17,009</u> | <u>\$ 33,838</u> | <u>\$ 16,829</u>                      |

## CITY OF MESA, ARIZONA

**EXHIBIT D-8**

## SUPPLEMENTAL INFORMATION

## BUDGETARY COMPARISON SCHEDULE

## COMMUNITY FACILITIES DISTRICT CAPITAL PROJECTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

|  | <b>Budgeted Amounts</b> |              |               | <b>Variance with</b> |
|--|-------------------------|--------------|---------------|----------------------|
|  | <b>Original</b>         | <b>Final</b> | <b>Actual</b> | <b>Final Budget</b>  |
| Revenues:  |                         |              |               |                      |
| Contributions  | \$ -                    | \$ -         | \$ 217        | \$ 217               |
| Total Revenues   | -                       | -            | 217           | 217                  |
| Expenditures:  |                         |              |               |                      |
| Current:   |                         |              |               |                      |
| General Government   | 3,012                   | 2,938        | -             | 2,938                |
| Debt Service:  |                         |              |               |                      |
| Principal Retirement   | -                       | -            | 44            | (44)                 |
| Cost of Issuance   | 900                     | 1,025        | 626           | 399                  |
| Capital Outlay   | 20,500                  | 20,375       | 8,210         | 12,165               |
| Total Expenditures   | 24,412                  | 24,338       | 8,880         | 15,458               |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (24,412)                | (24,338)     | (8,663)       | 15,675               |
| Other Financing Sources (Uses):                              |                         |              |               |                      |
| Transfers Out  | -                       | (19)         | (17)          | (2)                  |
| Face Amount of Bonds Issued                                  | 24,412                  | 24,412       | 8,685         | 15,727               |
| Total Other Financing Uses                                   | 24,412                  | 24,393       | 8,668         | 15,725               |
| Net Change in Fund Balances                                  | -                       | 55           | 5             | (50)                 |
| Fund Balances - Beginning                                    | 26                      | 26           | (5)           | (31)                 |
| Fund Balance - Ending  | \$ 26                   | \$ 81        | \$ -          | \$ (81)              |

## CITY OF MESA, ARIZONA

**EXHIBIT D-9**

## SUPPLEMENTAL INFORMATION

## BUDGETARY COMPARISON SCHEDULE

## GENERAL CAPITAL PROJECTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

|  | <b>Budgeted Amounts</b> |                   |                 |                                       |
|--|-------------------------|-------------------|-----------------|---------------------------------------|
|  | <b>Original</b>         | <b>Final</b>      | <b>Actual</b>   | <b>Variance with<br/>Final Budget</b> |
| Revenues:  |                         |                   |                 |                                       |
| Miscellaneous Revenues                                       | \$ 849                  | \$ 849            | \$ 522          | \$ (327)                              |
| Total Revenues   | <u>849</u>              | <u>849</u>        | <u>522</u>      | <u>(327)</u>                          |
| Expenditures:  |                         |                   |                 |                                       |
| Current:   |                         |                   |                 |                                       |
| General Government   | 705                     | 697               | -               | 697                                   |
| Cultural-Recreational  | 1,250                   | 1,245             | -               | 1,245                                 |
| Capital Outlay   | <u>17,292</u>           | <u>22,380</u>     | <u>9,026</u>    | <u>13,354</u>                         |
| Total Expenditures   | <u>19,247</u>           | <u>24,322</u>     | <u>9,026</u>    | <u>15,296</u>                         |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(18,398)</u>         | <u>(23,473)</u>   | <u>(8,504)</u>  | <u>14,969</u>                         |
| Other Financing Sources (Uses):                              |                         |                   |                 |                                       |
| Transfers In   | <u>8,259</u>            | <u>8,259</u>      | <u>5,456</u>    | <u>2,803</u>                          |
| Total Other Financing Uses                                   | <u>8,259</u>            | <u>8,259</u>      | <u>5,456</u>    | <u>2,803</u>                          |
| Net Change in Fund Balances                                  | (10,139)                | (15,214)          | (3,048)         | 12,166                                |
| Fund Balances - Beginning                                    | <u>11,329</u>           | <u>11,329</u>     | <u>10,484</u>   | <u>(845)</u>                          |
| Fund Balance - Ending  | <u>\$ 1,190</u>         | <u>\$ (3,885)</u> | <u>\$ 7,436</u> | <u>\$ 11,321</u>                      |



## CITY OF MESA, ARIZONA

**EXHIBIT D-10**

## SUPPLEMENTAL INFORMATION

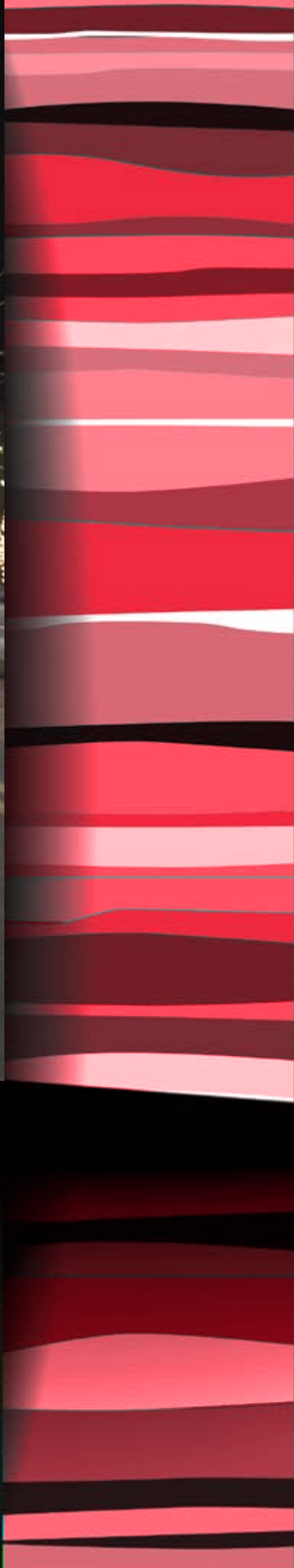
## BUDGETARY COMPARISON SCHEDULE

## STREETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

|  | <b>Budgeted Amounts</b> |                  |                  |                                       |
|--|-------------------------|------------------|------------------|---------------------------------------|
|  | <b>Original</b>         | <b>Final</b>     | <b>Actual</b>    | <b>Variance with<br/>Final Budget</b> |
| Revenues:  |                         |                  |                  |                                       |
| Intergovernmental  | \$ 19,126               | \$ 19,126        | \$ 165           | \$ (18,961)                           |
| Total Revenues   | <u>19,126</u>           | <u>19,126</u>    | <u>165</u>       | <u>(18,961)</u>                       |
| Expenditures:  |                         |                  |                  |                                       |
| Debt Service:  |                         |                  |                  |                                       |
| Cost of Issuance   | -                       | 135              | 120              | 15                                    |
| Capital Outlay   | <u>43,833</u>           | <u>43,783</u>    | <u>13,547</u>    | <u>30,236</u>                         |
| Total Expenditures   | <u>43,833</u>           | <u>43,918</u>    | <u>13,667</u>    | <u>30,251</u>                         |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(24,707)</u>         | <u>(24,792)</u>  | <u>(13,502)</u>  | <u>11,290</u>                         |
| Other Financing Sources (Uses):                              |                         |                  |                  |                                       |
| Face Amount of Bonds Issued                                  | 24,299                  | 24,299           | 10,440           | 13,859                                |
| Premium on Issuance of Bonds (Net)                           | <u>-</u>                | <u>-</u>         | <u>283</u>       | <u>(283)</u>                          |
| Total Other Financing Uses                                   | <u>24,299</u>           | <u>24,299</u>    | <u>10,723</u>    | <u>13,576</u>                         |
| Net Change in Fund Balances                                  | (408)                   | (493)            | (2,779)          | (2,286)                               |
| Fund Balances - Beginning                                    | <u>24,855</u>           | <u>24,855</u>    | <u>19,057</u>    | <u>(5,798)</u>                        |
| Fund Balance - Ending  | <u>\$ 24,447</u>        | <u>\$ 24,362</u> | <u>\$ 16,278</u> | <u>\$ (8,084)</u>                     |



# Statistical Section

Comprehensive Annual Financial Report  
2016

## STATISTICAL SECTION

This part of the City of Mesa's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

| <b>Contents</b>  | <b>Page</b> |
|--|-------------|
| <b>Financial Trends</b><br>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.   | 126         |
| <b>Revenue Capacity</b><br>These schedules contain information to help readers assess the City's most significant local revenue source, the sales tax.   | 138         |
| <b>Debt Capacity</b><br>These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.                             | 141         |
| <b>Demographic and Economic Information</b><br>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.                                    | 149         |
| <b>Operating Information</b><br>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs. | 151         |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

## CITY OF MESA, ARIZONA

**TABLE I**

## NET POSITION BY COMPONENTS

## LAST TEN FISCAL YEARS

(accrual basis of accounting)

(in thousands)

|  | <b>2006-07</b>      | <b>2007-08</b>      | <b>2008-09</b>      | <b>2009-10</b>      |
|--|---------------------|---------------------|---------------------|---------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>             |                     |                     |                     |                     |
| Net Investment in Capital Assets           | \$ 791,592          | \$ 794,720          | \$ 791,523          | \$ 844,777          |
| Restricted                                 | 95,107              | 86,252              | 92,533              | 86,955              |
| Unrestricted                               | 128,548             | 125,128             | 91,363              | 3,651               |
| Total Governmental Activities Net Position | <u>\$ 1,015,247</u> | <u>\$ 1,006,100</u> | <u>\$ 975,419</u>   | <u>\$ 935,383</u>   |
| <b>BUSINESS-TYPE ACTIVITIES</b>            |                     |                     |                     |                     |
| Net Investment in Capital Assets           | \$ 366,498          | \$ 410,074          | \$ 413,944          | \$ 434,814          |
| Restricted                                 | 96,756              | 94,133              | 82,697              | 47,011              |
| Unrestricted                               | 308,375             | 308,216             | 278,892             | 271,706             |
| Total Business-type Activities             | <u>\$ 771,629</u>   | <u>\$ 812,423</u>   | <u>\$ 775,533</u>   | <u>\$ 753,531</u>   |
| <b>PRIMARY GOVERNMENT</b>                  |                     |                     |                     |                     |
| Net Investment in Capital Assets           | \$ 1,158,090        | \$ 1,204,794        | \$ 1,205,467        | \$ 1,279,591        |
| Restricted                                 | 191,863             | 180,385             | 175,230             | 133,966             |
| Unrestricted                               | 436,923             | 433,344             | 370,255             | 275,357             |
| Total Primary Government                   | <u>\$ 1,786,876</u> | <u>\$ 1,818,523</u> | <u>\$ 1,750,952</u> | <u>\$ 1,688,914</u> |

