



# City of Mesa, Arizona

COMPREHENSIVE ANNUAL FINANCIAL REPORT

*For the Fiscal Year Ended  
June 30, 2017*





Mayor **John Giles**

Councilmember **Mark Freeman** – District 1

Councilmember **Jeremy Whitaker** – District 2

Councilmember **Francisco Heredia** – District 3

Councilmember **Christopher Glover** – District 4

Vice Mayor **David Luna** – District 5

Councilmember **Kevin Thompson** – District 6

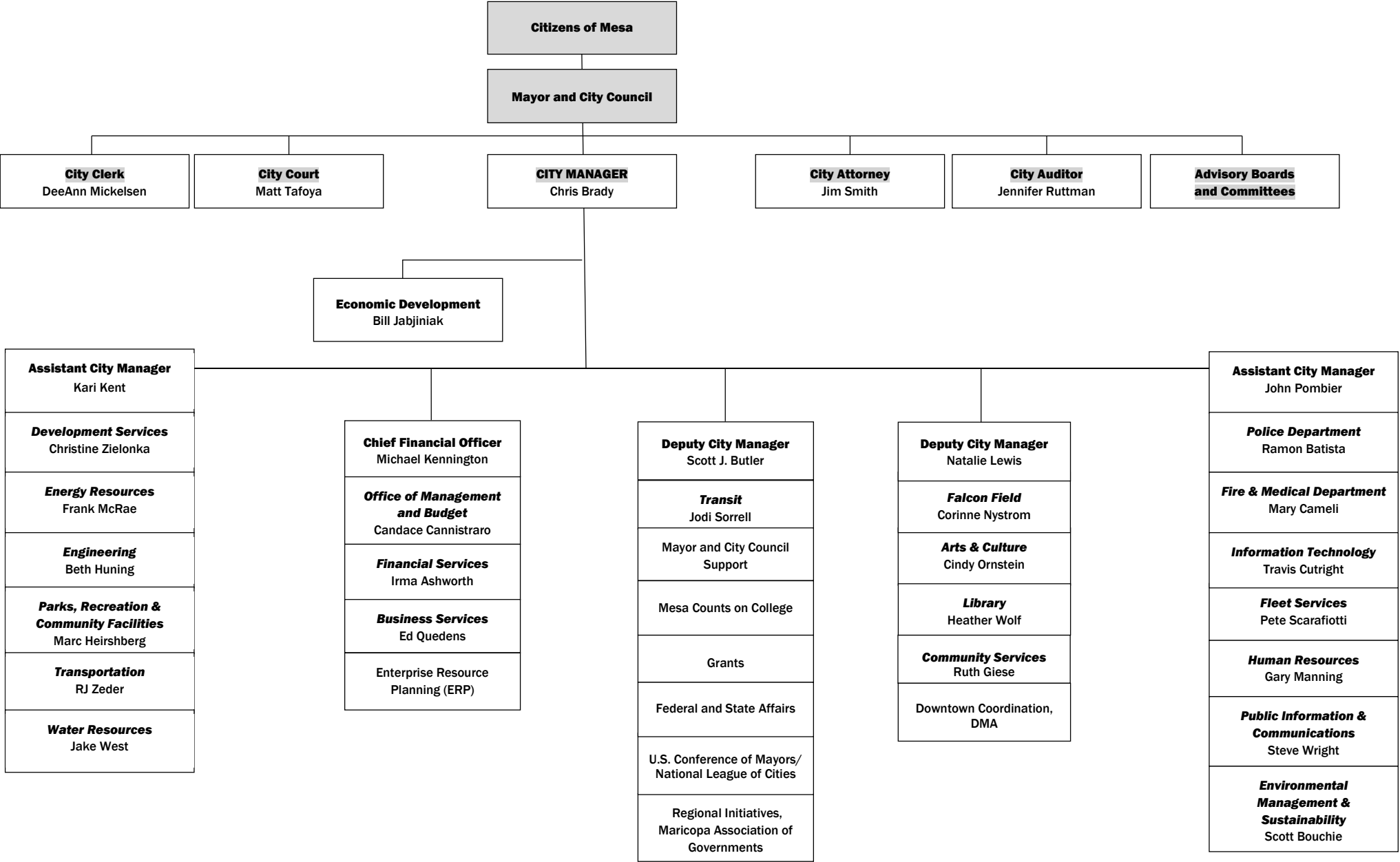
**Chris Brady**, City Manager

**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 2017



## TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
<b>SECTION I – INTRODUCTORY SECTION</b>		
Table of Contents		I
Letter of Transmittal		V
Certificate of Achievement for Excellence in Financial Reporting		XI
 <b>SECTION II - FINANCIAL SECTION</b>		
<b>Independent Auditors’ Report</b>		1
<b>Management’s Discussion and Analysis</b>		4
<b>Basic Financial Statements</b>		
Government-wide Financial Statements		
Statement of Net Position	A-1	16
Statement of Activities	A-2	17
Fund Financial Statements		
Governmental Funds Financial Statements		
Balance Sheet	A-3	19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	A-4	20
Statement of Revenues, Expenditures and Changes in Fund Balances	A-5	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	A-6	22
Proprietary Funds Financial Statements		
Statement of Net Position	A-7	23
Statement of Revenues, Expenses and Changes in Net Position	A-8	25
Statement of Cash Flows	A-9	27
Fiduciary Funds Financial Statements		
Statement of Fiduciary Assets and Liabilities	A-10	29

## TABLE OF CONTENTS (Continued)

	<u>Exhibit</u>	<u>Page</u>
Notes to the Financial Statements		
Note 1 – Summary of Significant Accounting Policies		30
Note 2 – Reconciliation of Governmental Fund Financial Statements to Government-wide Financial Statements		40
Note 3 – Fund Balance		47
Note 4 – Pooled Cash and Investments		48
Note 5 – Accounts Receivable and Due from Other Governments		52
Note 6 – Interfund Receivables, Payables and Transfers		53
Note 7 – Capital Assets		55
Note 8 – Long-term Obligations		58
Note 9 – Refunded, Refinanced and Defeased Obligations		70
Note 10 – Self-Insurance Internal Service Fund		71
Note 11 – Commitments and Contingent Liabilities		72
Note 12 – Net Position		73
Note 13 – Enterprise Activities Operations Detail		74
Note 14 – Joint Ventures		74
Note 15 – Retirement and Pension Plans		77
Note 16 – Post-Employment Benefits		89
Note 17 – Subsequent Events		92
 <b>Required Supplementary Information</b>		
Schedule of the City’s Proportionate Share of Net Pension Liability Cost-Sharing Pension Plan	B-1	93
Schedule of Changes in the City’s Net Pension Liability and Related Ratios Agent Pension Plans	B-2	94
Schedule of City Pension Contributions	B-3	96
Notes to Pension Plan Schedules		97
Schedule of Agent Other Post-Employment Benefits Plan’s Funding Progress	B-4	98
Schedule of Other Post-Employment Benefits Plan’s Funding Progress	B-5	99
Budgetary Comparison Schedule – General Fund	B-6	100
Notes to Budgetary Comparison Schedules		101



## TABLE OF CONTENTS (Continued)

	<b><u>Exhibit</u></b>	<b><u>Page</u></b>
<b>Combining Statements</b>		
Non-Major Governmental Funds		
Combining Balance Sheet	C-1	102
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	C-2	106
Internal Service Funds		
Combining Statement of Net Position	C-3	110
Combining Statement of Revenues, Expenses and Changes in Net Position	C-4	111
Combining Statement of Cash Flows	C-5	112
Agency Fund		
Statement of Changes in Assets and Liabilities	C-6	113
<b>Supplemental Information</b>		
Budgetary Comparison Schedules – Other Non-major Funds		
Budgetary Comparison Schedule – Community Facilities District	D-1	114
Budgetary Comparison Schedule – Environmental Compliance	D-2	115
Budgetary Comparison Schedule – Grants and Special Programs	D-3	116
Budgetary Comparison Schedule – Highway User Revenue	D-4	117
Budgetary Comparison Schedule – Mesa Housing Authority	D-5	118
Budgetary Comparison Schedule – Quality of Life Sales Tax	D-6	119
Budgetary Comparison Schedule – Street Sales Tax	D-7	120
Budgetary Comparison Schedule – General Capital Projects	D-8	121
Budgetary Comparison Schedule – Streets	D-9	122

## TABLE OF CONTENTS (Concluded)

<b>SECTION III – STATISTICAL SECTION</b>	<b><u>Exhibit</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>		
Net Position by Components – Last Ten Fiscal Years (Accrual Basis of Accounting)	I	123
Changes in Net Position – Last Ten Fiscal Years (Accrual Basis of Accounting)	II	125
Fund Balance, Governmental Funds – Last Ten Fiscal Years (Modified Accrual Basis of Accounting)	III	131
Changes in Fund Balance, Governmental Funds – Last Ten Fiscal Years (Modified Accrual Basis of Accounting)	IV	133
<b>Revenue Capacity</b>		
Sales Tax Collections by Category – Last Ten Fiscal Years	V	135
Direct and Overlapping Sales Tax Rates – Last Ten Fiscal Years	VI	137
<b>Debt Capacity</b>		
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	VII	138
Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years	VIII	140
Direct and Overlapping Governmental Activities Debt	IX	141
Legal Debt Margin Information – Last Ten Fiscal Years	X	142
Pledged-Revenue Coverage – Last Ten Fiscal Years	XI	144
<b>Demographic and Economic Information</b>		
Demographic and Economic Statistics – Last Ten Fiscal Years	XII	146
Principal Employers – Current Year and Ten Years Ago	XIII	147
<b>Operating Information</b>		
Full-Time Equivalent City Government Employees by Function/Program – Last Ten Fiscal Years	XIV	148
Operating Indicators by Function/Program – Last Ten Fiscal Years	XV	150
Capital Asset Statistics by Function/Program – Last Ten Fiscal Years	XVI	152





January 2, 2018

**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, 2017 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, 2017, 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, 2017, 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 493,089 compared with the 2010 decennial census count of 439,041, within an incorporated area of approximately 141 square miles. Total land area encompasses 138 square miles. The City is the 36th 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 3,834 full-time (equivalent) City employees working within 27 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 Southwest. 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) 16/17 is up 15% from FY 15/16 and over 100% from FY 13/14. Commercial construction increased 34% in FY 16/17 over the previous year. During FY 16/17 the City issued 2,456 permits for new residential construction. This is 19% more than the previous fiscal year. The corresponding dollar valuation associated with all FY 16/17 permits increased approximately \$281 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 seven years and represents a 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, 2017, retail sales tax was up 5.1% while overall sales tax revenues were up 5.5%. Tourism also increased as evidenced by a 3.3% 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 17/18 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 17/18 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:

- Benedictine University at Mesa marked yet another significant milestone for the branch campus in May when it sent off its first four-year graduating class. The University continues to invest in the Mesa campus and the Arizona community by expanding its workforce to serve students better. Benedictine also officially opened the doors to its first residence hall for the Mesa campus earlier this spring. The former Alhambra Hotel can house 53 students. The \$3.3 million renovation project provides students with single- and double-room suites with such amenities as study areas, lounges, a café, kitchen, laundry rooms, an outdoor commons area, patio space, and parking.
- Construction began on the first market-rate multi-residence project in downtown in the last 30 years. The Residences on First is a three-story, 24-unit apartment building. Additionally, Mesa Housing Associates have entered escrow to allow development of market-rate housing on the portion of the site originally contemplated for a Senior LIHTC project. Concepts for an additional three buildings and approximately 70 units are currently in process.
- As the City of Mesa continues to focus on the revitalization of Downtown, the City has created the Downtown Mesa Façade Improvement Program which provides grant funding to help property and business owners revitalize their storefronts. The City opened the program for applications from

property owners in February and secured grant funding dollars to design and construct approximately 8-15 facade facelifts. The program is focused on properties affected by 1980s colonnade structures that obscure business frontages from the public space and mask the architecture of some of Mesa's most attractive historic buildings.