**TABLE I**  
(Concluded)

| <b>2010-11</b>      | <b>2011-12</b>      | <b>2012-13</b>      | <b>2013-14</b>      | <b>2014-15</b>    | <b>2015-16</b>    |
|---------------------|---------------------|---------------------|---------------------|-------------------|-------------------|
| \$ 872,302          | \$ 913,702          | \$ 902,397          | \$ 866,332          | \$ 932,660        | \$ 965,148        |
| 39,296              | 41,257              | 56,719              | 60,555              | 72,170            | 81,941            |
| (6,376)             | (96,986)            | (184,355)           | (120,803)           | (666,758)         | (666,986)         |
| <u>\$ 905,222</u>   | <u>\$ 857,973</u>   | <u>\$ 774,761</u>   | <u>\$ 806,084</u>   | <u>\$ 338,072</u> | <u>\$ 380,103</u> |
| \$ 430,436          | \$ 412,016          | \$ 346,352          | \$ 393,720          | \$ 327,743        | \$ 302,521        |
| 55,873              | 69,739              | 37,795              | 43,023              | 47,576            | 49,139            |
| 258,131             | 254,189             | 271,619             | 178,702             | 160,934           | 158,756           |
| <u>\$ 744,440</u>   | <u>\$ 735,944</u>   | <u>\$ 655,766</u>   | <u>\$ 615,445</u>   | <u>\$ 536,253</u> | <u>\$ 510,416</u> |
| \$ 1,302,738        | \$ 1,325,718        | \$ 1,248,749        | \$ 1,260,052        | \$ 1,260,403      | \$ 1,267,669      |
| 95,169              | 110,996             | 94,514              | 103,578             | 119,746           | 131,080           |
| 251,755             | 157,203             | 87,264              | 57,899              | (505,824)         | (508,230)         |
| <u>\$ 1,649,662</u> | <u>\$ 1,593,917</u> | <u>\$ 1,430,527</u> | <u>\$ 1,421,529</u> | <u>\$ 874,325</u> | <u>\$ 890,519</u> |

CITY OF MESA, ARIZONA  
**TABLE II**  
 CHANGES IN NET POSITION  
 LAST TEN FISCAL YEARS  
 (accrual basis of accounting)  
 (in thousands)

| <b>EXPENSES</b>                                | <b><u>2006-07</u></b>    | <b><u>2007-08</u></b>    | <b><u>2008-09</u></b>    | <b><u>2009-10</u></b>    |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| <b>GOVERNMENTAL ACTIVITIES:</b>                |                          |                          |                          |                          |
| General Government                             | \$ 48,201                | \$ 63,633                | \$ 54,226                | \$ 54,863                |
| Public Safety                                  | 232,100                  | 292,396                  | 290,928                  | 288,929                  |
| Community Environment                          | 91,664                   | 99,415                   | 121,736                  | 104,096                  |
| Cultural-Recreational                          | 64,592                   | 72,999                   | 67,039                   | 54,010                   |
| Interest on Long-term Debt                     | 18,037                   | 19,083                   | 18,659                   | 20,013                   |
|  | <u>454,594</u>           | <u>547,526</u>           | <u>552,588</u>           | <u>521,911</u>           |
| <b>TOTAL GOVERNMENTAL ACTIVITIES EXPENSES</b>  |                          |                          |                          |                          |
| <b>BUSINESS-TYPE ACTIVITIES:</b>               |                          |                          |                          |                          |
| Electric                                       | 26,281                   | 31,612                   | 27,634                   | 27,106                   |
| Gas  | 37,826                   | 43,247                   | 35,992                   | 35,466                   |
| Water  | 59,965                   | 59,225                   | 68,956                   | 80,915                   |
| Wastewater                                     | 60,603                   | 61,293                   | 80,349                   | 70,228                   |
| Solid Waste                                    | 27,891                   | 32,877                   | 31,953                   | 31,504                   |
| Airport  | 2,721                    | 3,317                    | 3,703                    | 3,944                    |
| Golf Course                                    | 2,602                    | 3,012                    | 3,083                    | 2,715                    |
| Convention Center                              | 5,667                    | 5,447                    | 4,558                    | 4,158                    |
| Hohokam Stadium/Fitch Complex                  | -                        | -                        | -                        | 7,408                    |
| Cubs Stadium                                   | -                        | -                        | -                        | -                        |
| District Cooling                               | 1,090                    | 769                      | 976                      | 1,000                    |
| Interest on Long-term Debt                     | -                        | -                        | -                        | -                        |
|  | <u>224,646</u>           | <u>240,799</u>           | <u>257,204</u>           | <u>264,444</u>           |
| <b>TOTAL BUSINESS-TYPE ACTIVITIES EXPENSES</b> |                          |                          |                          |                          |
| <b>TOTAL PRIMARY GOVERNMENT EXPENSES</b>       | <u><u>\$ 679,240</u></u> | <u><u>\$ 788,325</u></u> | <u><u>\$ 809,792</u></u> | <u><u>\$ 786,355</u></u> |

**TABLE II**  
(Continued)

| <u>2010-11</u>    | <u>2011-12</u>    | <u>2012-13</u>    | <u>2013-14</u>    | <u>2014-15</u>    | <u>2015-16</u>    |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ 59,552         | \$ 57,472         | \$ 105,410        | \$ 103,819        | \$ 102,396        | \$ 96,860         |
| 273,320           | 287,918           | 287,451           | 277,614           | 302,633           | 305,376           |
| 106,434           | 97,593            | 129,164           | 125,700           | 101,531           | 117,120           |
| 54,550            | 57,171            | 61,717            | 49,275            | 52,430            | 54,967            |
| 21,078            | 21,631            | 23,443            | 24,431            | 23,939            | 20,424            |
| <u>514,934</u>    | <u>521,785</u>    | <u>607,185</u>    | <u>580,839</u>    | <u>582,929</u>    | <u>594,747</u>    |
| 26,817            | 29,751            | 28,897            | 30,044            | 28,495            | 27,647            |
| 36,020            | 34,275            | 35,653            | 35,020            | 32,104            | 31,549            |
| 82,378            | 74,162            | 103,432           | 93,871            | 101,863           | 95,574            |
| 63,613            | 68,540            | 91,739            | 65,637            | 71,161            | 73,877            |
| 31,462            | 32,485            | 33,694            | 32,908            | 36,979            | 36,586            |
| 3,972             | 3,737             | 4,300             | 4,343             | 2,863             | 4,865             |
| 2,679             | 2,589             | 3,353             | 2,555             | 2,210             | 2,575             |
| 3,849             | 3,486             | 3,946             | 3,060             | 3,715             | 4,252             |
| 8,324             | 8,525             | 9,094             | 2,879             | 1,200             | 2,913             |
| 15                | 54                | -                 | 6,201             | 8,581             | 5,271             |
| 965               | 974               | 1,081             | 1,153             | 885               | 1,182             |
| -                 | -                 | 3,653             | -                 | 4,124             | -                 |
| <u>260,094</u>    | <u>258,578</u>    | <u>318,842</u>    | <u>277,671</u>    | <u>294,180</u>    | <u>286,291</u>    |
| <u>\$ 775,028</u> | <u>\$ 780,363</u> | <u>\$ 926,027</u> | <u>\$ 858,510</u> | <u>\$ 877,109</u> | <u>\$ 881,038</u> |

CITY OF MESA, ARIZONA  
**TABLE II (Continued)**  
 CHANGES IN NET POSITION  
 LAST TEN FISCAL YEARS  
 (accrual basis of accounting)  
 (in thousands)

| <b>PROGRAM REVENUES</b>                         | <b><u>2006-07</u></b> | <b><u>2007-08</u></b> | <b><u>2008-09</u></b> | <b><u>2009-10</u></b> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>GOVERNMENTAL ACTIVITIES:</b>                 |                       |                       |                       |                       |
| Charges for services:                           |                       |                       |                       |                       |
| Licenses and Permits                            | \$ 20,128             | \$ 23,342             | \$ 13,426             | \$ 11,824             |
| Charges for Services                            | 22,039                | 23,703                | 24,740                | 20,419                |
| Fines and Forfeitures                           | 10,277                | 10,761                | 10,215                | 10,135                |
| Other activities                                | 433                   | 324                   | 78                    | 9                     |
| Operating Grants and Contributions              | 74,498                | 63,787                | 63,055                | 72,812                |
| Capital Grants and Contributions                | 44,858                | 21,916                | 35,436                | 30,343                |
| Total Governmental Activities Program Revenues  | <u>172,233</u>        | <u>143,833</u>        | <u>146,950</u>        | <u>145,542</u>        |
| <b>BUSINESS-TYPE ACTIVITIES:</b>                |                       |                       |                       |                       |
| Charges for services:                           |                       |                       |                       |                       |
| Electric  | 34,519                | 34,148                | 35,313                | 33,079                |
| Gas   | 45,250                | 46,540                | 41,708                | 38,924                |
| Water   | 92,007                | 97,559                | 95,995                | 98,806                |
| Wastewater                                      | 55,398                | 53,951                | 54,720                | 57,699                |
| Solid Waste                                     | 42,895                | 46,168                | 46,762                | 46,685                |
| Airport   | 2,954                 | 3,192                 | 2,959                 | 3,125                 |
| Golf Course                                     | 2,457                 | 2,448                 | 2,310                 | 2,265                 |
| Convention Center                               | 4,746                 | 3,658                 | 2,687                 | 1,971                 |
| Hohokam Stadium/Fitch Complex                   | -                     | -                     | -                     | 5,837                 |
| Cubs Stadium                                    | -                     | -                     | -                     | -                     |
| District Cooling                                | 193                   | 229                   | 834                   | 984                   |
| Economic Investment                             | -                     | -                     | -                     | -                     |
| Operating Grants and Contributions              | 147                   | 11                    | 101                   | 210                   |
| Capital Grants and Contributions                | 20,724                | 80,570                | 31,222                | 17,782                |
| Total Business-type Activities Program Revenues | <u>301,290</u>        | <u>368,474</u>        | <u>314,611</u>        | <u>307,367</u>        |
| Total Primary Government Program Revenues       | <u>\$ 473,523</u>     | <u>\$ 512,307</u>     | <u>\$ 461,561</u>     | <u>\$ 452,909</u>     |
| <b>NET (EXPENSE)/REVENUE</b>                    |                       |                       |                       |                       |
| Governmental Activities                         | \$ (282,361)          | \$ (403,693)          | \$ (405,638)          | \$ (376,369)          |
| Business-type Activities                        | <u>76,644</u>         | <u>127,675</u>        | <u>57,407</u>         | <u>42,923</u>         |
| Total Primary Government Net Expense            | <u>\$ (205,717)</u>   | <u>\$ (276,018)</u>   | <u>\$ (348,231)</u>   | <u>\$ (333,446)</u>   |



**TABLE II**  
(Continued)

| <u>2010-11</u>      | <u>2011-12</u>      | <u>2012-13</u>      | <u>2013-14</u>      | <u>2014-15</u>      | <u>2015-16</u>      |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 12,577           | \$ 13,359           | \$ 17,693           | \$ 18,797           | \$ 20,892           | \$ 23,254           |
| 20,304              | 25,779              | 27,675              | 32,106              | 36,260              | 38,178              |
| 11,820              | 11,294              | 9,885               | 9,890               | 10,505              | 11,049              |
| 8                   | 18                  | 2,945               | 400                 | 5,741               | 9,385               |
| 65,284              | 60,355              | 55,312              | 29,514              | 26,418              | 26,361              |
| 31,461              | 23,503              | 25,049              | 20,714              | 75,907              | 35,925              |
| <u>141,454</u>      | <u>134,308</u>      | <u>138,559</u>      | <u>111,421</u>      | <u>175,723</u>      | <u>144,152</u>      |
| 33,138              | 34,625              | 31,075              | 31,198              | 33,601              | 32,254              |
| 41,370              | 39,139              | 39,125              | 38,600              | 39,422              | 38,962              |
| 102,215             | 113,418             | 111,933             | 112,003             | 121,205             | 130,674             |
| 59,659              | 64,544              | 64,413              | 66,457              | 77,172              | 79,523              |
| 47,538              | 47,631              | 47,369              | 47,452              | 52,748              | 55,354              |
| 3,318               | 3,271               | 3,484               | 3,813               | 3,454               | 3,623               |
| 2,250               | 2,169               | 1,472               | 1,622               | 1,737               | 1,645               |
| 2,826               | 2,122               | 2,597               | 2,057               | 2,475               | 2,798               |
| 6,161               | 6,074               | 5,496               | 36                  | 2                   | 63                  |
| 52                  | 825                 | -                   | 174                 | 202                 | 201                 |
| 945                 | 1,092               | 975                 | 1,142               | 1,274               | 1,234               |
| -                   | -                   | 148                 | -                   | -                   | -                   |
| 25                  | 2,126               | 9,401               | 9,056               | 157                 | 267                 |
| 10,774              | 15,814              | 7,997               | 17,331              | 18,107              | 16,929              |
| <u>310,271</u>      | <u>332,850</u>      | <u>325,485</u>      | <u>330,941</u>      | <u>351,556</u>      | <u>363,527</u>      |
| <u>\$ 451,725</u>   | <u>\$ 467,158</u>   | <u>\$ 464,044</u>   | <u>\$ 442,362</u>   | <u>\$ 527,279</u>   | <u>\$ 507,679</u>   |
| \$ (373,480)        | \$ (387,477)        | \$ (468,626)        | \$ (469,418)        | \$ (407,206)        | \$ (450,595)        |
| <u>50,177</u>       | <u>74,272</u>       | <u>6,643</u>        | <u>53,270</u>       | <u>57,376</u>       | <u>77,236</u>       |
| <u>\$ (323,303)</u> | <u>\$ (313,205)</u> | <u>\$ (461,983)</u> | <u>\$ (416,148)</u> | <u>\$ (349,830)</u> | <u>\$ (373,359)</u> |

CITY OF MESA, ARIZONA  
**TABLE II (Continued)**  
 CHANGES IN NET POSITION  
 LAST TEN FISCAL YEARS  
 (accrual basis of accounting)  
 (in thousands)

**GENERAL REVENUES AND OTHER CHANGES  
 IN NET POSITION**

|   | <u>2006-07</u>    | <u>2007-08</u>    | <u>2008-09</u>     | <u>2009-10</u>     |
|---|-------------------|-------------------|--------------------|--------------------|
| GOVERNMENTAL ACTIVITIES:                          |                   |                   |                    |                    |
| Sales Taxes                                       | \$ 155,817        | \$ 147,763        | \$ 126,520         | \$ 121,557         |
| Property Taxes                                    | -                 | -                 | -                  | 14,318             |
| Occupancy Taxes                                   | 2,390             | 2,395             | 1,808              | 1,581              |
| Unrestricted Intergovernmental Revenues           | 113,049           | 122,561           | 117,543            | 104,580            |
| Contributions Not Restricted to Specific Programs | 14,038            | 14,746            | 14,741             | 14,757             |
| Investment Income                                 | 7,825             | 6,282             | 1,896              | 261                |
| Miscellaneous                                     | 7,054             | 6,679             | 15,849             | 13,846             |
| Transfers   | 61,440            | 94,121            | 96,599             | 65,433             |
| Total Governmental Activities                     | <u>361,613</u>    | <u>394,547</u>    | <u>374,956</u>     | <u>336,333</u>     |
| BUSINESS-TYPE ACTIVITIES:                         |                   |                   |                    |                    |
| Occupancy Taxes                                   | -                 | -                 | -                  | -                  |
| Investment Income                                 | 8,125             | 6,546             | 1,894              | 508                |
| Gain (Loss) on Sale of Capital Assets             | -                 | -                 | -                  | -                  |
| Miscellaneous                                     | 429               | 694               | 407                | -                  |
| Transfers   | (61,440)          | (94,121)          | (96,599)           | (65,433)           |
| Total Business-type Activities                    | <u>(52,886)</u>   | <u>(86,881)</u>   | <u>(94,298)</u>    | <u>(64,925)</u>    |
| Total Primary Government                          | <u>\$ 308,727</u> | <u>\$ 307,666</u> | <u>\$ 280,658</u>  | <u>\$ 271,408</u>  |
| <b>Change in Net Position</b>                     |                   |                   |                    |                    |
| Governmental Activities                           | \$ 79,252         | \$ (9,146)        | \$ (30,682)        | \$ (40,036)        |
| Business-type Activities                          | <u>23,758</u>     | <u>40,794</u>     | <u>(36,891)</u>    | <u>(22,002)</u>    |
| Total Primary Government                          | <u>\$ 103,010</u> | <u>\$ 31,648</u>  | <u>\$ (67,573)</u> | <u>\$ (62,038)</u> |

**TABLE II**  
(Concluded)

| <u>2010-11</u>     | <u>2011-12</u>     | <u>2012-13</u>      | <u>2013-14</u>    | <u>2014-15</u>    | <u>2015-16</u>    |
|--------------------|--------------------|---------------------|-------------------|-------------------|-------------------|
| \$ 121,046         | \$ 126,644         | \$ 137,280          | \$ 140,567        | \$ 146,337        | \$ 151,826        |
| 14,244             | 14,234             | 14,354              | 22,549            | 33,241            | 33,825            |
| 2,148              | 2,019              | 1,903               | 1,919             | 2,081             | 2,331             |
| 92,613             | 86,103             | 104,462             | 135,075           | 145,266           | 149,350           |
| 15,610             | 17,171             | 49,569              | 88,646            | 47,761            | 44,928            |
| 617                | 1,503              | 1,692               | 966               | 1,786             | 2,210             |
| 7,060              | 8,939              | 7,424               | 5,550             | 7,844             | 6,008             |
| 83,334             | 83,615             | 83,615              | 109,520           | 94,427            | 102,148           |
| <u>336,672</u>     | <u>340,228</u>     | <u>400,299</u>      | <u>504,792</u>    | <u>478,743</u>    | <u>492,626</u>    |
| -                  | -                  | 825                 | 851               | 999               | 1,161             |
| 839                | 850                | 860                 | 1,453             | 1,141             | 3,020             |
| -                  | -                  | -                   | 18,697            | 5,157             | (6,145)           |
| -                  | -                  | -                   | 288               | 233               | 1,039             |
| (83,334)           | (83,615)           | (83,615)            | (109,520)         | (94,427)          | (102,148)         |
| <u>(82,495)</u>    | <u>(82,765)</u>    | <u>(81,930)</u>     | <u>(88,231)</u>   | <u>(86,897)</u>   | <u>(103,073)</u>  |
| <u>\$ 254,177</u>  | <u>\$ 257,463</u>  | <u>\$ 318,369</u>   | <u>\$ 416,561</u> | <u>\$ 391,846</u> | <u>\$ 389,553</u> |
| \$ (36,808)        | \$ (47,249)        | \$ (68,327)         | \$ 35,374         | \$ 71,537         | \$ 42,031         |
| (32,318)           | (8,493)            | (75,287)            | (34,961)          | (29,521)          | (25,837)          |
| <u>\$ (69,126)</u> | <u>\$ (55,742)</u> | <u>\$ (143,614)</u> | <u>\$ 413</u>     | <u>\$ 42,016</u>  | <u>\$ 16,194</u>  |

## CITY OF MESA, ARIZONA

**TABLE III****FUND BALANCE, GOVERNMENTAL FUNDS****LAST TEN FISCAL YEARS**

(modified accrual basis of accounting)