- In the first six months of 2017, Eastmark, the master-planned community located in Mesa, sold 502 new homes, the same number previously sold in all of 2016. Home sales have been averaging 82 per month, double the monthly rate in 2016, earning it the number 6 spot among the top 20 best-selling master-planned communities in the nation according to real estate advisory firm RCLCO (Robert Charles Lesser & Company) Mid-Year Report released July 6, 2017. This is the third year in a row Eastmark has been ranked #1 in Arizona on the prestigious RCLCO list. With more than 500 total homes sold each of the last two years, Eastmark finished #7 nationally in 2015 and #11 in 2016.
- GECO Inc., a Mesa-based aerospace technology company, was selected to provide essential ground control system hardware and software that will enable secure communications for unmanned U.S. Army aviation. GECO was awarded a one-year, \$7.4 million contract to develop hand controllers that will allow operators to control any tactical unmanned aircraft system with a single, universal device. Fueled by this new work and other important wins, GECO is expanding its manufacturing facilities and growing its workforce by 25 percent.
- German semiconductor solutions company, Infineon Technologies, spent millions of dollars this year expanding its Mesa semiconductor fabrication facility. The 100-employee Mesa facility is a manufacturing site for Infineon and home to its Gallium Nitride (GaN) cleanroom. GaN is a new semiconductor material that will help increase the efficiency and performance of power electronics used in everyday products such as laptop power adapters.
- DuPont Fabros Technology Inc. purchased a 56.5-acre undeveloped site in Mesa with plans for a data center campus. That East Valley campus could total as much as 1 million square feet. Washington D.C.-based DuPont specializes in data center development.
- Niagara Bottling, LLC announced plans for a 450,000-square-foot, highly automated manufacturing and bottling operation in Mesa. The private-label bottled water supplier will invest \$76 million in the facility and will create 45 to 55 new jobs. The company expects to begin production in the first quarter of 2018.
- The Boeing Company announced plans to transfer a substantial piece of the work of its Shared Services Group (SSG) from the Puget Sound region to Mesa. The SSG employs about 3,000 people and provides a wide range of support services to Boeing's corporate and production units. The work shifting to Mesa will involve hundreds of jobs.
- The Boeing Company's Mesa facility picked up a \$3.4 billion contract to modernize 244 Apaches for the U.S. Army and 24 new helicopters will go to the Kingdom of Saudi Arabia.
- 2017 marks the beginning of major improvement projects at Falcon Field Airport. The Federal Aviation Administration (FAA) has awarded Falcon Field Airport a \$1.8 million grant for upgrades to airfield lighting and signage. Falcon Field Airport has also been awarded a grant of more than \$520,000 by the FAA to update its Airport Master Plan. The master plan assesses airport facilities and industry trends and guides future decisions about development. It will help identify airport capital improvements for the next 12 to 15 years. Finally, renovation of Falcon Field Airport's

aircraft washing facility is underway. The \$800,000 project will include a new 3,000-square-foot covered and lighted drive-through, self-service bay and an additional 3,000-square-foot open-air wash bay. Construction is expected to be completed in January 2018.

- In 2016, Phoenix-Mesa Gateway Airport welcomed 1.3 M passengers and in 2017, Allegiant Air added eight new nonstop destinations to bring their total to 46 nonstop destinations from Mesa.
- Mesa-based MD Helicopters is adding 150 jobs to the area after scoring a contract with the U.S. Army worth nearly \$1.4 billion. The Army contracted with MD Helicopters to supply approximately 150 helicopters over the next five years. Initially, 30 aircraft will go to the Afghan Air Force. The company has already hired 100 people because of the contract and is looking for another 50 to hire.

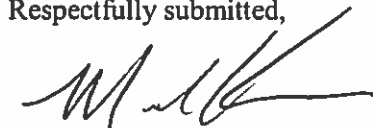
### **Awards and Acknowledgements**

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, 2016. 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 dark 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, 2016**

A handwritten signature in black ink, reading "Jeffrey R. Enos". The signature is written in a cursive, flowing style.

Executive Director/CEO



# Financial Section

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2017

## 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, 2017, 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, 2017, 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'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 relate 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 January 2, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City's 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's internal control over financial reporting and compliance.

*CliftonLarsonAllen LLP*

Phoenix, Arizona  
January 2, 2018

## 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, 2017. 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-IX, 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 \$882.5 million. The City's total net position decreased by \$8 million from \$890.5 million in fiscal year 2016.
- The City's total revenues increased by \$46.6 million from \$897.2 million to \$943.8 million. The increase is primarily from Charges for Services and Gain on Sale of Assets.
- As of the end of fiscal year 2017, the City's governmental funds reported a combined ending fund balance of \$257.4 million, a \$38.4 million increase from the previous year. The increase is due to an increase in Sales Taxes, Intergovernmental Revenues, and Transfers In; combined with a decrease in Capital Outlay expenditures.
- The City's governmental fund balance is reported in one of five categories. Approximately 55.5% of the total fund balance amount, or \$143 million, is designated by the City as committed, assigned, or unassigned. The remaining 44.5% or \$114.4 million is designated as non-spendable or restricted.
- The City's total long-term liabilities increased by \$280 million to \$3.2 billion at June 30, 2017. 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, 2017 and 2016.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Government</u>	
	2017	2016	2017	2016	2017	2016
Cash and Other Assets	\$ 636,195	\$ 563,378	\$ 568,374	\$ 470,837	\$ 1,204,569	\$ 1,034,215
Capital Assets	1,436,952	1,409,939	1,455,419	1,425,547	2,892,371	2,835,486
Total Assets	<u>2,073,147</u>	<u>1,973,317</u>	<u>2,023,793</u>	<u>1,896,384</u>	<u>4,096,940</u>	<u>3,869,701</u>
Deferred Amounts on Refunding	10,112	7,700	30,843	30,956	40,955	38,656
Deferred Outflows on Pensions	187,082	105,401	10,485	4,555	197,567	109,956
Total Deferred Amounts	<u>197,194</u>	<u>113,101</u>	<u>41,328</u>	<u>35,511</u>	<u>238,522</u>	<u>148,612</u>
Non-Current Liabilities Outstandin	955,445	912,385	1,389,958	1,282,159	2,345,403	2,194,544
Net Pension Liability	755,877	634,414	55,385	47,493	811,262	681,907
Other Liabilities	139,028	121,635	94,069	87,174	233,097	208,809
Total Liabilities	<u>1,850,350</u>	<u>1,668,434</u>	<u>1,539,412</u>	<u>1,416,826</u>	<u>3,389,762</u>	<u>3,085,260</u>
Deferred Inflows on Pensions	<u>56,283</u>	<u>37,881</u>	<u>6,905</u>	<u>4,653</u>	<u>63,188</u>	<u>42,534</u>
Net Investment in Capital Assets	986,354	965,148	247,598	302,521	1,233,952	1,267,669
Restricted Net Position	88,721	81,941	43,046	49,139	131,767	131,080
Unrestricted Net Position	<u>(711,367)</u>	<u>(666,986)</u>	<u>228,160</u>	<u>158,756</u>	<u>(483,207)</u>	<u>(508,230)</u>
Total Net Position	<u>\$ 363,708</u>	<u>\$ 380,103</u>	<u>\$ 518,804</u>	<u>\$ 510,416</u>	<u>\$ 882,512</u>	<u>\$ 890,519</u>



**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 \$882.5 million at the end of fiscal year 2017.

The largest portion of net position (\$1.2 billion or 139.8%) 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 \$131.8 million in fiscal year 2017.

The unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net position increased during fiscal year 2017 by \$25.0 million to (\$483.2) 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, 2017 and 2016:

**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>	
	2017	2016	2017	2016	2017	2016
Land	\$ 388,552	\$ 383,742	\$ 50,717	\$ 54,813	\$ 439,269	\$ 438,555
Infrastructure - Nondepr	3,612	3,321	17,666	17,666	21,278	20,987
Buildings	237,651	238,691	77,927	77,665	315,578	316,356
Other Improvements	85,004	80,027	78,738	82,604	163,742	162,631
Machinery & Equipment	64,552	62,385	37,081	37,795	101,633	100,180
Intangibles	6,712	10,544	5,685	6,647	12,397	17,191
Infrastructure	540,808	549,943	1,007,923	1,005,053	1,548,731	1,554,996
Construction-in-Progress	110,061	81,286	179,682	143,304	289,743	224,590
Total	<u>\$ 1,436,952</u>	<u>\$ 1,409,939</u>	<u>\$ 1,455,419</u>	<u>\$ 1,425,547</u>	<u>\$ 2,892,371</u>	<u>\$ 2,835,486</u>

The City's investment in capital assets for its governmental and business-type activities amounts to \$2.9 billion (net of accumulated depreciation/amortization) as of June 30, 2017. 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, 2017 were overall consistent with prior year balances. Construction-in-progress also increased \$65 million during fiscal year 2017. Some of the larger current year project expenditures include \$34.8 million for the Signal Butte Water Treatment Plant, \$9.9 million for the Val Vista Pipelines, \$9.3 million for the Greenfield Wastewater Plant Expansion, \$8.8 million for the Mesa Regional Dispatch Center and \$7.2 million for the Gilbert Road Light Rail Extension. The remaining projects primarily related to street overlay, transportation projects, water projects and wastewater projects. Additional information on the City's capital assets can be found in Note 7 of the notes to the basic financial statements.

**Debt Administration** – The following schedule shows the outstanding long-term debt of the City as of June 30, 2017 and 2016.

**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>	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ 374,443	\$ 350,560	\$ 312	\$ 390	\$ 374,755	\$ 350,950
Utility System Revenue Bonds	-	-	1,161,755	1,063,710	1,161,755	1,063,710
Highway User Revenue Fund Bond	84,995	92,895	-	-	84,995	92,895
Excise Tax Obligations	-	-	94,060	94,060	94,060	94,060
Special Assessment Bonds						
with Governmental Commitment	1,340	2,085	-	-	1,340	2,085
Community Facility District	19,172	19,315	-	-	19,172	19,315
Notes Payable	-	-	1,851	1,985	1,851	1,985
Total	<u>\$ 479,950</u>	<u>\$ 464,855</u>	<u>\$ 1,257,978</u>	<u>\$ 1,160,145</u>	<u>\$ 1,737,928</u>	<u>\$ 1,625,000</u>

At the end of the current fiscal year, the City had total outstanding debt of \$1.7 billion. Of this amount, \$468.8 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 \$20.5 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) increased \$112.9 million. The change in debt includes new borrowings during the fiscal year totaling \$171.6 million, refundings of \$122.3 million, principal payments of \$52.8 million, and payments to refund bond escrow agent of \$128.7 million.

The City's current bond ratings are as follows:

	<b>Standard and Poor's Corporation</b>	<b>Moody's Investors Service</b>
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, 2017 was \$172.5 million in the 6% capacity and \$203.7 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, 2017 and 2016.

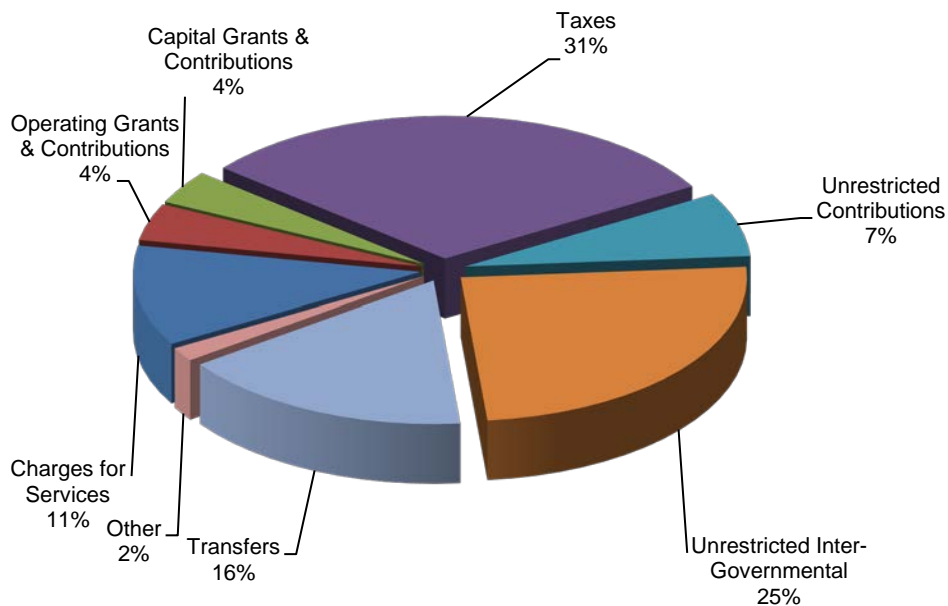
### Changes in Net Position Year Ended June 30 (In thousands of dollars)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Government</b>	
	2017	2016	2017	2016	2017	2016
Program Revenues:						
Charges for Services	\$ 72,703	\$ 81,866	\$ 359,060	\$ 346,331	\$ 431,763	\$ 428,197
Operating Grants & Contributions	26,955	26,361	158	267	27,113	26,628
Capital Grants & Contributions	24,451	35,925	28,711	16,929	53,162	52,854
General Revenues:						
Sales Taxes	159,735	151,826	-	-	159,735	151,826
Property Taxes	34,684	33,825	-	-	34,684	33,825
Occupancy Taxes	2,536	2,331	1,085	1,161	3,621	3,492
Unrestricted Intergovernmental Contributions	158,916	149,350	-	-	158,916	149,350
Unrestricted Investment Income	448	2,210	983	3,020	1,431	5,230
Gain on Disposal of Capital Assets	(1,411)	-	16,364	(6,145)	14,953	(6,145)
Miscellaneous	11,161	6,008	466	1,039	11,627	7,047
Total Revenues	<u>536,995</u>	<u>534,630</u>	<u>406,827</u>	<u>362,602</u>	<u>943,822</u>	<u>897,232</u>
Governmental Activities Expenses:						
General Government	101,301	96,860	-	-	101,301	96,860
Public Safety	379,505	305,376	-	-	379,505	305,376
Community Environment	104,173	117,120	-	-	104,173	117,120
Cultural-Recreational	55,739	54,967	-	-	55,739	54,967
Interest on Long-Term Debt	19,279	20,424	-	-	19,279	20,424
Business-Type Activities:						
Electric	-	-	26,561	27,647	26,561	27,647
Gas	-	-	37,109	31,549	37,109	31,549
Water	-	-	95,608	95,574	95,608	95,574
Wastewater	-	-	71,782	73,877	71,782	73,877
Solid Waste	-	-	37,911	36,586	37,911	36,586
Airport	-	-	5,125	4,865	5,125	4,865
Golf Course	-	-	2,028	2,575	2,028	2,575
Convention Center	-	-	4,711	4,252	4,711	4,252
Hohokam Stadium/Fitch Complex	-	-	3,687	2,913	3,687	2,913
Cubs Stadium	-	-	6,042	5,271	6,042	5,271
District Cooling	-	-	1,268	1,182	1,268	1,182
Total Expenses	<u>659,997</u>	<u>594,747</u>	<u>291,832</u>	<u>286,291</u>	<u>951,829</u>	<u>881,038</u>
Increase (Decrease) in Net Position Before Transfers	(123,002)	(60,117)	114,995	76,311	(8,007)	16,194
Transfers	<u>106,607</u>	<u>102,148</u>	<u>(106,607)</u>	<u>(102,148)</u>	<u>-</u>	<u>-</u>
Change in Net Position	(16,395)	42,031	8,388	(25,837)	(8,007)	16,194
Beginning Net Position	<u>380,103</u>	<u>338,072</u>	<u>510,416</u>	<u>536,253</u>	<u>890,519</u>	<u>874,325</u>
Net Position - Ending	<u>\$ 363,708</u>	<u>\$ 380,103</u>	<u>\$ 518,804</u>	<u>\$ 510,416</u>	<u>\$ 882,512</u>	<u>\$ 890,519</u>

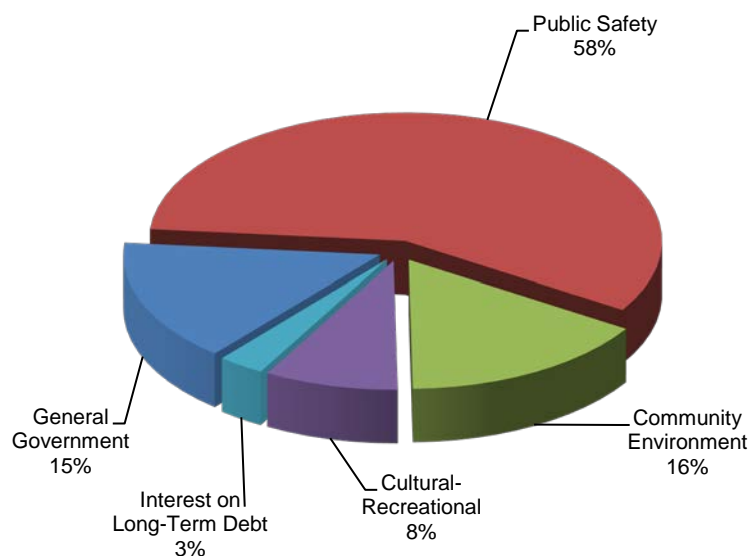
## Governmental Activities

As presented in the following two graphs, the largest funding sources, including transfers, for the governmental activities are taxes (31%), Unrestricted Intergovernmental (25%), Transfers (16%), and Charges for Services (11%). The largest users of resources for the governmental activities are Public Safety (58%), Community Environment (16%), and General Government (15%).

**Revenues by Source Including Transfers – Governmental Activities  
For the Fiscal Year Ended June 30, 2017**

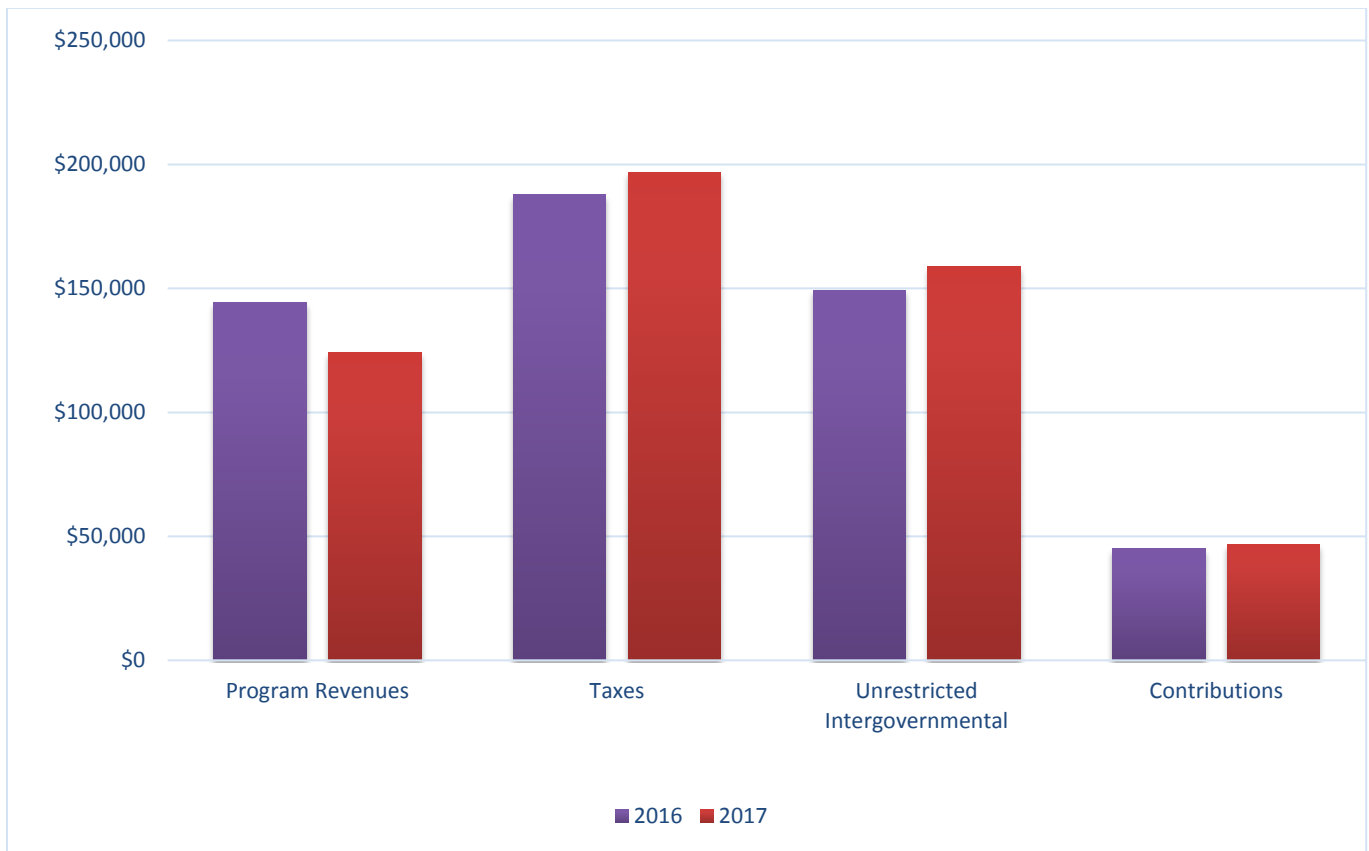


**Functional Expenses – Governmental Activities  
For the Fiscal Year Ended June 30, 2017**

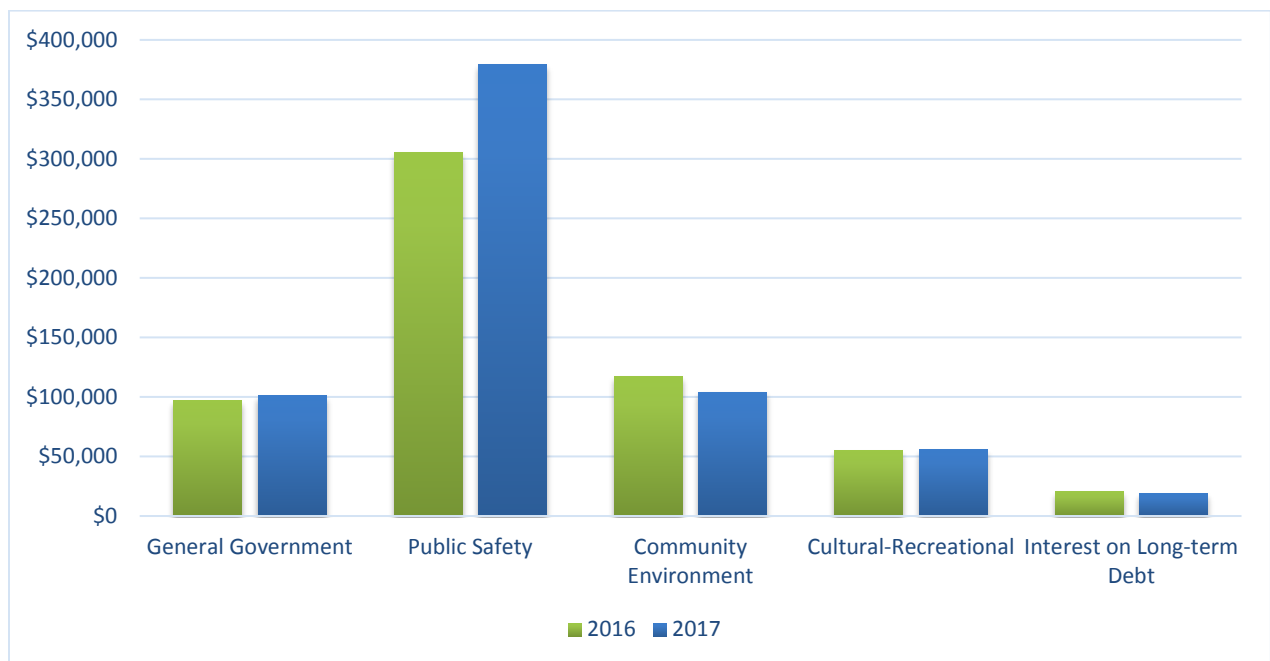




**Governmental Activities Revenues**  
**For Fiscal Years 2017 and 2016**  
*(In thousands of dollars)*



**Governmental Activities Functional Expenses**  
**For Fiscal Years 2017 and 2016**  
*(In thousands of dollars)*



The graphs on the previous page compare governmental activities revenues and expenses from fiscal year 2017 to fiscal year 2016. Total governmental activities revenues increased \$2.4 million from \$534.6 million to \$537 million. Total governmental expenses increased by \$65.3 million from \$594.7 million to \$660 million.