(in thousands)

|                                     | <u>2006-07</u>    | <u>2007-08</u>    | <u>2008-09</u>    | <u>2009-10</u>    | <u>2010-11</u>    |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>GENERAL FUND</b>                 |                   |                   |                   |                   |                   |
| Reserved (1)(2)                     | \$ 77,177         | \$ 84,886         | \$ 51,862         | \$ 4,048          | \$ -              |
| Unreserved                          | 57,030            | 50,283            | 74,711            | 92,187            | -                 |
| Nonspendable                        | -                 | -                 | -                 | -                 | 405               |
| Restricted                          | -                 | -                 | -                 | -                 | 1,992             |
| Committed                           | -                 | -                 | -                 | -                 | 4,898             |
| Assigned                            | -                 | -                 | -                 | -                 | -                 |
| Unassigned                          | -                 | -                 | -                 | -                 | 93,875            |
|                                     | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Total General Fund                  | <u>\$ 134,207</u> | <u>\$ 135,169</u> | <u>\$ 126,573</u> | <u>\$ 96,235</u>  | <u>\$ 101,170</u> |
| <b>ALL OTHER GOVERNMENTAL FUNDS</b> |                   |                   |                   |                   |                   |
| Reserved                            | \$ 5,885          | \$ 8,643          | \$ 17,013         | \$ 53,674         | \$ -              |
| Unreserved, Reported in:            |                   |                   |                   |                   |                   |
| Special Revenue Funds               | 24,627            | 24,922            | 24,816            | 31,871            | -                 |
| Capital Project Funds               | 17,568            | 11,143            | 28,442            | 15,724            | -                 |
| Nonspendable                        | -                 | -                 | -                 | -                 | 2,906             |
| Restricted (3)(4)                   | -                 | -                 | -                 | -                 | 112,538           |
| Committed                           | -                 | -                 | -                 | -                 | 19,166            |
| Assigned                            | -                 | -                 | -                 | -                 | -                 |
| Unassigned                          | -                 | -                 | -                 | -                 | -                 |
|                                     | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Total All Other Governmental Funds  | <u>\$ 48,080</u>  | <u>\$ 44,708</u>  | <u>\$ 70,271</u>  | <u>\$ 101,269</u> | <u>\$ 134,610</u> |

(1) During fiscal Year 1998-99, a voter-approved 1/2 percent increase to sales tax was enacted.

This additional tax is restricted to fund improvements to quality of life projects and is reported as reserved fund balance in the General Fund.

(2) During FY 2006-07, a quarter percent portion of the sales tax increase described in (1) above to fund capital improvements to quality of life projects expired and was not renewed. Also during FY 2006-07, a voter-approved 1/2 percent increase to sales tax was enacted. This additional tax is restricted to fund street improvements and is reported as restricted fund balance in the General Fund.

(3) Effective with fiscal year 2010-11 the fund balance related to the sales tax for street improvements was moved to the Special Revenue funds.

(4) Effective with fiscal year 2011-12 the fund balance related to the sales tax for Quality of Life projects was moved to the Special Revenue funds.

**TABLE III**  
(Concluded)

| <b>2011-12</b>    | <b>2012-13</b>    | <b>2013-14</b>    | <b>2014-15</b>    | <b>2015-16</b>    |
|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ -              | \$ -              | \$ -              | \$ -              | \$ -              |
| -                 | -                 | -                 | -                 | -                 |
| 754               | 1,724             | 2,956             | 3,490             | 4,035             |
| 2,012             | 284               | 188               | 184               | 184               |
| 4,992             | 1,185             | 1,484             | 126               | 227               |
| -                 | -                 | -                 | -                 | 10,703            |
| 78,035            | 50,426            | 72,683            | 74,145            | 79,657            |
| <u>\$ 85,793</u>  | <u>\$ 53,619</u>  | <u>\$ 77,311</u>  | <u>\$ 77,945</u>  | <u>\$ 94,806</u>  |
| \$ -              | \$ -              | \$ -              | \$ -              | \$ -              |
| -                 | -                 | -                 | -                 | -                 |
| -                 | -                 | -                 | -                 | -                 |
| 84                | 55                | 23                | 138               | 77                |
| 211,279           | 243,831           | 190,609           | 172,316           | 95,701            |
| 16,360            | 23,005            | 21,379            | 30,092            | 28,580            |
| -                 | -                 | -                 | -                 | 6                 |
| (1)               | (1,177)           | (675)             | (31)              | (155)             |
| <u>\$ 227,722</u> | <u>\$ 265,714</u> | <u>\$ 211,336</u> | <u>\$ 202,515</u> | <u>\$ 124,209</u> |

## CITY OF MESA, ARIZONA

**TABLE IV****CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS**(modified accrual basis of accounting)  
(in thousands)

|  | <b>2006-07</b>   | <b>2007-08</b>    | <b>2008-09</b>   | <b>2009-10</b>   |
|--|------------------|-------------------|------------------|------------------|
| <b>REVENUES</b>  |                  |                   |                  |                  |
| Sales Taxes (1)(2)   | \$ 155,817       | \$ 147,763        | \$ 126,520       | \$ 121,557       |
| Property Taxes   | -                | -                 | -                | 13,886           |
| Occupancy Taxes  | 2,390            | 2,395             | 1,808            | 1,581            |
| Special Assessments  | 417              | 1,218             | 806              | 923              |
| Licenses and Permits                                       | 20,128           | 23,342            | 13,426           | 11,824           |
| Intergovernmental  | 190,826          | 193,585           | 191,085          | 190,731          |
| Charges for Services                                       | 22,039           | 23,703            | 24,343           | 20,419           |
| Fines and Forfeitures                                      | 10,277           | 10,761            | 10,215           | 10,135           |
| Investment Income  | 6,463            | 5,178             | 2,018            | 191              |
| Contributions  | -                | -                 | -                | -                |
| Miscellaneous  | 6,366            | 6,422             | 14,755           | 13,675           |
| Total Revenues   | <u>414,723</u>   | <u>414,367</u>    | <u>384,976</u>   | <u>384,922</u>   |
| <b>EXPENDITURES</b>  |                  |                   |                  |                  |
| Current  |                  |                   |                  |                  |
| General Government   | 40,662           | 48,112            | 36,507           | 40,113           |
| Public Safety  | 210,542          | 233,507           | 230,864          | 216,026          |
| Community Environment                                      | 65,314           | 66,616            | 72,647           | 72,081           |
| Cultural-Recreational                                      | 54,711           | 57,765            | 53,171           | 40,150           |
| Debt Service   |                  |                   |                  |                  |
| Principal  | 8,358            | 25,871            | 36,906           | 34,846           |
| Interest   | 18,151           | 19,230            | 18,845           | 21,186           |
| Service Charges  | 57               | 58                | 28               | 9                |
| Cost of Issuance   | -                | -                 | -                | 539              |
| Capital Outlay   | <u>77,475</u>    | <u>77,309</u>     | <u>77,899</u>    | <u>82,530</u>    |
| Total Expenditures   | <u>475,270</u>   | <u>528,468</u>    | <u>526,867</u>   | <u>507,480</u>   |
| Excess of Revenues Under Expenditures                      | <u>(60,547)</u>  | <u>(114,101)</u>  | <u>(141,891)</u> | <u>(122,558)</u> |
| <b>OTHER FINANCING SOURCES (USES)</b>                      |                  |                   |                  |                  |
| Transfers In   | 99,901           | 147,478           | 155,697          | 149,437          |
| Transfers Out  | (33,233)         | (53,960)          | (59,106)         | (66,654)         |
| Face Amount of Bonds Issued                                | 30,682           | 15,450            | 61,830           | 30,865           |
| Face Amount of Notes Issued                                | -                | -                 | -                | 45,000           |
| Premium on Issuance of Bonds (Net)                         | 573              | 195               | 437              | 402              |
| Premium on Issuance of Notes                               | -                | -                 | -                | 869              |
| Proceeds from Capital Leases                               | 6,911            | 2,529             | -                | -                |
| Issuance of Refunding Bonds                                | -                | -                 | -                | -                |
| Payment to Refunding Bond Agent                            | -                | -                 | -                | -                |
| Total Other Financing Sources (Uses)                       | <u>104,834</u>   | <u>111,692</u>    | <u>158,858</u>   | <u>159,919</u>   |
| Net Change in Fund Balances                                | <u>\$ 44,287</u> | <u>\$ (2,409)</u> | <u>\$ 16,967</u> | <u>\$ 37,361</u> |
| Debt Service as a percentage of<br>Noncapital Expenditures | 6.68%            | 10.01%            | 12.42%           | 13.19%           |

(1) During fiscal year 1998-99, a voter approved one-half percent increase to sales tax was enacted.

(2) During fiscal year 2006-07, a voter approved one-half percent increase to sales tax was enacted.

In addition, a quarter percent portion of the sales tax described in (1) above expired and was not renewed by the voters.

**TABLE IV**  
(Concluded)

| 2010-11          | 2011-12          | 2012-13          | 2013-14            | 2014-15           | 2015-16            |
|------------------|------------------|------------------|--------------------|-------------------|--------------------|
| \$ 121,046       | \$ 126,644       | \$ 137,280       | \$ 140,567         | \$ 146,337        | \$ 151,826         |
| 14,274           | 14,323           | 14,404           | 22,500             | 34,022            | 34,765             |
| 2,148            | 2,019            | 1,903            | 1,919              | 2,081             | 2,331              |
| 1,069            | 996              | 897              | 1,062              | 1,264             | 1,433              |
| 12,577           | 13,359           | 17,693           | 18,797             | 20,892            | 23,254             |
| 174,781          | 168,433          | 184,823          | 185,303            | 185,529           | 191,360            |
| 20,304           | 25,779           | 27,675           | 32,106             | 36,260            | 38,178             |
| 11,820           | 11,294           | 9,885            | 9,890              | 10,505            | 11,049             |
| 587              | 1,284            | 1,501            | 589                | 1,793             | 1,483              |
| -                | -                | 2,264            | 1,212              | 1,344             | 961                |
| 7,417            | 7,573            | 5,940            | 4,524              | 6,587             | 3,994              |
| <u>366,023</u>   | <u>371,704</u>   | <u>404,265</u>   | <u>418,469</u>     | <u>446,614</u>    | <u>460,634</u>     |
| 38,843           | 41,083           | 74,596           | 75,077             | 81,066            | 79,448             |
| 215,166          | 226,429          | 226,677          | 231,364            | 243,570           | 254,528            |
| 68,463           | 64,404           | 55,197           | 56,573             | 60,512            | 65,559             |
| 42,191           | 43,904           | 37,787           | 38,788             | 40,365            | 43,651             |
| 31,690           | 25,513           | 31,519           | 71,015             | 28,367            | 107,383            |
| 21,211           | 22,643           | 23,433           | 23,704             | 23,269            | 18,905             |
| 10               | 8                | 10               | -                  | 13                | 14                 |
| 29               | 870              | 1,448            | 727                | 657               | 1,505              |
| 60,173           | 66,951           | 91,537           | 102,657            | 74,150            | 91,784             |
| <u>477,776</u>   | <u>491,805</u>   | <u>542,204</u>   | <u>599,905</u>     | <u>551,969</u>    | <u>662,777</u>     |
| <u>(111,753)</u> | <u>(120,101)</u> | <u>(137,939)</u> | <u>(181,436)</u>   | <u>(105,355)</u>  | <u>(202,143)</u>   |
| 128,065          | 121,459          | 147,818          | 141,909            | 123,044           | 122,572            |
| (44,418)         | (38,136)         | (64,203)         | (32,389)           | (45,324)          | (24,298)           |
| 29,320           | 27,290           | 62,672           | 40,800             | 18,999            | 46,530             |
| -                | 77,835           | -                | -                  | -                 | -                  |
| 360              | 8,027            | 3,681            | 430                | 2,952             | 2,283              |
| -                | 8,250            | -                | -                  | -                 | -                  |
| -                | -                | -                | -                  | -                 | -                  |
| -                | 67,238           | 17,415           | -                  | 17,555            | 43,304             |
| -                | (74,127)         | (19,889)         | -                  | (20,058)          | (49,693)           |
| <u>113,327</u>   | <u>197,836</u>   | <u>147,494</u>   | <u>150,750</u>     | <u>97,168</u>     | <u>140,698</u>     |
| <u>\$ 1,574</u>  | <u>\$ 77,735</u> | <u>\$ 9,555</u>  | <u>\$ (30,686)</u> | <u>\$ (8,187)</u> | <u>\$ (61,445)</u> |
| 12.67%           | 11.34%           | 12.20%           | 19.05%             | 10.81%            | 22.12%             |