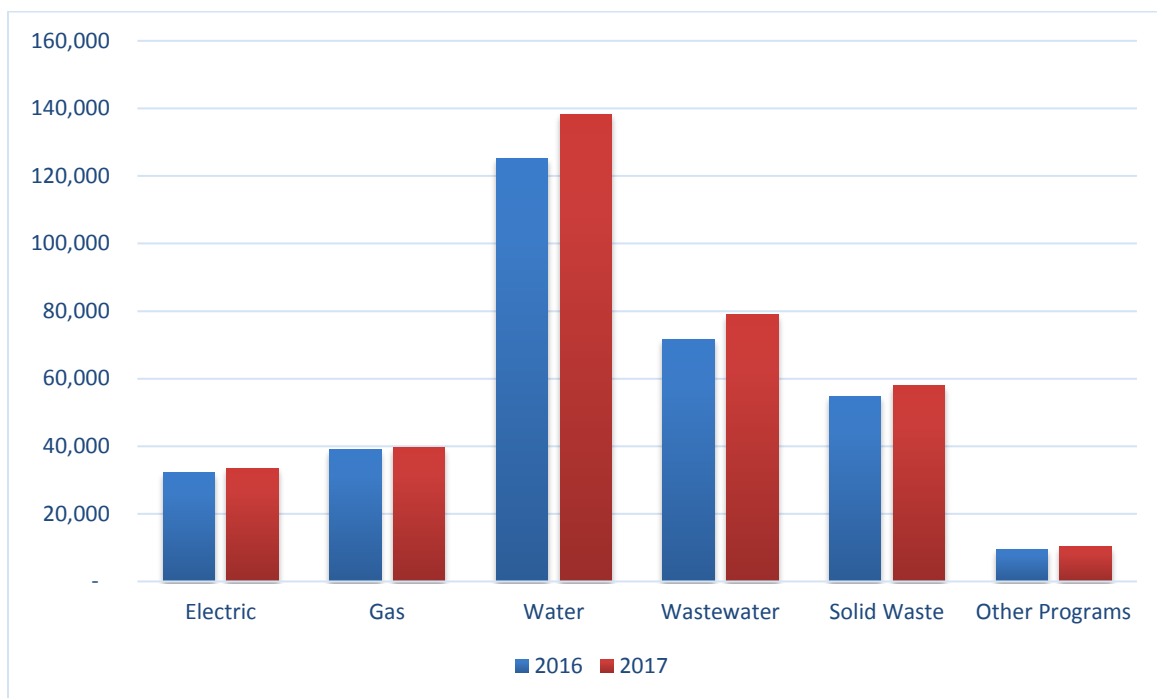
Key factors in this change include:

- The largest increases in revenues were in Taxes (\$9 million) and Unrestricted Intergovernmental (\$9.6 million). Increase in taxes and unrestricted intergovernmental revenues was due to the overall improvement in the economy.
- There was also a corresponding decrease in Charges for Services and Capital Grants of \$20.6 million. Decrease in Charges for Services and Capital Grants were due to special assessments and developer contributions, respectively.
- Increase in governmental expenditures is primarily related to pension expense and claims and judgment expense in Public Safety activities.

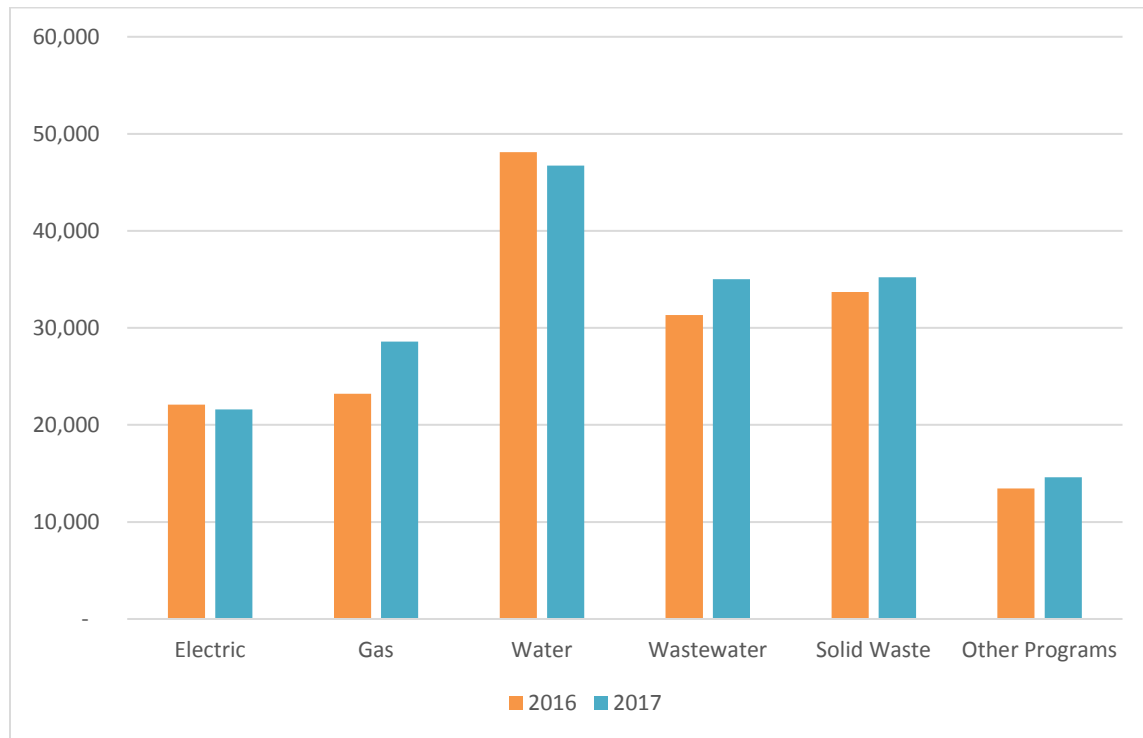
### Business-type Activities

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**

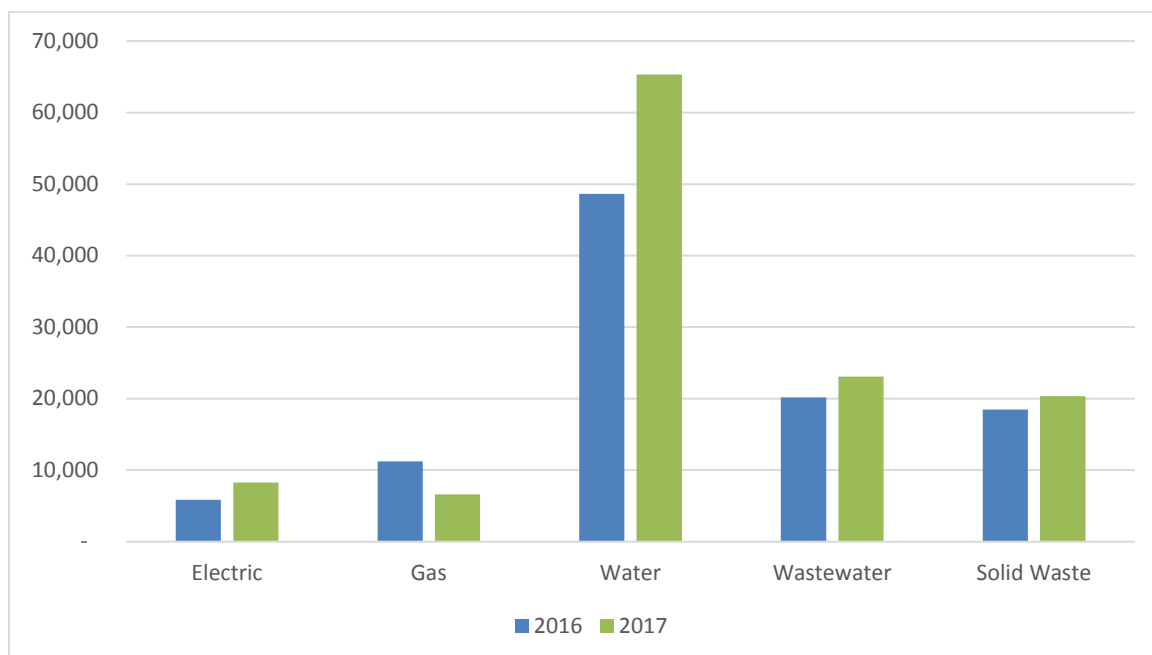


### Functional Expenses – Business-Type Activities



Total business-type activities program and general revenues increased by \$44.2 million from \$362.6 million to \$406.8 million. Increase is primarily attributed to charges for services and gain on sale of assets. The business-type activities total expenses increased by \$5.5 million from \$286.3 million to \$291.8 million. Increase is primarily due to an increase in Gas Commodity charges.

### 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 93.

## **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 \$257.4 million, a \$38.4 million increase from the previous year. \$112.3 million of this total amount is restricted, \$31.5 million is committed, and \$2.2 million is Nonspendable, thus the balances are not available for spending in the coming year.

The increase of \$38.4 million in the governmental funds is the net result of the increase in Sales Taxes and Intergovernmental Revenue, decrease in Capital Outlay expenditures and an increase in Transfers In from the Enterprise Fund.

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 \$114.4 million, while unassigned fund balance was \$92.2 million.

Total fund balance of the City's General Fund increased by \$19.6 million during the current fiscal year from \$94.8 million to \$114.4 million. This is primarily due to an increase in Transfers In 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 increased by \$8.4 million during the current fiscal year from \$510.4 million to \$518.8 million. The increase in current year is primarily related to an increase in operating revenue, specifically water, wastewater and solid waste. The unrestricted net position of the Enterprise Fund amounted to \$228.2 million.

## **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 \$1.7 billion occurred during fiscal year 2017.

General Fund revenues of \$286 million, on a budgetary basis, were less than the budgeted revenues of \$292.3 million. Decrease in revenues, compared to budgeted, was primarily due to the City receiving less Intergovernmental revenues than budgeted. Expenditures of \$365.8 million were less than the budgeted expenditures of \$402.6 million. Savings were primarily in general government, followed by Public Safety and capital outlay.



## **ECONOMIC FACTORS**

In June 2017, the City Council approved a \$1.7 billion budget, which is an increase of \$70 million compared to prior year's budget. The fiscal year 2018 budget includes \$1.5 billion for operations and \$191.8 million for scheduled bond capital improvements.

The adopted fiscal year 2018 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. 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.

## **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 2017

CITY OF MESA, ARIZONA  
**EXHIBIT A-1**  
STATEMENT OF NET POSITION  
JUNE 30, 2017  
(in thousands)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Pooled Cash and Investments	\$ 293,965	\$ 126,870	\$ 420,835
Accounts Receivable, Net	26,124	34,252	60,376
Accrued Interest Receivable	417	720	1,137
Due from Other Governments	31,391	2,223	33,614
Internal Balances	(876)	876	-
Inventory	5,948	-	5,948
Prepaid Costs	2,706	959	3,665
Deposits	268	3,061	3,329
Restricted Assets:			
Pooled Cash and Investments	13,711	153,234	166,945
Cash with Fiscal Agent	40,245	38,923	79,168
Cash with Trustee	6,791	61	6,852
Accounts Receivable, Net	10,747	-	10,747
Due from Other Governments	932	-	932
Customer Deposits	-	4,082	4,082
Joint Venture Construction Deposits	-	4,086	4,086
Investment in Joint Ventures	203,826	199,027	402,853
Capital Assets, Not Being Depreciated	502,225	248,065	750,290
Capital Assets, Being Depreciated, Net	934,727	1,207,354	2,142,081
Total Assets	<u>2,073,147</u>	<u>2,023,793</u>	<u>4,096,940</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Debt Refunding	10,112	30,843	40,955
Pensions	187,082	10,485	197,567
Total Deferred Outflows of Resources	<u>197,194</u>	<u>41,328</u>	<u>238,522</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	42,012	7,212	49,224
Claims Payable	38,837	-	38,837
Customer and Defendant Deposits	6,600	-	6,600
Liabilities Payable from Restricted Assets	51,579	86,857	138,436
Noncurrent Liabilities, Due Within One Year	42,226	32,682	74,908
Noncurrent Liabilities, Due in More Than One Year	913,219	1,357,276	2,270,495
Net Pension Liability	755,877	55,385	811,262
Total Liabilities	<u>1,850,350</u>	<u>1,539,412</u>	<u>3,389,762</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions	56,283	6,905	63,188
Total Deferred Inflows of Resources	<u>56,283</u>	<u>6,905</u>	<u>63,188</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	986,354	247,598	1,233,952
Restricted For:			
Bond Indentures	-	26,405	26,405
Construction	-	4,086	4,086
Debt Service	21,954	12,555	34,509
Public Safety	5,307	-	5,307
Transportation Programs	58,599	-	58,599
Other Programs	2,861	-	2,861
Unrestricted	(711,367)	228,160	(483,207)
Total Net Position	<u>\$ 363,708</u>	<u>\$ 518,804</u>	<u>\$ 882,512</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, 2017