## CITY OF MESA, ARIZONA

**TABLE V**

## SALES TAX COLLECTIONS BY CATEGORY

## LAST TEN FISCAL YEARS

(in thousands)

|                        | <u>2006-07 (1)</u> | <u>2007-08</u>    | <u>2008-09</u>    | <u>2009-10</u>    | <u>2010-11</u>    | <u>2011-12</u>    |
|------------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Utilities              | \$ 9,116           | \$ 9,668          | \$ 9,654          | \$ 9,757          | \$ 11,104         | \$ 11,878         |
| Communications         | 3,939              | 4,312             | 3,749             | 3,809             | 4,456             | 4,483             |
| Publishing             | 1,963              | 1,923             | 1,402             | 1,102             | 999               | 934               |
| Printing & Advertising | 478                | 375               | 280               | 175               | 342               | 336               |
| Contracting            | 21,424             | 19,301            | 15,263            | 10,913            | 8,388             | 9,962             |
| Retail Sales           | 85,015             | 77,308            | 63,230            | 63,469            | 60,266            | 62,191            |
| Restaurants & Bars     | 11,726             | 12,039            | 10,956            | 10,948            | 11,165            | 11,864            |
| Amusements             | 1,457              | 1,349             | 1,363             | 1,176             | 1,433             | 1,434             |
| Rentals                | 20,534             | 21,369            | 20,514            | 20,123            | 22,219            | 22,968            |
| Miscellaneous          | 165                | 119               | 107               | 84                | 674               | 595               |
| Total                  | <u>\$ 155,817</u>  | <u>\$ 147,763</u> | <u>\$ 126,518</u> | <u>\$ 121,555</u> | <u>\$ 121,046</u> | <u>\$ 126,645</u> |
| City Direct Tax Rate   | 1.75%              | 1.75%             | 1.75%             | 1.75%             | 1.75%             | 1.75%             |

Note: Amounts shown include penalties and interest. Occupancy tax not included.

(1) During FY 2006-07, 1/4 percent of the 1/2 percent voter-approved sales tax increase that was enacted in August 1998 to fund capital improvements to quality of life projects expired and was not renewed. Also during FY 2006-07, a voter-approved 1/2 percent increase to sales tax was enacted and is restricted to fund street improvements.

Source: City of Mesa Tax & Licensing Division



**TABLE V**  
(Concluded)

| <b>2012-13</b>    | <b>2013-14</b>    | <b>2014-15</b>    | <b>2015-16</b>    |
|-------------------|-------------------|-------------------|-------------------|
| \$ 12,549         | \$ 12,344         | \$ 13,111         | \$ 13,251         |
| 4,651             | 4,230             | 4,796             | 4,229             |
| 866               | 830               | 747               | 688               |
| 434               | 455               | 461               | 428               |
| 12,402            | 13,794            | 14,103            | 14,623            |
| 66,789            | 69,276            | 71,996            | 76,160            |
| 12,577            | 12,972            | 13,708            | 14,240            |
| 1,432             | 1,469             | 1,542             | 1,561             |
| 24,847            | 24,374            | 25,102            | 25,578            |
| 732               | 823               | 771               | 1,068             |
| <b>\$ 137,279</b> | <b>\$ 140,567</b> | <b>\$ 146,337</b> | <b>\$ 151,826</b> |
| 1.75%             | 1.75%             | 1.75%             | 1.75%             |

CITY OF MESA, ARIZONA

**TABLE VI**

DIRECT AND OVERLAPPING SALES TAX RATES  
LAST TEN FISCAL YEARS

| <b>Fiscal<br/>Year</b> | <b>City<br/>Direct<br/>Rate</b> | <b>Maricopa<br/>County</b> | <b>State of<br/>Arizona</b> |
|------------------------|---------------------------------|----------------------------|-----------------------------|
| 2006-07                | 1.75%                           | 0.70%                      | 5.60%                       |
| 2007-08                | 1.75%                           | 0.70%                      | 5.60%                       |
| 2008-09                | 1.75%                           | 0.70%                      | 5.60%                       |
| 2009-10                | 1.75%                           | 0.70%                      | 6.60% *                     |
| 2010-11                | 1.75%                           | 0.70%                      | 6.60%                       |
| 2011-12                | 1.75%                           | 0.70%                      | 6.60%                       |
| 2012-13                | 1.75%                           | 0.70%                      | 5.60%                       |
| 2013-14                | 1.75%                           | 0.70%                      | 5.60%                       |
| 2014-15                | 1.75%                           | 0.70%                      | 5.60%                       |
| 2015-16                | 1.75%                           | 0.70%                      | 5.60%                       |

Source: City of Mesa Tax & Licensing Office

\*Note: The State of Arizona increased its tax to 6.60% effective 6/1/10 for a 3 year period



## CITY OF MESA, ARIZONA

**TABLE VII**RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS

(in thousands)

|   | <b>2006-07</b>      | <b>2007-08</b>      | <b>2008-09</b>      | <b>2009-10</b>      |
|---|---------------------|---------------------|---------------------|---------------------|
| <b>Governmental Activities</b>          |                     |                     |                     |                     |
| General Obligation Bonds                | \$ 223,115          | \$ 221,625          | \$ 267,063          | \$ 273,869          |
| Municipal Development Corporation Bonds | 9,970               | 9,970               | -                   | -                   |
| Highway User Revenue Bonds              | 142,460             | 142,290             | 140,265             | 134,545             |
| Special Assessment Bonds                | 8,798               | 8,046               | 7,294               | 6,550               |
| Community Facilities District           | -                   | -                   | -                   | -                   |
| Capital Leases                          | 22,989              | 17,503              | 9,730               | 5,406               |
| Notes Payable                           | -                   | -                   | -                   | 45,000              |
| <b>Business-type Activities</b>         |                     |                     |                     |                     |
| Utility System Revenue Bonds            | 723,185             | 767,445             | 817,530             | 857,435             |
| General Obligation Bonds                | 3,290               | 3,290               | 2,957               | 2,691               |
| Excise Tax Revenue Obligation Bonds     | -                   | -                   | -                   | -                   |
| Municipal Development Corporation Bonds | 5,100               | -                   | -                   | -                   |
| Notes Payable                           | 589                 | 432                 | 333                 | 2,964               |
| Capital Leases                          | 2,869               | 1,541               | 158                 | -                   |
| <b>Total Primary Government</b>         | <b>\$ 1,142,365</b> | <b>\$ 1,172,142</b> | <b>\$ 1,245,330</b> | <b>\$ 1,328,460</b> |
| Percentage of Personal Income (1)       | 10.54%              | 10.68%              | 11.03%              | 11.49%              |
| Per Capita (1)                          | \$ 2,483            | \$ 2,529            | \$ 2,677            | \$ 2,843            |

(1) Information on personal income and population is presented on Table XII.

**TABLE VII**  
(Concluded)

| <b>2010-11</b>      | <b>2011-12</b>      | <b>2012-13</b>      | <b>2013-14</b>      | <b>2014-15</b>      | <b>2015-16</b>      |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 281,514          | \$ 288,669          | \$ 327,265          | \$ 346,860          | \$ 338,401          | \$ 350,593          |
| -                   | -                   | -                   | -                   | -                   | -                   |
| 128,515             | 121,395             | 120,942             | 112,882             | 106,740             | 98,743              |
| 5,806               | 5,062               | 4,318               | 3,574               | 2,830               | 2,085               |
| -                   | -                   | 2,712               | 5,897               | 11,012              | 19,300              |
| 2,166               | 822                 | 140                 | 72                  | -                   | -                   |
| 45,000              | 122,835             | 129,435             | 83,610              | 82,785              | -                   |
| 898,800             | 952,500             | 973,670             | 987,454             | 996,705             | 1,062,871           |
| 2,221               | 1,601               | 887                 | 605                 | 474                 | 390                 |
| -                   | -                   | 105,079             | 104,499             | 103,919             | 103,339             |
| -                   | -                   | -                   | -                   | -                   | -                   |
| 2,731               | 2,493               | 2,370               | 2,244               | 2,116               | 1,985               |
| -                   | -                   | -                   | -                   | -                   | -                   |
| <u>\$ 1,366,753</u> | <u>\$ 1,495,377</u> | <u>\$ 1,666,818</u> | <u>\$ 1,647,697</u> | <u>\$ 1,644,982</u> | <u>\$ 1,639,306</u> |
| 13.06%              | 14.10%              | 16.09%              | 15.42%              | 14.53%              | 13.91%              |
| \$ 3,101            | \$ 3,390            | \$ 3,747            | \$ 3,621            | \$ 3,561            | \$ 3,451            |

## CITY OF MESA, ARIZONA

**TABLE VIII**RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS

(in thousands)

| <b>Year</b> | <b>Secondary<br/>Assessed<br/>Value (1)</b> | <b>General<br/>Obligation<br/>Bonds</b> | <b>Less:<br/>Amounts<br/>Available<br/>in Debt<br/>Service<br/>Fund</b> | <b>Total</b> | <b>Percentage<br/>of<br/>Secondary<br/>Assessed<br/>Value</b> | <b>Per<br/>Capita (2)</b> |
|-------------|---|---|---|--------------|---|---------------------------|
| 2007        | \$ 3,083,070                                | \$ 226,405                              | \$ -  | \$ 226,405   | 7.34%   | \$ 492                    |
| 2008        | 4,114,527                                   | 224,915                                 | -   | 224,915      | 5.47%   | 486                       |
| 2009        | 4,793,082                                   | 259,895                                 | -   | 259,895      | 5.42%   | 559                       |
| 2010        | 4,749,617                                   | 276,560                                 | -   | 276,560      | 5.82%   | 592                       |
| 2011        | 4,094,037                                   | 283,735                                 | 134   | 283,601      | 6.93%   | 645                       |
| 2012        | 3,164,277                                   | 290,270                                 | 1   | 290,269      | 9.17%   | 658                       |
| 2013        | 2,770,422                                   | 328,152                                 | 138   | 328,014      | 11.84%  | 739                       |
| 2014        | 2,559,634                                   | 347,465                                 | 372   | 347,093      | 13.56%  | 765                       |
| 2015        | 2,821,173                                   | 338,875                                 | 3,584   | 335,291      | 11.88%  | 726                       |
| 2016        | 2,757,913                                   | 350,983                                 | 2,618   | 348,365      | 12.63%  | 733                       |

Source: (1) Maricopa County Finance Department Assessor's Office.

(2) Population figures are found on Table XII.

## CITY OF MESA, ARIZONA

**TABLE IX**

## DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)

JUNE 30, 2016

(in thousands)

| Governmental Unit                          | Debt<br>Outstanding (2) | Estimated Percentage<br>Applicable to City of Mesa |            |
|--|-------------------------|--|------------|
|  |                         | Percent (2)(4)                                     | Amount     |
| Debt repaid with property taxes            |                         |  |            |
| Maricopa County Community College District | \$ 593,820              | 7.97%  | \$ 47,327  |
| Mesa Unified School District No. 4         | 284,810                 | 86.40%   | 246,076    |
| Gilbert Unified School District No. 41     | 101,545                 | 26.32%   | 26,727     |
| Queen Creek Unified School District No. 95 | 60,000                  | 32.05%   | 19,230     |
| Higley Unified School District No. 60      | 124,290                 | 0.83%  | 1,032      |
| Tempe Union High School District No. 213   | 100,500                 | 0.27%  | 271        |
| Tempe Elementary School District No. 3     | 112,635                 | 0.65%  | 732        |
| Eastmark Community Facilities District     | 9,985                   | 100.00%  | 9,985      |
| Other Debt:                                |                         |  |            |
| Maricopa County                            | 282,930                 | 7.97%  | 22,550     |
| Subtotal, overlapping debt                 |                         |  | 373,930    |
| City direct debt (3)                       |                         |  | 478,422    |
| Total Direct and Overlapping Debt          |                         |  | \$ 852,352 |

(1) Does not include debt issued by the Salt River Project Agricultural Improvement and Power District, which is considered self-supporting from earnings of the district or special assessment debt issued by City of Mesa, which is considered a junior lien.

(2) Source: Hilltop Securities, Inc.

(3) Includes: General Obligation Bonds, Highway User Revenue Bonds, Special Assessment Bonds, Community Facilities District Bonds, Deferred Amounts on Refundings, Capital Leases, Highway Project Advancement Notes, and Unamortized Bond Premiums.

(4) Proportion applicable to the City is computed on the ratio of secondary assessed valuation for fiscal year 2015/16

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Mesa. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

CITY OF MESA, ARIZONA  
**TABLE X**  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
(in thousands)

|   | <u>2006-07</u>    | <u>2007-08</u>    | <u>2008-09</u>    | <u>2009-10</u>    | <u>2010-11</u>    |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>6% Limitation</b>  |                   |                   |                   |                   |                   |
| Legal Debt Limitation Equal to<br>6% of Assessed Valuation  | \$ 184,984        | \$ 246,872        | \$ 287,585        | \$ 284,977        | \$ 245,642        |
| Total Net Debt Applicable to 6% Limit   | <u>22,453</u>     | <u>17,688</u>     | <u>13,569</u>     | <u>6,064</u>      | <u>5,326</u>      |
| Margin Available for Future<br>General Obligation Bond Issues<br>for 6% Bonds                     | <u>\$ 162,531</u> | <u>\$ 229,184</u> | <u>\$ 274,016</u> | <u>\$ 278,913</u> | <u>\$ 240,316</u> |
| Total Net Debt Applicable to the<br>6% Limit as a Percentage of the<br>6% Legal Debt Limitation   | 12.14%            | 7.16%             | 4.72%             | 2.13%             | 2.17%             |
| <b>20% Limitation</b>   |                   |                   |                   |                   |                   |
| Legal Debt Limitation Equal to<br>20% of Assessed Valuation                                       | \$ 616,614        | \$ 922,905        | \$ 958,616        | \$ 949,923        | \$ 818,807        |
| Total Net Debt Applicable to 20% Limit  | <u>203,952</u>    | <u>207,227</u>    | <u>246,326</u>    | <u>270,496</u>    | <u>278,409</u>    |
| Margin Available for Future<br>General Obligation Bond Issues<br>for 20% Bonds                    | <u>\$ 412,662</u> | <u>\$ 715,678</u> | <u>\$ 712,290</u> | <u>\$ 679,427</u> | <u>\$ 540,398</u> |
| Total Net Debt Applicable to the<br>20% Limit as a Percentage of the<br>20% Legal Debt Limitation | 33.08%            | 22.45%            | 25.70%            | 28.48%            | 34.00%            |
| Total Margin Available  | <u>\$ 575,193</u> | <u>\$ 944,862</u> | <u>\$ 986,306</u> | <u>\$ 958,340</u> | <u>\$ 780,714</u> |

(1) Under Arizona law, cities can issue General Obligation Bonds for all purposes other than those listed in Note 2 below, up to an amount not exceeding 6 percent of assessed secondary valuation.

(2) Under Arizona law, cities can issue General Obligation Bonds for purposes of water, wastewater, artificial light, open space preserves, parks playgrounds and recreational facilities up to an amount not exceeding 20 percent of assessed secondary valuation.



**TABLE X**  
(Concluded)

### Legal Debt Margin Calculation for Fiscal Year 2015-16

|   |                   |                   |                     |                      |
|---|-------------------|-------------------|---------------------|----------------------|
| Secondary Assessed Value                                      |                   |                   |                     | \$ 2,757,913         |
|   |                   |                   | <b>6% Bonds (1)</b> | <b>20% Bonds (2)</b> |
| Legal Debt Limitation   |                   |                   | \$ 165,475          | \$ 551,583           |
| Debt Applicable to Limit:                                     |                   |                   |                     |                      |
| General Obligation Bonds                                      |                   |                   | 1,047               | 349,903              |
| Total Net Debt Applicable to Limit                            |                   |                   | <u>1,047</u>        | <u>349,903</u>       |
|   |                   |                   |                     |                      |
| Margin Available for Future General<br>Obligation Bond Issues |                   |                   | <u>\$ 164,428</u>   | <u>\$ 201,680</u>    |
| Total Margin Available  |                   |                   |                     | <u>\$ 366,108</u>    |
| <b>2011-12</b>  | <b>2012-13</b>    | <b>2013-14</b>    | <b>2014-15</b>      | <b>2015-16</b>       |
| \$ 189,857  | \$ 166,225        | \$ 153,578        | \$ 169,270          | \$ 165,475           |
| <u>1,370</u>  | <u>175</u>        | <u>605</u>        | <u>1,275</u>        | <u>1,047</u>         |
| <u>\$ 188,487</u>   | <u>\$ 166,050</u> | <u>\$ 152,973</u> | <u>\$ 167,995</u>   | <u>\$ 164,428</u>    |
|   |                   |                   |                     |                      |
| 0.72%   | 0.11%             | 0.39%             | 0.75%               | 0.63%                |
| \$ 632,855  | \$ 554,084        | \$ 511,927        | \$ 564,235          | \$ 551,583           |
| <u>288,900</u>  | <u>300,735</u>    | <u>344,040</u>    | <u>343,370</u>      | <u>349,903</u>       |
| <u>\$ 343,955</u>   | <u>\$ 253,349</u> | <u>\$ 167,887</u> | <u>\$ 220,865</u>   | <u>\$ 201,680</u>    |
|   |                   |                   |                     |                      |
| 45.65%  | 54.28%            | 67.20%            | 60.86%              | 63.44%               |
| <u>\$ 532,442</u>   | <u>\$ 419,399</u> | <u>\$ 320,860</u> | <u>\$ 388,860</u>   | <u>\$ 366,108</u>    |