(in thousands)

<b>Functions/Programs:</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
Governmental Activities:				
General Government	\$ 101,301	\$ 10,786	\$ 445	\$ 13,050
Public Safety	379,505	31,464	9,294	1,348
Community Environment	104,173	18,689	17,031	9,958
Cultural-Recreational	55,739	11,764	185	95
Interest on Long-Term Debt	19,279	-	-	-
Total Governmental Activities	<u>659,997</u>	<u>72,703</u>	<u>26,955</u>	<u>24,451</u>
Business-type Activities:				
Electric	26,561	33,534	-	325
Gas	37,109	39,752	-	897
Water	95,608	138,335	158	12,923
Wastewater	71,782	79,056	-	11,572
Solid Waste	37,911	58,117	-	568
Airport	5,125	3,846	-	2,126
Golf Course	2,028	1,545	-	-
Convention Center	4,711	3,299	-	200
Hohokam Stadium/Fitch Complex	3,687	54	-	100
Cubs Stadium	6,042	291	-	-
District Cooling	1,268	1,231	-	-
Total Business-type Activities	<u>291,832</u>	<u>359,060</u>	<u>158</u>	<u>28,711</u>
Total Government	<u>\$ 951,829</u>	<u>\$ 431,763</u>	<u>\$ 27,113</u>	<u>\$ 53,162</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)

<b>Net (Expense) Revenue and Changes in Net Position</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (77,020)	\$ -	\$ (77,020)
(337,399)	-	(337,399)
(58,495)	-	(58,495)
(43,695)	-	(43,695)
(19,279)	-	(19,279)
<u>(535,888)</u>	<u>-</u>	<u>(535,888)</u>
-	7,298	7,298
-	3,540	3,540
-	55,808	55,808
-	18,846	18,846
-	20,774	20,774
-	847	847
-	(483)	(483)
-	(1,212)	(1,212)
-	(3,533)	(3,533)
-	(5,751)	(5,751)
-	(37)	(37)
<u>-</u>	<u>96,097</u>	<u>96,097</u>
(535,888)	96,097	(439,791)
159,735	-	159,735
34,684	-	34,684
2,536	1,085	3,621
158,916	-	158,916
46,817	-	46,817
448	983	1,431
(1,411)	16,364	14,953
11,161	466	11,627
106,607	(106,607)	-
<u>519,493</u>	<u>(87,709)</u>	<u>431,784</u>
(16,395)	8,388	(8,007)
<u>380,103</u>	<u>510,416</u>	<u>890,519</u>
<u>\$ 363,708</u>	<u>\$ 518,804</u>	<u>\$ 882,512</u>

CITY OF MESA, ARIZONA  
**EXHIBIT A-3**  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017  
(in thousands)

	<b>General Fund</b>	<b>Non-major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Pooled Cash and Investments	\$ 93,270	\$ 134,453	\$ 227,723
Accounts Receivable, Net	20,080	5,334	25,414
Accrued Interest Receivable	100	178	278
Due from Other Governments	17,733	13,658	31,391
Due from Other Funds	1,093	-	1,093
Advances to Other Funds	234	-	234
Prepaid Costs	1,911	37	1,948
Deposits	-	199	199
Restricted Assets:			
Pooled Cash and Investments	-	13,711	13,711
Cash with Fiscal Agent	-	40,245	40,245
Cash with Trustee	-	6,791	6,791
Accounts Receivable	-	10,747	10,747
Due from Other Governments	-	932	932
Total Assets	<u>\$ 134,421</u>	<u>\$ 226,285</u>	<u>\$ 360,706</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 9,676	\$ 15,140	\$ 24,816
Due to Other Funds	-	1,093	1,093
Advances from Other Funds	876	234	1,110
Customer and Defendant Deposits	353	6,247	6,600
Payable from Restricted Assets:			
Accrued Interest Payable	-	8,540	8,540
Unearned Revenue	2,836	8,459	11,295
Matured Bonds Payable	-	31,744	31,744
Total Liabilities	<u>13,741</u>	<u>71,457</u>	<u>85,198</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	6,254	11,825	18,079
Total Deferred Inflows of Resources	<u>6,254</u>	<u>11,825</u>	<u>18,079</u>
<b>FUND BALANCES</b>			
Nonspendable	2,145	37	2,182
Restricted	146	112,105	112,251
Committed	528	30,928	31,456
Assigned	19,367	2	19,369
Unassigned	92,240	(69)	92,171
Total Fund Balances	<u>114,426</u>	<u>143,003</u>	<u>257,429</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 134,421</u>	<u>\$ 226,285</u>	<u>\$ 360,706</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, 2017

(in thousands)

Fund Balances - total governmental funds	\$ 257,429
--	------------

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.	1,435,012
--	-----------

Other assets used in governmental activities are not financial resources and therefore not reported in the governmental funds.	203,826
--	---------

Deferred outflows related to deferred amounts on refunding and pensions are not financial resources and therefore not reported in the funds.	194,775
--	---------

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.	(1,700,637)
--	-------------

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.	(36,655)
--	----------

Internal service funds are used by management to charge the costs of certain activities to individual funds.	9,958
--	-------

Net position of the governmental activities - statement of net position	<u>\$ 363,708</u>
---	-------------------

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

## CITY OF MESA, ARIZONA

**EXHIBIT A-5**

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(in thousands)

	<b>General Fund</b>	<b>Non-major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Sales Taxes	\$ 109,364	\$ 50,371	\$ 159,735
Property Taxes	-	34,675	34,675
Occupancy Taxes	-	2,536	2,536
Special Assessments	-	2,125	2,125
Licenses and Permits	18,425	4,727	23,152
Intergovernmental	129,221	71,599	200,820
Charges for Services	22,691	15,657	38,348
Fines and Forfeitures	7,911	1,962	9,873
Investment Income	46	285	331
Contributions	19	341	360
Miscellaneous Revenue	1,466	2,882	4,348
Total Revenues	<u>289,143</u>	<u>187,160</u>	<u>476,303</u>
<b>EXPENDITURES</b>			
Current:			
General Government	77,649	8,711	86,360
Public Safety	229,287	32,605	261,892
Community Environment	14,801	53,602	68,403
Cultural-Recreational	36,493	7,251	43,744
Debt Service:			
Principal	-	32,587	32,587
Interest on Bonds	-	17,994	17,994
Service Charges	-	15	15
Cost of Issuance	-	1,271	1,271
Capital Outlay	7,976	74,086	82,062
Total Expenditures	<u>366,206</u>	<u>228,122</u>	<u>594,328</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(77,063)</u>	<u>(40,962)</u>	<u>(118,025)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	111,449	28,067	139,516
Transfers Out	(14,766)	(17,165)	(31,931)
Face Amount of Bonds Issued	-	47,682	47,682
Premium on Issuance of Bonds (Net)	-	4,613	4,613
Issuance of Refunding Bonds	-	47,450	47,450
Payment to Refunding Bond Escrow Agent	-	(50,891)	(50,891)
Total Other Financing Sources (Uses)	<u>96,683</u>	<u>59,756</u>	<u>156,439</u>
Net Change in Fund Balances	19,620	18,794	38,414
Fund Balance - Beginning	<u>94,806</u>	<u>124,209</u>	<u>219,015</u>
Fund Balances - Ending	<u>\$ 114,426</u>	<u>\$ 143,003</u>	<u>\$ 257,429</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, 2017  
(in thousands)

Net change in fund balances - total governmental funds	\$ 38,414
--	-----------

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.	4,836
---	-------

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.	(150,221)
---	-----------

Current-year pension contributions are reclassified to deferred outflows of resources and therefore not reported as expenditures in governmental funds.	53,264
---	--------

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 \$88,577 exceeded depreciation (\$68,686) in the current period.	19,891
---	--------

The net effect of miscellaneous transactions involving capital assets (e.g., donations, transfers and disposals) is to increase net position.	7,113
---	-------

Change in equity in Joint Venture	26,110
-----------------------------------	--------

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.	(15,095)
--	----------

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.	(37)
--	------

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.	(670)
--	-------

Change in net position of the governmental activities - statement of activities	<u>\$ (16,395)</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, 2017

(in thousands)

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal Service Funds</b>
<b>ASSETS</b>		
Current Assets:		
Pooled Cash and Investments	\$ 126,870	\$ 66,242
Accounts Receivable (Net of Allowances)	34,252	548
Accrued Premiums Receivable	-	162
Accrued Interest Receivable	720	139
Due from Other Governments	2,223	-
Advances to Other Funds	876	-
Inventory	-	5,948
Prepaid Costs	959	758
Deposits	3,061	69
Restricted Assets:		
Pooled Cash and Investments	153,234	-
Cash with Fiscal Agents	38,923	-
Cash with Trustees	61	-
Customer Deposits	4,082	-
Joint Venture Construction Deposits	4,086	-
Total Current Assets	<u>369,347</u>	<u>73,866</u>
Noncurrent Assets:		
Investment in Joint Ventures	199,027	-
Capital Assets, Not Being Depreciated	248,065	324
Capital Assets, Being Depreciated, Net	<u>1,207,354</u>	<u>1,616</u>
Total Noncurrent Assets	<u>1,654,446</u>	<u>1,940</u>
Total Assets	<u>2,023,793</u>	<u>75,806</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Amounts on Refundings	30,843	-
Deferred Outflows Related to Pensions	<u>10,485</u>	<u>2,419</u>
Total Deferred Outflows of Resources	<u>41,328</u>	<u>2,419</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,065,121</u>	<u>\$ 78,225</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, 2017  
(in thousands)

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal Service Funds</b>
<b>LIABILITIES</b>		
Current Liabilities-Payable From Current Assets:		
Accounts Payable and Accrued Liabilities	\$ 7,212	\$ 3,701
Claims Payable	-	38,837
Current Liabilities-Payable From Restricted Assets:		
Accounts Payable and Accrued Liabilities	18,096	-
Interest Payable	24,960	-
Unearned Revenue	226	-
Matured Bonds Payable	13,963	-
Customer Deposits and Prepayments	29,612	-
Current Portion of Long-Term Liabilities:		
Current Portion of Bonds Payable	31,431	-
Current Portion of Notes Payable	137	-
Current Portion of Compensated Absences	1,114	133
Total Current Liabilities	<u>126,751</u>	<u>42,671</u>
Long-Term Liabilities:		
Bonds Payable	1,270,061	-
Notes Payable	1,714	-
Compensated Absences	3,109	509
Net Pension Liability	55,385	12,423
Post Employment Benefits	82,392	11,115
Total Long-Term Liabilities	<u>1,412,661</u>	<u>24,047</u>
Total Liabilities	<u>1,539,412</u>	<u>66,718</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows Related to Pensions	<u>6,905</u>	<u>1,549</u>
Total Deferred Inflows of Resources	<u>6,905</u>	<u>1,549</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	247,598	1,940
Restricted For:		
Bond Indentures	26,405	-
Construction	4,086	-
Debt Service	12,555	-
Unrestricted	228,160	8,018
Total Net Position	<u>\$ 518,804</u>	<u>\$ 9,958</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, 2017

(in thousands)

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal Service Funds</b>
Operating Revenues:		
Electric Sales Pledged as Security for Revenue Bonds	\$ 33,534	\$ -
Gas Sales Pledged as Security for Revenue Bonds	39,752	-
Water Sales Pledged as Security for Revenue Bonds	138,335	-
Wastewater Charges Pledged as Security for Revenue Bonds	79,056	-
Solid Waste Charges Pledged as Security for Revenue Bonds	58,117	-
Airport Fees	3,846	-
Golf Course Fees	1,545	-
Convention Center Fees	3,299	-
Hohokam Stadium/Fitch Complex Fees	54	-
Cubs Stadium Fees	291	-
District Cooling Charges	1,231	-
Charges For Services	-	25,531
Self-Insurance Contributions	-	84,806
Other Revenue	-	1,192
Total Operating Revenues	<u>359,060</u>	<u>111,529</u>
Operating Expenses:		
Electric	21,589	-
Gas	28,591	-
Water	46,718	-
Wastewater	35,032	-
Solid Waste	35,221	-
Airport	3,397	-
Golf Course	1,861	-
Convention Center	4,448	-
Hohokam Stadium/Fitch Complex	1,936	-
Cubs Stadium	2,133	-
District Cooling	846	-
Warehouse, Maintenance & Services	-	25,528
Self-Insurance	-	86,481
Total Operating Expenses	<u>181,772</u>	<u>112,009</u>
Operating Income (Loss) Before Depreciation and Amortization	177,288	(480)
Depreciation and Amortization	<u>(66,337)</u>	<u>(347)</u>
Operating Income (Loss)	<u>110,951</u>	<u>(827)</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, 2017