## CITY OF MESA, ARIZONA

**TABLE XI**

## PLEDGED-REVENUE COVERAGE

## LAST TEN FISCAL YEARS

(in thousands)

| Utility System Revenue Bonds |  |                    |           |              |           |                |  |
|------------------------------|--|--------------------|-----------|--------------|-----------|----------------|--|
|                              | Net Revenue Available for Debt Service |                    |           | Debt Service |           | Coverage Ratio |  |
|                              | Operating Revenues (1)                 | Operating Expenses |           | Principal    | Interest  |                |  |
| 2006-07                      | \$ 270,070                             | \$ 175,942         | \$ 94,128 | \$ 340       | \$ 29,305 | 3.18           |  |
| 2007-08                      | 278,366                                | 196,130            | 82,236    | 7,960        | 34,658    | 1.93           |  |
| 2008-09                      | 274,497                                | 197,992            | 76,505    | 9,815        | 37,225    | 1.63           |  |
| 2009-10                      | 275,193                                | 194,159            | 81,034    | 10,475       | 40,380    | 1.59           |  |
| 2010-11                      | 283,921                                | 190,441            | 93,480    | 12,585       | 42,814    | 1.69           |  |
| 2011-12                      | 299,356                                | 180,296            | 119,060   | 21,365       | 43,465    | 1.84           |  |
| 2012-13                      | 293,915                                | 241,128            | 52,787    | 21,630       | 46,412    | 0.78           |  |
| 2013-14                      | 295,710                                | 203,187            | 92,523    | 22,550       | 51,927    | 1.24           |  |
| 2014-15                      | 311,506                                | 209,677            | 101,829   | 21,860       | 46,423    | 1.49           |  |
| 2015-16                      | 323,099                                | 218,706            | 104,393   | 25,800       | 44,794    | 1.48           |  |

| Highway User Revenue Fund Revenue Bonds |                                  |              |          |                   |  |
|---|----------------------------------|--------------|----------|-------------------|--|
|   | Highway<br>User Fund<br>Revenues | Debt Service |          | Coverage<br>Ratio |  |
|   |                                  | Principal    | Interest |                   |  |
| 2006-07                                 | \$ 40,975                        | \$ 135       | \$ 6,401 | 6.27              |  |
| 2007-08                                 | 38,512                           | 170          | 6,828    | 5.50              |  |
| 2008-09                                 | 34,260                           | 2,025        | 6,823    | 3.87              |  |
| 2009-10                                 | 31,791                           | 5,720        | 6,691    | 2.56              |  |
| 2010-11                                 | 32,053                           | 6,030        | 6,365    | 2.59              |  |
| 2011-12                                 | 27,825                           | 3,290        | 5,563    | 3.14              |  |
| 2012-13                                 | 30,046                           | 6,145        | 5,627    | 2.55              |  |
| 2013-14                                 | 30,923                           | 6,945        | 5,472    | 2.49              |  |
| 2014-15                                 | 33,952                           | 6,305        | 5,158    | 2.96              |  |
| 2015-16                                 | 35,383                           | 7,390        | 4,844    | 2.89              |  |

(1) Includes electric, gas, water, wastewater and solid waste systems.

(2) Excise tax revenues include city use and sales taxes, unrestricted license, fees and permits, fines and forfeitures, state-shared sales tax, state revenue sharing, and state shared vehicle license tax.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**TABLE XI**  
(Concluded)

| Special Assessment Bonds             |              |          |                   | Community Facility District Bonds             |              |          |                   |
|--------------------------------------|--------------|----------|-------------------|---|--------------|----------|-------------------|
| Special<br>Assessment<br>Collections | Debt Service |          | Coverage<br>Ratio | Community<br>Facility District<br>Collections | Debt Service |          | Coverage<br>Ratio |
|                                      | Principal    | Interest |                   |   | Principal    | Interest |                   |
| \$ 851                               | \$ 343       | \$ 357   | 1.21              | \$ -  | \$ -         | \$ -     | -                 |
| 1,710                                | 752          | 457      | 1.41              | -   | -            | -        | -                 |
| 1,202                                | 752          | 417      | 1.03              | -   | -            | -        | -                 |
| 923                                  | 744          | 377      | 0.82              | -   | -            | -        | -                 |
| 1,088                                | 744          | 337      | 1.01              | -   | -            | -        | -                 |
| 996                                  | 744          | 297      | 0.96              | -   | -            | -        | -                 |
| 897                                  | 744          | 257      | 0.90              | -   | -            | 7        | -                 |
| 861                                  | 744          | 217      | 0.90              | 195   | 65           | 131      | 0.99              |
| 827                                  | 744          | 178      | 0.90              | 672   | 232          | 456      | 0.98              |
| 790                                  | 745          | 138      | 0.89              | 1,320   | 489          | 832      | 1.00              |

| Municipal Development Corporation Bonds |              |          |                   | Highway Project Advancement Notes |              |          |                   |
|---|--------------|----------|-------------------|-----------------------------------|--------------|----------|-------------------|
| Excise<br>Tax<br>Revenues (2)           | Debt Service |          | Coverage<br>Ratio | Excise<br>Tax<br>Revenues (2)     | Debt Service |          | Coverage<br>Ratio |
|   | Principal    | Interest |                   |                                   | Principal    | Interest |                   |
| \$ 216,897                              | \$ 4,500     | \$ 309   | \$ 45             | \$ -                              | \$ -         | \$ -     | -                 |
| 226,910                                 | 5,100        | 108      | 44                | -                                 | -            | -        | -                 |
| 203,198                                 | 9,970        | 17       | 20                | -                                 | -            | -        | -                 |
| -                                       | -            | -        | -                 | 208,547                           | -            | 449      | 464.30            |
| -                                       | -            | -        | -                 | 200,873                           | -            | 1,576    | 127.48            |
| -                                       | -            | -        | -                 | 199,949                           | -            | 4,312    | 46.37             |
| -                                       | -            | -        | -                 | 213,309                           | -            | 5,404    | 39.47             |
| -                                       | -            | -        | -                 | 221,355                           | -            | 4,790    | 46.21             |
| -                                       | -            | -        | -                 | 234,183                           | -            | 3,892    | 60.17             |
| -                                       | -            | -        | -                 | 242,020                           | 77,835       | 324      | 3.10              |

## CITY OF MESA, ARIZONA

**TABLE XII**DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS

| <b>Year</b> | <b>Population (1)</b> | <b>Personal<br/>Income<br/>(in thousands)</b> | <b>Per Capita<br/>Personal<br/>Income (1)</b> | <b>Median<br/>Age (1)</b> | <b>Public School<br/>Enrollment (2)</b> | <b>Unemployment<br/>Rate (3)</b> |
|-------------|-----------------------|---|---|---------------------------|---|----------------------------------|
| 2007        | 460,155               | \$ 10,840,792                                 | \$ 23,559                                     | 32.9                      | 74,128                                  | 2.9%                             |
| 2008        | 463,397               | 10,977,412                                    | 23,689  | 33.1                      | 73,054                                  | 4.3%                             |
| 2009        | 465,272               | 11,288,895                                    | 24,263  | 33.3                      | 70,297                                  | 8.0%                             |
| 2010        | 467,355               | 11,563,297                                    | 24,742  | 33.6                      | 67,749                                  | 8.7%                             |
| 2011        | 440,677               | 10,465,197                                    | 23,748  | 32.6                      | 66,144                                  | 9.0%                             |
| 2012        | 441,160               | 10,603,281                                    | 24,035  | 34.3                      | 65,662                                  | 7.5%                             |
| 2013        | 444,856               | 10,361,141                                    | 23,291  | 34.4                      | 64,892                                  | 7.2%                             |
| 2014        | 454,981               | 10,687,959                                    | 23,491  | 35.3                      | 64,932                                  | 6.5%                             |
| 2015        | 462,376               | 11,321,276                                    | 24,485  | 35.5                      | 64,532                                  | 5.4%                             |
| 2016        | 475,274               | 11,783,944                                    | 24,794  | 35.7                      | 65,049                                  | 5.3%                             |

## Sources:

- (1) 2007-2010 Claritas, 2011-2013 SitesUSA, 2014-2016 ESRI Community Analyst
- (2) Arizona Department of Education
- (3) AZ Dept of Economic Security. Data is Phoenix-Mesa-Scottsdale Metropolitan Area. Beginning in 2011 unemployment rate is not seasonally adjusted.

## CITY OF MESA, ARIZONA

**TABLE XIII**

## PRINCIPAL EMPLOYERS

## CURRENT YEAR AND NINE YEARS AGO

| Employer                           | 2016          |      |   | 2007          |      |   |
|------------------------------------|---------------|------|---|---------------|------|---|
|                                    | Employees     | Rank | Percentage<br>of Total City<br>Employment | Employees     | Rank | Percentage<br>of Total City<br>Employment |
| Banner Health Systems              | 9,573         | 1    | 6.11%                                     | 6,600         | 2    | 3.43%                                     |
| Mesa Public Schools                | 8,435         | 2    | 5.39%                                     | 10,000        | 1    | 5.19%                                     |
| Boeing                             | 4,700         | 3    | 3.00%                                     | 4,600         | 3    | 2.39%                                     |
| City of Mesa                       | 3,798         | 4    | 2.43%                                     | 3,851         | 4    | 2.00%                                     |
| Wal-Mart                           | 2,541         | 5    | 1.62%                                     | 2,280         | 5    | 1.18%                                     |
| Gilbert Unified School District    | 1,229         | 6    | 0.78%                                     | -             |      | 0.00%                                     |
| Fry's Food Stores                  | 1,128         | 7    | 0.72%                                     | 1,000         | 8    | 0.52%                                     |
| Drivetime Automotive Group         | 990           | 8    | 0.63%                                     | -             |      | 0.00%                                     |
| County of Maricopa                 | 986           | 9    | 0.63%                                     | 1,300         | 6    | 0.67%                                     |
| Santander Consumer<br>Holdings USA | 970           | 10   | 0.62%                                     | -             |      | 0.00%                                     |
| Home Depot                         | -             |      | 0.00%                                     | 750           | 10   | 0.39%                                     |
| Empire Southwest Machinery         | -             |      | 0.00%                                     | 1,025         | 7    | 0.53%                                     |
| Bashas'                            | -             |      | 0.00%                                     | 1,000         | 8    | 0.52%                                     |
| Total                              | <u>34,350</u> |      | <u>21.93%</u>                             | <u>32,406</u> |      | <u>16.83%</u>                             |

Source: City of Mesa Office of Economic Development

## CITY OF MESA, ARIZONA

**TABLE XIV**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS

|   | <u>2006-07</u> | <u>2007-08</u> | <u>2008-09</u> | <u>2009-10</u> |
|---|----------------|----------------|----------------|----------------|
| <b>Function/Program</b>                   |                |                |                |                |
| General Government                        | 979            | 966            | 838            | 835            |
| Police                                    | 1,332          | 1,306          | 1,282          | 1,240          |
| Fire                                      | 468            | 472            | 470            | 455            |
| Community Environment                     | 183            | 181            | 189            | 184            |
| Cultural-Recreational                     | 445            | 417            | 335            | 329            |
| Energy Resources                          | 125            | 132            | 140            | 122            |
| Water Resources                           | 177            | 166            | 213            | 232            |
| Environmental Management & Sustainability | 132            | 136            | 126            | 124            |
| Airport                                   | 10             | 9              | 10             | 10             |
| Total                                     | <u>3,851</u>   | <u>3,785</u>   | <u>3,603</u>   | <u>3,531</u>   |

Source: City of Mesa Office of Management and Budget and Human Resources

**TABLE XIV**  
(Concluded)

| <u>2010-11</u> | <u>2011-12</u> | <u>2012-13</u> | <u>2013-14</u> | <u>2014-15</u> | <u>2015-16</u> |
|----------------|----------------|----------------|----------------|----------------|----------------|
| 824            | 870            | 864            | 880            | 876            | 860            |
| 1,163          | 1,158          | 1,163          | 1,173          | 1,154          | 1,155          |
| 457            | 473            | 479            | 482            | 503            | 492            |
| 189            | 184            | 183            | 178            | 182            | 189            |
| 334            | 332            | 313            | 317            | 338            | 599            |
| 116            | 115            | 117            | 117            | 116            | 116            |
| 230            | 233            | 229            | 238            | 240            | 238            |
| 120            | 117            | 127            | 125            | 127            | 138            |
| 9              | 9              | 10             | 10             | 10             | 11             |
| <u>3,442</u>   | <u>3,491</u>   | <u>3,485</u>   | <u>3,520</u>   | <u>3,545</u>   | <u>3,798</u>   |

## CITY OF MESA, ARIZONA

**TABLE XV**

## OPERATING INDICATORS BY FUNCTION/PROGRAM

## LAST TEN FISCAL YEARS

| <b>Function/Program</b>               | <b>2006-07</b> | <b>2007-08</b> | <b>2008-09</b> | <b>2009-10</b> |
|---------------------------------------|----------------|----------------|----------------|----------------|
| Police                                |                |                |                |                |
| Major Crimes                          | 22,437         | 21,388         | 18,482         | 17,345         |
| Traffic Accidents                     | 12,184         | 7,578          | 6,256          | 5,890          |
| Fire                                  |                |                |                |                |
| Fires                                 | 1,428          | 1,200          | 1,165          | 1,048          |
| Rescue or Emergency                   | 38,003         | 34,207         | 32,478         | 34,079         |
| False Alarms                          | 2,875          | 2,456          | 2,125          | 1,478          |
| Hazardous Conditions                  | 608            | 567            | 663            | 701            |
| Other Calls                           | 11,792         | 12,976         | 11,923         | 12,819         |
| Libraries                             |                |                |                |                |
| Number of Registered Borrowers        | 266,839        | 275,449        | 306,427        | 352,607        |
| Total Attendance                      | 1,161,887      | 1,165,451      | 1,348,555      | 1,367,667      |
| Access to Electronic Resources        | 3,029,001      | 2,910,088      | 3,661,261      | 2,542,927      |
| Electric Connections                  | 15,723         | 15,215         | 14,546         | 14,738         |
| Gas Connections                       | 50,478         | 51,454         | 51,911         | 52,832         |
| Water                                 |                |                |                |                |
| Connections                           | 133,249        | 133,086        | 132,771        | 133,701        |
| Average Daily Consumption (mgd)*      | 89.64          | 85.76          | 79.72          | 72.67          |
| Peak Daily Consumption (mg)**         | 128.83         | 125.72         | 108.68         | 111.14         |
| Wastewater                            |                |                |                |                |
| Connections                           | 116,190        | 116,465        | 116,721        | 117,831        |
| Average Daily Sewage Treatment (mgd)* | 38.10          | 38.00          | 36.00          | 33.60          |
| Solid Waste                           |                |                |                |                |
| Customers Served                      | 115,305        | 112,632        | 112,832        | 113,079        |
| Refuse Collected (tons)               | 266,817        | 243,208        | 234,709        | 217,295        |
| Recyclables Collected (tons)          | 38,660         | 39,296         | 37,841         | 36,490         |
| Green Waste Collected (tons)          | 18,215         | 17,601         | 18,936         | 18,588         |
| Falcon Field                          |                |                |                |                |
| Average Number of Aircraft Based      | 901            | 934            | 873            | 841            |
| Aircraft Operations (annual)          | 261,623        | 337,178        | 283,336        | 248,381        |

\* mgd - millions of gallons per day

\*\* mg - millions of gallons



**TABLE XV**  
(Concluded)

| <b>2010-11</b> | <b>2011-12</b> | <b>2012-13</b> | <b>2013-14</b> | <b>2014-15</b> | <b>2015-16</b> |
|----------------|----------------|----------------|----------------|----------------|----------------|
| 16,623         | 16,740         | 16,149         | 14,561         | 14,795         | 13,208         |
| 5,952          | 6,047          | 6,186          | 6,107          | 6,622          | 6,968          |
| 981            | 1,012          | 929            | 1,075          | 1,083          | 1,053          |
| 38,788         | 42,925         | 43,416         | 44,885         | 45,832         | 49,743         |
| 1,478          | 1,292          | 1,255          | 1,176          | 1,106          | 1,083          |
| 478            | 446            | 454            | 477            | 534            | 507            |
| 11,840         | 11,192         | 11,803         | 9,403          | 8,964          | 10,613         |
| 220,812        | 142,943        | 166,492        | 196,020        | 125,336        | 122,810        |
| 1,095,196      | 1,143,718      | 1,178,137      | 1,166,560      | 1,166,131      | 1,157,394      |
| 1,691,966      | 1,566,775      | 1,515,299      | 1,541,323      | 1,549,150      | 1,345,977      |
| 15,064         | 15,841         | 13,815         | 16,460         | 16,703         | 16,854         |
| 53,434         | 55,828         | 55,544         | 58,011         | 59,214         | 60,383         |
| 134,072        | 135,138        | 136,640        | 137,910        | 139,560        | 141,824        |
| 76.23          | 81.60          | 81.03          | 80.85          | 79.55          | 78.55          |
| 114.30         | 122.30         | 115.68         | 117.13         | 113.45         | 116.62         |
| 118,413        | 119,615        | 120,953        | 122,623        | 124,142        | 126,359        |
| 33.70          | 33.40          | 33.60          | 33.10          | 33.30          | 34.60          |
| 115,811        | 118,949        | 119,142        | 121,674        | 122,552        | 127,517        |
| 223,217        | 209,116        | 215,463        | 217,745        | 233,754        | 236,849        |
| 35,486         | 34,443         | 34,616         | 34,629         | 35,541         | 35,499         |
| 19,149         | 17,882         | 19,878         | 18,854         | 21,151         | 20,602         |
| 789            | 749            | 700            | 729            | 702            | 663            |
| 221,910        | 222,650        | 190,605        | 276,731        | 241,848        | 270,702        |

## CITY OF MESA, ARIZONA

**TABLE XVI**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS

| <b>Function/Program</b>                          | <b><u>2006-07</u></b> | <b><u>2007-08</u></b> | <b><u>2008-09</u></b> | <b><u>2009-10</u></b> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Police Stations                                  |                       |                       |                       |                       |
| Stations   | 4                     | 4                     | 4                     | 4                     |
| Vehicular Patrol Units                           | 351                   | 368                   | 330                   | 289                   |
| Fire Stations                                    | 17                    | 17                    | 17                    | 18                    |
| Libraries  | 3                     | 3                     | 3                     | 3                     |
| Parks and Recreation                             |                       |                       |                       |                       |
| Developed Parks (acres)                          | 1,184                 | 1,180                 | 1,180                 | 1,154                 |
| Undeveloped Acres                                | 1,251                 | 1,251                 | 1,251                 | 1,078                 |
| Swimming Pools                                   | 12                    | 12                    | 12                    | 12                    |
| Recreation Facilities                            | 6                     | 6                     | 6                     | 6                     |
| Community Environment                            |                       |                       |                       |                       |
| Streets (miles)                                  |                       |                       |                       |                       |
| Paved  | 1,169                 | 1,178                 | 1,182                 | 1,184                 |
| Unpaved  | 12                    | 12                    | 12                    | 12                    |
| Storm Sewers (miles)                             | 303                   | 308                   | 316                   | 321                   |
| Gas Mains (miles)                                | 1,147                 | 1,202                 | 1,223                 | 1,243                 |
| Water  |                       |                       |                       |                       |
| Mains (miles)                                    | 2,008                 | 2,068                 | 2,104                 | 2,127                 |
| Storage Capacity (millions of gallons)           | 117                   | 117                   | 125                   | 125                   |
| Wastewater                                       |                       |                       |                       |                       |
| Mains (miles)                                    | 1,544                 | 1,577                 | 1,598                 | 1,606                 |
| Treatment Capacity (millions of gallons per day) | 60                    | 60                    | 60                    | 60                    |
| Solid Waste                                      |                       |                       |                       |                       |
| Collection Trucks                                | 68                    | 70                    | 69                    | 69                    |
| Golf Courses                                     | 2                     | 2                     | 2                     | 2                     |

**TABLE XVI**  
(Concluded)

| <u>2010-11</u> | <u>2011-12</u> | <u>2012-13</u> | <u>2013-14</u> | <u>2014-15</u> | <u>2015-16</u> |
|----------------|----------------|----------------|----------------|----------------|----------------|
| 4              | 5              | 6              | 8              | 8              | 8              |
| 290            | 267            | 267            | 291            | 292            | 287            |
| 18             | 19             | 20             | 20             | 20             | 20             |
| 4              | 4              | 4              | 4              | 4              | 4              |
| 1,154          | 1,553          | 1,177          | 1,232          | 1,901          | 1,901          |
| 1,074          | 705            | 1,104          | 1,157          | 633            | 633            |
| 13             | 9              | 9              | 9              | 9              | 9              |
| 6              | 6              | 6              | 4              | 4              | 4              |
| 1,190          | 1,303          | 1,307          | 1,418          | 1,427          | 1,427          |
| 12             | 1              | 1              | 1              | 1              | 1              |
| 329            | 438            | 432            | 440            | 423            | 423            |
| 1,247          | 1,240          | 1,256          | 1,256          | 1,311          | 1,311          |
| 2,136          | 2,270          | 2,284          | 2,315          | 2,364          | 2,364          |
| 125            | 125            | 125            | 125            | 112            | 112            |
| 1,613          | 1,652          | 1,677          | 1,677          | 1,781          | 1,781          |
| 60             | 60             | 60             | 60             | 60             | 60             |
| 69             | 70             | 72             | 72             | 74             | 73             |
| 2              | 1              | 1              | 1              | 1              | 1              |





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