(in thousands)

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal Service Funds</b>
Nonoperating Revenues (Expenses):		
Investment Income Pledged as Security for Revenue Bonds	785	-
Investment Income Unpledged	198	117
Intergovernmental	158	-
Interest Expense:		
Bonds	(46,980)	-
Notes Payable and Other Long-Term Obligations	(14)	-
Bond Administrative Costs	(41)	-
Gain/(Loss) on Disposal of Capital Assets	12,275	3
Net Gain from Joint Venture	1,004	-
Utility Development Fees	16,629	-
Bond Issuance Costs	(1,816)	-
Occupancy Tax	1,085	-
Miscellaneous Revenue	4,590	-
Total Nonoperating Revenues (Expenses)	<u>(12,127)</u>	<u>120</u>
Income before Transfers and Capital Contributions	98,824	(707)
Capital Contributions	17,149	37
Transfers In	1,810	-
Transfers Out	<u>(109,395)</u>	<u>-</u>
Change in Net Position	8,388	(670)
Total Net Position - Beginning	<u>510,416</u>	<u>10,628</u>
Total Net Position - Ending	<u><u>\$ 518,804</u></u>	<u><u>\$ 9,958</u></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, 2017

(in thousands)

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal Service Funds</b>
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 348,500	\$ -
Cash Received from Users	-	112,140
Cash Payments to Suppliers	(120,011)	(99,901)
Cash Payments to Employees	(51,439)	(11,106)
Other Non-Operating Revenue	4,590	-
Net Cash Provided By (Used For) Operating Activities	181,640	1,133
Cash Flows From Noncapital Financing Activities:		
Intergovernmental	1,102	-
Transient Occupancy Tax	1,085	-
Payments on advances to Other Funds	1,897	-
Transfers In from Other Funds	1,810	-
Transfers Out to Other Funds	(109,395)	-
Net Cash Used For Noncapital Financing Activities	(103,501)	-
Cash Flows From Capital and Related Financing Activities:		
Proceeds from Bond Sales	209,153	-
Payment to Refunded Bond Escrow Agent	(84,248)	-
Proceeds From Sale of Capital Assets	23,141	-
Acquisition and Construction of Capital Assets	(89,046)	(323)
Principal Paid on Bonds, Leases and Notes Maturities	(23,084)	-
Interest Paid on Bonds, Leases and Notes	(48,224)	-
Developer Contributions and Capital Grants	22,898	-
Net Cash Used For Capital and Related Financing Activities	10,590	(323)
Cash Flows From Investing Activities:		
Interest Received on Investments	724	82
Net Cash Provided By Investing Activities	724	82
Net Change in Pooled Cash and Investments	89,453	892
Total Cash and Investments at Beginning of Year	229,635	65,350
Total Cash and Investments at End of Year	\$ 319,088	\$ 66,242

(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, 2017  
(in thousands)

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal Service Funds</b>
Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:		
Operating Income	\$ 110,951	\$ (827)
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:		
Depreciation and Amortization	66,337	347
Miscellaneous Revenue	4,590	-
Changes in Assets and Liabilities:		
(Increase)/Decrease in Receivables	(7,961)	(235)
(Increase)/Decrease in Inventory	-	(51)
(Increase)/Decrease in Deposits and Prepaid Costs	(1,894)	(12)
Increase/(Decrease) in Accounts Payable	1,338	1,283
Increase/(Decrease) in Unearned Revenue	68	-
Increase/(Decrease) in Pension Liability	4,214	(475)
Increase/(Decrease) in Other Accrued Expenses	3,997	1,103
Total Adjustments	70,689	1,960
Net Cash Provided By (Used For) Operating Activities	<u>\$ 181,640</u>	<u>\$ 1,133</u>
Noncash Transactions Affecting Financial Position:		
Contributions of Capital Assets	\$ 10,880	\$ 37
Gain (Loss) on Disposal of Capital Assets	12,275	3
Amortization of Bond Premium	(3,874)	-
Amortization of Deferred Amounts on Refunding	(3,061)	-

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

CITY OF MESA, ARIZONA

**EXHIBIT A-10**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

FIDUCIARY FUNDS

JUNE 30, 2017

(in thousands)

	<b>Payroll Agency</b>
<b>ASSETS</b>	
Pooled Cash and Investments	\$ 8,257
Due from Others	33
Total Assets	<u>\$ 8,290</u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 2,559
Accrued Payroll Payable	<u>5,731</u>
Total Liabilities	<u>\$ 8,290</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, 2017

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 493,089 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 units, Eastmark and Cadence Community Facilities Districts, collectively referred to as "the financial reporting entity". In accordance with GASB Statement No. 14, and as amended by GASB Statements No. 61 and No. 80, the component units discussed below have been included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

**Community Facilities District ("Districts")** The City has two municipal corporation political subdivisions of the State of Arizona that are organized to provide a vehicle for financing certain public infrastructure that is necessary for development of the land within the boundaries of the Districts. The City Council serves as the board of directors of the Districts and the City Manager of the City currently serves as the Manager of the Districts. Although they are legally separate from the City, the Districts are reported as if they are 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 Districts. Separate financial statements for Eastmark Community Facilities 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. Separate financial statements for Cadence Community Facilities District are not prepared.

**b. Jointly Governed Organizations**

**Phoenix – Mesa Gateway Airport Authority ("PMGAA")** is a Joint-Powers Airport Authority 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

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Board of Directors consists of the mayors of those cities and a member of the County Board of Supervisors.

**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

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

program revenues are reported as general revenues. The general revenues support the net costs of the functions and segments not covered by program revenues.

**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, 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.



CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 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 fund:

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 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.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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.

Five 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 Funds. A budget schedule for the General Fund is presented in the Required Supplementary Information Section, and the other funds are located in the Supplementary Information Section.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 notes to budgetary comparison schedule. Budgeted amounts are as originally adopted by the City Council on June 6, 2016.

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 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.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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.

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

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.

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.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 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.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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, 2017 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 16.0%. 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 2016-2017, current property tax collections were \$32,765,223 or 98.28% 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 June 30, 2017 was \$932,260 of which \$451,636 was recorded as revenue and \$480,624 as unavailable revenue.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

s. **New Accounting Pronouncements**

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. 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 has implemented this Statement in fiscal year 2017 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 has implemented this Statement in fiscal year 2017 with no impact.

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 has implemented this Statement in fiscal year 2017 with no impact.

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 requirements of this Implementation Guide were implemented by the City in fiscal year 2017 with no effect.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations, or legally enforceable liabilities associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The City will implement this Statement in fiscal year 2019.

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The City will implement this Statement in fiscal year 2020.

GASB Statement No. 85, *Omnibus*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The City will implement this Statement in fiscal year 2018.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, provides guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The City has implemented this Statement in fiscal year 2017. See Note 9 for the current year effect of implementing GASB Statement No. 86.

GASB Statement No. 87, *Leases*, provides new guidance for recognition of operating leases and the related assets. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The City will implement this Statement in fiscal year 2021.

Implementation Guide No. 2017-1, *Implementation Guidance Update – 2017*, 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 and 2016-1. The requirements of this Implementation Guide are effective for reporting periods beginning after June 15, 2017. The requirements of this Implementation Guide will be implemented in fiscal year 2018.

Although expected to be significant, the City has not fully determined the effects that implementation of Statements No. 75 and 87 will have on the City's financial statements.

**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, 2017

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

	Total Governmental Funds	Long-term Assets/ Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations	Statement of Net Position Total
<b>Assets</b>					
Pooled Cash and Investments	\$ 227,723	\$ -	\$ 66,242	\$ -	\$ 293,965
Account and Misc Receivables, Net	25,414	-	710	-	26,124
Accrued Interest Receivable	278	-	139	-	417
Due from Other Governments	31,391	-	-	-	31,391
Due from Other Funds	1,093	-	-	(1,093)	-
Advances to Other Funds	234	-	-	(1,110)	(876)
Inventory	-	-	5,948	-	5,948
Prepaid Costs	1,948	-	758	-	2,706
Deposits	199	-	69	-	268
Restricted Assets:					
Pooled Cash and Investments	13,711	-	-	-	13,711
Cash with Fiscal Agent	40,245	-	-	-	40,245
Cash with Trustee	6,791	-	-	-	6,791
Accounts Receivable	10,747	-	-	-	10,747
Due from Other Governments	932	-	-	-	932
Investment in Joint Ventures	-	203,826	-	-	203,826
Capital Assets	-	1,435,012	1,940	-	1,436,952
Total Assets	<u>360,706</u>	<u>1,638,838</u>	<u>75,806</u>	<u>(2,203)</u>	<u>2,073,147</u>
<b>Deferred Outflows of Resources</b>					
Deferred Amounts on Refunding	-	10,112	-	-	10,112
Pensions	-	184,663	2,419	-	187,082
Total Deferred Outflows of Resources	<u>-</u>	<u>194,775</u>	<u>2,419</u>	<u>-</u>	<u>197,194</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 360,706</u>	<u>\$ 1,833,613</u>	<u>\$ 78,225</u>	<u>\$ (2,203)</u>	<u>\$ 2,270,341</u>
<b>Liabilities</b>					
Accounts Payable and Accrued Liabilities	\$ 24,816	\$ 13,495	\$ 3,701	\$ -	\$ 42,012
Claims Payable	-	-	38,837	-	38,837
Due To Other Funds	1,093	-	-	(1,093)	-
Advances from Other Funds	1,110	-	-	(1,110)	-
Customer and Defendant Deposits	6,600	-	-	-	6,600
Restricted Bond Interest Payable	8,540	-	-	-	8,540
Restricted Unearned Revenue	11,295	-	-	-	11,295
Matured Bonds Payable	31,744	-	-	-	31,744
Pension	-	743,454	12,423	-	755,877
Long-term Liabilities	-	943,688	11,757	-	955,445
Total Liabilities	<u>85,198</u>	<u>1,700,637</u>	<u>66,718</u>	<u>(2,203)</u>	<u>1,850,350</u>
Deferred Inflows of Resources					
Unavailable Revenue	18,079	(18,079)	-	-	-
Pension	-	54,734	1,549	-	56,283
Total Deferred Inflows of Resources	<u>18,079</u>	<u>36,655</u>	<u>1,549</u>	<u>-</u>	<u>56,283</u>
<b>Fund Balance/Net Position</b>					
Total Fund Balance/Net Position	<u>257,429</u>	<u>96,321</u>	<u>9,958</u>	<u>-</u>	<u>363,708</u>
Total Liabilities and Fund Balance/Net Position	<u>\$ 360,706</u>	<u>\$ 1,833,613</u>	<u>\$ 78,225</u>	<u>\$ (2,203)</u>	<u>\$ 2,270,341</u>

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

- (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	<u>\$ 203,826</u>
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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	\$ 2,366,839
Accumulated depreciation	(931,827)
Total	<u>\$ 1,435,012</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	\$ 479,950
Compensated absences	27,680
Post-employment benefits	420,043
Unamortized bond premiums	16,015
Claims and Judgement	13,495
Pension liability	743,454
Total	<u>\$ 1,700,637</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	\$ 10,112
Pensions	184,663
Total	<u>\$ 194,775</u>

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

Deferred Inflows – Pensions	<u>\$ 54,734</u>
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CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

Unavailable property tax revenues	\$	481
Unavailable special assessment revenue		10,720
Receivables not yet collected		<u>6,878</u>
Total	\$	<u><u>18,079</u></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><u>9,958</u></u>
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CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

	Total Governmental Funds	Long-term Revenues/ Expenses(1)	Capital - Related Items(2)	Internal Service Funds(3)	Long-term Debt (4)	Eliminations (5)	Statement of Activities
<b>Revenues and Other Sources</b>							
Revenues:							
Sales Taxes	\$ 159,735	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 159,735
Property Taxes	34,675	9	-	-	-	-	34,684
Occupancy Taxes	2,536	-	-	-	-	-	2,536
Special Assessments	2,125	(795)	-	-	-	-	1,330
Licenses and Permits	23,152	-	-	-	-	-	23,152
Intergovernmental	200,820	-	-	-	-	-	200,820
Charges for Services	38,348	-	-	-	-	-	38,348
Fines and Forfeitures	9,873	-	-	-	-	-	9,873
Investment Income	331	-	-	117	-	-	448
Contributions	360	-	35,612	20,347	-	-	56,319
Miscellaneous	4,348	5,622	-	1,192	-	-	11,162
Other Sources:							
Transfers In	139,516	-	4,089	-	-	(31,931)	111,674
Face Amount of Bonds Issued	95,132	-	-	-	(95,132)	-	-
Premiums on Issuance of Bonds	4,613	-	-	-	(4,613)	-	-
Total Revenue and Other Sources	<u>\$ 715,564</u>	<u>\$ 4,836</u>	<u>\$ 39,701</u>	<u>\$ 21,656</u>	<u>\$ (99,745)</u>	<u>\$ (31,931)</u>	<u>\$ 650,081</u>
<b>Expenditures/Expenses and Other Financing Uses</b>							
Expenditures/Expenses:							
Current:							
General Government	\$ 86,360	\$ 869	\$ 6,102	\$ 9,531	\$ (1,135)	\$ -	\$ 101,727
Public Safety	261,892	97,518	11,565	8,820	-	-	379,795
Community Environment	68,403	(4,545)	37,802	2,984	-	-	104,644
Cultural-Recreational	43,744	3,115	8,113	991	-	-	55,963
Debt Service:							
Principal	32,587	-	-	-	(32,587)	-	-
Interest on Bonds	17,994	-	-	-	-	-	17,994
Service Charge	15	-	-	-	-	-	15
Cost of Issuance	1,271	-	-	-	-	-	1,271
Capital Outlay	82,062	-	(82,062)	-	-	-	-
Other Financing Uses:							
Transfers Out	31,931	-	5,067	-	-	(31,931)	5,067
Pmt to Ref Bond Escrow Agent	50,891	-	-	-	(50,891)	-	-
Total Expenditures\Expenses & Other Financing Uses	<u>677,150</u>	<u>96,957</u>	<u>(13,413)</u>	<u>22,326</u>	<u>(84,613)</u>	<u>(31,931)</u>	<u>666,476</u>
Net Change for the Year	<u>\$ 38,414</u>	<u>\$ (92,121)</u>	<u>\$ 53,114</u>	<u>\$ (670)</u>	<u>\$ (15,132)</u>	<u>\$ -</u>	<u>\$ (16,395)</u>

- (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.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Property tax revenue	\$	9
Special assessment revenue		(795)
Unavailable revenue		<u>5,622</u>
Total	\$	<u>4,836</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 compensation absences	\$	(892)
Accrual of post-employment benefits		(23,911)
Claims and Judgement		(13,495)
Pension Expense		<u>(111,923)</u>
Total	\$	<u>(150,221)</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>53,264</u>
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- (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	\$	88,577
Depreciation expense		<u>(68,686)</u>
Total	\$	<u>19,891</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	\$	26,110
Donated capital and transfers	\$	8,524
Loss on Disposal		<u>(1,411)</u>
Total	\$	<u>33,223</u>

- (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	\$	21,656
Expenditures and other uses		<u>(22,326)</u>
Change in net position	\$	<u>(670)</u>

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

- (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	\$ (94,630)
Community Facilities District Bonds	(502)
Principal repayments	32,587
Payment to refunded bond escrow accounts	47,450
Total	<u>\$ (15,095)</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	\$ (1,030)
Amortization of bond premiums	2,165
Premiums on bonds	(4,613)
Deferred Amounts on refunding	3,441
Total	<u>\$ (37)</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	\$ (31,931)
Transfers in	31,931
Total	<u>\$ -</u>

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**3. FUND BALANCE**

As of June 30, 2017, the fund balance details by classification are listed below (in thousands):

	General	Non-Major	Total
<b>Fund Balances:</b>	<b>Fund</b>	<b>Governmental</b>	<b>Governmental</b>
	<b>Funds</b>	<b>Funds</b>	<b>Funds</b>
<b>Nonspendable:</b>			
Prepaid Costs	\$ 1,911	\$ 37	\$ 1,948
Advances to Other Funds	234	-	234
Nonspendable Sub-total	2,145	37	2,182
<b>Restricted:</b>			
Arts & Culture	146	-	146
Capital Projects	-	35,255	35,255
Community Facility District	-	23	23
Court	-	1,616	1,616
Debt Service	-	10,753	10,753
Fire	-	3,351	3,351
Housing	-	691	691
Library	-	385	385
Police	-	1,956	1,956
Transportation Programs	-	58,075	58,075
Restricted Sub-total	146	112,105	112,251
<b>Committed To:</b>			
Arts & Culture	-	958	958
Capital Projects	-	8,423	8,423
Cemetery	481	6,987	7,468
Development Services	-	788	788
Economic Development	47	-	47
Environmental Compliance	-	10,032	10,032
Parks & Recreation	-	60	60
Vehicle Replacement	-	3,680	3,680
Committed To Sub-total	528	30,928	31,456
<b>Assigned To:</b>			
Development Services	73	-	73
Economic Development	2,010	-	2,010
Fire	1,000	-	1,000
General Government	14,521	2	14,523
Parks & Recreation	448	-	448
Police	1,243	-	1,243
Sustainability	60	-	60
Transit	12	-	12
Assigned To Sub-total	19,367	2	19,369
<b>Unassigned</b>	92,240	(69)	92,171
Total Fund Balances	\$ 114,426	\$ 143,003	\$ 257,429

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, 2017 as reported in Exhibit B-6 is 23.6% of General Fund expenditures budgeted for fiscal year 2016-2017.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**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		51,891
Investment in Insured Cash Sweep Accounts		20,139
Investments in Local Govt Invest Pool		180,144
Cash with Trustee (1)		6,852
Cash with Fiscal Agent (2)		79,168
Long-Term Investments		343,727
Pooled Cash and Investments		<u>682,057</u>
Less: Cash in Agency Fund		<u>(8,257)</u>
Total City Pooled Cash and Investments	\$	<u>673,800</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, 2017 for debt service payments due to bondholders on July 1, 2017.

**Deposits**

At year-end, the City's cash totaled \$52,027,140 which included \$136,305 of petty cash. The carrying amount of the City's deposits was \$51,890,835 and the bank balance was \$60,431,416. The difference of \$8,540,581 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, 2017 are covered under House Bill 2619.

**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,



CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 for credit risk complies with Arizona Revised Statute §35-323. The City's portfolio is primarily invested in securities issued by the U.S. Treasury and by U.S. Government agencies that carry a minimum "A" or better rating, at the time of purchase, from Moody's or Standard & Poor's or other nationally recognized rating agency.

The City's portfolio also invests in Corporate Notes rated "A" or better by Moody's or 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 Investment. Within the State Treasurer's Investment Pools, the City participates in Investment Pool 7. Pool 7 is a short-term fund which invests only in products backed by the full faith and credit of the United States Government. The Pool carries a weighted average credit rating 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, 2017

At June 30, 2017, the City had the following recurring fair value measurements (in thousands):

	Fair Value	Fair Value Measurements Using:		
Investment by Fair Value Level	6/30/2017	Level 1	Level 2	Level 3
<b><u>Debt Securities</u></b>				
U.S. Treasuries	\$ 77,888	\$ -	\$ 77,888	\$ -
U.S. Agencies:				
Federal Home Loan Bank	65,611	-	65,611	-
Federal Home Loan Mortgage Corp.	27,894	-	27,894	-
Federal National Mortgage Assn	87,362	-	87,362	-
Corporate Notes		-		-
American Express Credit	3,332	-	3,332	-
American Honda Finance Corp.	1,588	-	1,588	-
Apple, Inc.	1,519	-	1,519	-
Bank of New York Mellon Inc.	5,003	-	5,003	-
BB&T	3,099	-	3,099	-
Berkshire Hathaway Inc.	807	-	807	-
Chevron Corp	3,340	-	3,340	-
Cisco Systems Inc.	3,153	-	3,153	-
Walt Disney	4,055	-	4,055	-
Goldman Sachs	1,680	-	1,680	-
Home Depot Inc.	1,601	-	1,601	-
IBM	3,401	-	3,401	-
Intel	1,725	-	1,725	-
John Deere	2,739	-	2,739	-
JP Morgan Chase & Co	3,346	-	3,346	-
Microsoft	3,818	-	3,818	-
Morgan Stanley	1,668	-	1,668	-
Pepsico Inc.	2,482	-	2,482	-
Pfizer Inc.	3,315	-	3,315	-
Texas Instruments Inc.	3,560	-	3,560	-
Toyota Motor Credit Corp	3,330	-	3,330	-
Wells Fargo & Co	4,276	-	4,276	-
City of Mesa Special Improvement				
District Bonds	1,473	-	1,473	-
Total Debt Securities at Fair Value	323,065	\$ -	\$ 323,065	\$ -
<b><u>Investments Measured at Fair Value</u></b>				
Arizona State Treasurers Investment Pool:				
State of Arizona Pool 7	180,144			
Total Investments Measured At Fair Value	\$ 503,209			
<b><u>Amortized Cost Securities</u></b>				
FDIC Insured Cash Sweep Money Market Funds	\$ 20,139			

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, 2017

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, 2017.

The City's investments at June 30, 2017 are as follows (in thousands):

Investment Type	Investment Maturities (in Years)					Concentration of Credit Risk %
	Fair Value	Less Than 1	1-2	2-3	More than 3	
U.S. Treasuries	\$ 77,888	\$ 3,820	\$ 20,626	\$ 39,618	\$ 13,824	22.66%
U.S. Agencies:						
Federal Home Loan Bank	65,611	16,819	39,066	9,725	-	19.09%
Federal Home Loan Mortgage Corp.	27,894	-	16,189	11,704	-	8.12%
Federal National Mortgage Assn	87,362	5,735	52,433	29,194	-	25.42%
Corporate Notes						
American Express Credit	3,332	-	-	3,332	-	0.97%
American Honda Finance Corp.	1,588	-	-	1,588	-	0.46%
Apple, Inc.	1,519	-	-	1,519	-	0.44%
Bank of New York Mellon Inc.	5,003	5,003 *	-	-	-	1.46%
BB&T	3,099	-	-	3,099	-	0.90%
Berkshire Hathaway Inc.	807	-	807	-	-	0.23%
Chevron Corp	3,340	-	3,340	-	-	0.97%
Cisco Systems Inc.	3,153	2,806	-	348	-	0.92%
Walt Disney	4,055	-	-	4,055	-	1.18%
Goldman Sachs	1,680	-	-	1,680	-	0.49%
Home Depot Inc.	1,601	-	-	1,601	-	0.47%
IBM	3,401	-	-	3,401	-	0.99%
Intel	1,725	-	-	1,725	-	0.50%
John Deere	2,739	-	645	2,094	-	0.80%
JP Morgan Chase & Co	3,346	-	3,346 **	-	-	0.97%
Microsoft	3,818	-	-	3,818	-	1.11%
Morgan Stanley	1,668	-	-	1,668	-	0.49%
Pepsico Inc.	2,482	-	1,660	822	-	0.72%
Pfizer Inc.	3,315	-	-	3,315	-	0.96%
Texas Instruments Inc.	3,560	3,560	-	-	-	1.04%
Toyota Motor Credit Corp	3,330	-	3,330	-	-	0.97%
Wells Fargo & Co	4,276	848	-	-	3,428	1.24%
Certificates of Deposit						
Bank of Montreal Chicago	6,840	-	6,840	-	-	1.99%
Bank of Nova Scotia Houston	6,796	-	6,796	-	-	1.98%
Sumitomo Mitsui Bank	6,810	-	6,810	-	-	1.98%
City of Mesa Special Improvement						
District Bonds	1,473	380	355	365	373	0.43%
JP Morgan MMF	216	216	-	-	-	0.06%
Total	<u>\$ 343,727</u>	<u>\$ 39,187</u>	<u>\$ 162,243</u>	<u>\$ 124,671</u>	<u>\$ 17,625</u>	<u>100.00%</u>

\* \$5,003 of these securities are callable at or before April 22, 2018

\*\* \$3,346 of these securities are callable at or before February 22, 2019

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**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):

<b>Fund</b>	<b>Receivables</b>	<b>Allowance</b>	<b>Net</b>
<b>Governmental Activities:</b>			
General Fund:			
Taxes	\$ 11,806	\$ (2,195)	\$ 9,611
Courts	6,199	-	6,199
Other Customers	7,825	(3,555)	4,270
Due from Other Governments:			
State Shared Revenues	13,190	-	13,190
Other	4,543	-	4,543
Non-Major Governmental Funds:			
Taxes	4,303	-	4,303
Other Customers	1,031	-	1,031
Restricted-Spec. Assessments	10,720	-	10,720
Restricted-Other	27	-	27
Restricted-Due from Other Governments	932	-	932
Due from Other Governments	13,658	-	13,658
Internal Service Funds			
Premiums	162	-	162
Other Customers	548	-	548
Total Governmental Activities	<u>\$ 74,944</u>	<u>\$ (5,750)</u>	<u>\$ 69,194</u>
<b>Business-Type Activities:</b>			
Utility Customers	\$ 32,837	\$ (670)	\$ 32,167
Other Customers	2,737	(652)	2,085
Due from Other Governments	2,223	-	2,223
Total Business-type Activities	<u>\$ 37,797</u>	<u>\$ (1,322)</u>	<u>\$ 36,475</u>

**Unbilled Accounts Receivable**

Unbilled utility service receivables are recorded in the year in which the services are provided. At June 30, 2017, unbilled utility service receivables are recorded in the Enterprise Fund as follows (in thousands):

Gas	1,044
Water	7,924
Wastewater	3,596
Solid Waste	2,388
	<u>\$ 17,330</u>

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 Fund	Non-Major Funds
<b><u>Unearned Revenue</u></b>		
Mesa Arts Center advanced ticket sales	\$ 908	\$ 62
Grants received prior to meeting all eligibility requirements	-	2,112
Amounts paid in advance	1,928	6,285
	<u>\$ 2,836</u>	<u>\$ 8,459</u>

	General Fund	Non-Major Funds
<b><u>Unavailable Revenue</u></b>		
Receivables not yet collected	\$ 6,254	\$ 624
Delinquent Property Taxes	-	481
Special Assessments not yet due	-	10,720
	<u>\$ 6,254</u>	<u>\$ 11,825</u>

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

The following interfund activities are included in the fund financial statements at June 30, 2017 (in thousands):

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 1,093	\$ -
Non-major Governmental Funds	-	1,093
Total Governmental Funds	<u>\$ 1,093</u>	<u>\$ 1,093</u>

Interfund balances at June 30, 2017 are short-term loans used to cover temporary cash deficits in various funds and are expected to be repaid within one year.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The following advances are included in the fund financial statements at June 30, 2017 (in thousands):

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
Governmental Funds:		
General Fund	\$ 234	\$ 876
Non-major Governmental Funds	-	234
Total Governmental Funds	234	1,110
Proprietary Funds:		
Enterprise Fund	876	-
Total	<u>\$ 1,110</u>	<u>\$ 1,110</u>

The Advances at June 30, 2017 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, 2017 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, 2017 (in thousands):

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Governmental Funds:		
General Fund	\$ 14,766	\$ 111,449
Non-major Governmental Funds	17,165	28,067
Total Governmental Funds	31,931	139,516
Proprietary Funds:		
Enterprise Fund	109,395	1,810
Total	<u>\$ 141,326</u>	<u>\$ 141,326</u>

Transfers from business-type activities to governmental activities on the government-wide statement of activities include a \$109,395,000 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 \$4,089,000 and capital asset transfers from the governmental activities to the business-type activities in the amount of \$5,067,000.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**7. CAPITAL ASSETS**

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2017 follows (in thousands):

	Balance July 1, 2016	Additions	Retirements	Transfers	Balance June 30, 2017
<b>Governmental Activities:</b>					
Non-depreciable Assets:					
Land	\$ 383,742	\$ 5,391	\$ (581)	\$ -	\$ 388,552
Infrastructure	3,321	291	-	-	3,612
Construction-in-Progress	81,286	79,653	(45,811)	(5,067)	110,061
Total Non-depreciable Assets	<u>468,349</u>	<u>85,335</u>	<u>(46,392)</u>	<u>(5,067)</u>	<u>502,225</u>
Depreciable Assets:					
Buildings	334,942	6,228	(1,219)	-	339,951
Other Improvements	184,696	12,678	(7,059)	-	190,315
Machinery & Equipment	194,660	13,576	(4,542)	48	203,742
Intangibles	23,251	-	-	-	23,251
Infrastructure	<u>1,088,341</u>	<u>26,431</u>	<u>(1,010)</u>	<u>4,041</u>	<u>1,117,803</u>
Total Depreciable Assets	<u>1,825,890</u>	<u>58,913</u>	<u>(13,830)</u>	<u>4,089</u>	<u>1,875,062</u>
Less Accumulated Depreciation for:					
Buildings	(96,251)	(7,194)	1,145	-	(102,300)
Other Improvements	(104,669)	(7,524)	6,882	-	(105,311)
Machinery & Equipment	(132,275)	(11,370)	4,455	-	(139,190)
Intangibles	(12,707)	(3,832)	-	-	(16,539)
Infrastructure	<u>(538,398)</u>	<u>(39,113)</u>	<u>516</u>	<u>-</u>	<u>(576,995)</u>
Total Accum. Depreciation	<u>(884,300)</u>	<u>(69,033)</u>	<u>12,998</u>	<u>-</u>	<u>(940,335)</u>
Total Depreciable Assets, net	<u>941,590</u>	<u>(10,120)</u>	<u>(832)</u>	<u>4,089</u>	<u>934,727</u>
Governmental Activities					
Capital Assets, net	<u>\$1,409,939</u>	<u>\$ 75,215</u>	<u>\$ (47,224)</u>	<u>\$ (978)</u>	<u>\$ 1,436,952</u>

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

General Government	\$ 8,209
Public Safety	11,854
Community Environment	40,285
Cultural-Recreational	8,338
Capital assets held by the City's Internal Service funds are charged to the various functions based on their usage of assets	<u>347</u>
	<u>\$69,033</u>

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Balance July 1, 2016	Additions	Retirements	Transfers	Balance June 30, 2017
<b>Business-type Activities:</b>					
Non-depreciable Assets:					
Land	\$ 54,813	\$ 2,011	\$ (6,107)	\$ -	\$ 50,717
Water Rights	17,560	-	-	-	17,560
Collections of Art	106	-	-	-	106
Construction-in-Progress	143,304	102,243	(61,776)	(4,089)	179,682
Total Non-depreciable Assets	<u>215,783</u>	<u>104,254</u>	<u>(67,883)</u>	<u>(4,089)</u>	<u>248,065</u>
Depreciable Assets:					
Buildings	105,244	2,454	-	25	107,723
Other Improvements	136,983	587	(4,741)	228	133,057
Machinery & Equipment	86,278	7,920	(1,909)	119	92,408
Intangibles	27,753	-	(204)	-	27,549
Infrastructure	1,762,400	49,016	(3,865)	4,695	1,812,246
Total Depreciable Assets	<u>2,118,658</u>	<u>59,977</u>	<u>(10,719)</u>	<u>5,067</u>	<u>2,172,983</u>
Less Accumulated Depreciation for:					
Buildings	(27,579)	(2,217)	-	-	(29,796)
Other Improvements	(54,379)	(4,666)	4,726	-	(54,319)
Machinery & Equipment	(48,483)	(8,753)	1,909	-	(55,327)
Intangibles	(21,106)	(909)	151	-	(21,864)
Infrastructure	(757,347)	(49,792)	2,816	-	(804,323)
Total Accum. Depreciation	<u>(908,894)</u>	<u>(66,337)</u>	<u>9,602</u>	<u>-</u>	<u>(965,629)</u>
Total Depreciable Assets, net	<u>1,209,764</u>	<u>(6,360)</u>	<u>(1,117)</u>	<u>5,067</u>	<u>1,207,354</u>
Business-type Activities					
Capital Assets, net	<u>\$1,425,547</u>	<u>\$ 97,894</u>	<u>\$ (69,000)</u>	<u>\$ 978</u>	<u>\$ 1,455,419</u>

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

Electric	\$ 3,694
Gas	4,532
Water	26,290
Wastewater	21,039
Solid Waste	2,551
Airport	1,728
Golf Course	158
Convention Center	263
Hohokam Stadium/Fitch Complex	1,751
Cubs Stadium	3,909
District Cooling	422
	<u>\$ 66,337</u>



CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

<u>Governmental Activities</u>	<u>Construction in Progress</u>	<u>Commitments</u>
General Government	\$ 59,812	\$ 21,659
Public Safety	1,694	300
Community Environment	45,634	1
Cultural-Recreational	2,596	251
Warehouse, Maintenance & Services	325	-
Total	<u>\$ 110,061</u>	<u>\$ 22,211</u>

<u>Business-type Activities</u>	<u>Construction in Progress</u>	<u>Commitments</u>
Electric	\$ 1,762	\$ 374
Gas	9,866	771
Water	117,194	94,821
Wastewater	36,248	5,923
Solid Waste	4,953	4,794
Airport	8,173	1,407
Golf Course	20	-
Convention Center	916	3
Spring Training	550	-
Total	<u>\$ 179,682</u>	<u>\$ 108,093</u>

For the year ended June 30, 2017, the City capitalized net interest costs of \$4,110,164. Total interest expense in the Business-type Activities Enterprise Fund before capitalization was \$51,916,491.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**8. LONG-TERM OBLIGATIONS**

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

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

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Bonds Payable:					
General Obligation Bonds	\$ 350,560	\$ 94,630	\$ (70,747)	\$ 374,443	\$ 25,044
Highway User Revenue Bonds	92,895	-	(7,900)	84,995	8,375
Special Assessment Bonds					
with Governmental Commitment	2,085	-	(745)	1,340	335
Community Facility District	19,315	502	(645)	19,172	525
Total Bonds Payable	<u>464,855</u>	<u>95,132</u>	<u>(80,037)</u>	<u>479,950</u>	<u>34,279</u>
Unamortized Premiums	13,567	4,613	(2,165)	16,015	-
Post Employment Benefits	406,518	41,063	(16,423)	431,158	-
Compensated Absences	27,445	24,998	(24,121)	28,322	7,947
Governmental Activities Total	<u>\$ 912,385</u>	<u>\$ 165,806</u>	<u>\$ (122,746)</u>	<u>\$ 955,445</u>	<u>\$ 42,226</u>
<b>Business-type Activities:</b>					
Bonds Payable:					
Revenue Bonds	\$ 1,063,710	\$ 199,310	\$ (101,265)	\$ 1,161,755	\$ 31,355
General Obligation Bonds	390	-	(78)	312	76
Excise Tax Revenue Obligations	94,060	-	-	94,060	-
Total Bonds Payable	<u>1,158,160</u>	<u>199,310</u>	<u>(101,343)</u>	<u>1,256,127</u>	<u>31,431</u>
Notes Payable	1,985	-	(134)	1,851	137
Unamortized Bond Premiums	39,396	9,843	(3,874)	45,365	-
Post Employment Benefits	78,507	6,475	(2,590)	82,392	-
Compensated Absences	4,111	3,883	(3,771)	4,223	1,114
Business-type Activities Total	<u>\$ 1,282,159</u>	<u>\$ 219,511</u>	<u>\$ (111,712)</u>	<u>\$ 1,389,958</u>	<u>\$ 32,682</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, \$11,756,922 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, 2017

**b. Bonds Payable**

At June 30, 2017, 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 (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.	\$ 9,023
\$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, 2020.	1,575
\$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, 2022.	2,815
\$15,450,000 2008 general obligation serial bonds, (partially refunded by 2017 general obligation refunding 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, 2021.	1,875
\$61,830,000 2009 general obligation serial bonds, (partially refunded by 2017 general obligation refunding 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, 2019.	4,370
\$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.	22,125
\$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.	22,925
\$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.	10,600

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

\$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.	\$ 8,795
\$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.	52,400
\$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.	29,825
\$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.	6,740
\$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.	35,500
\$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.	20,415
\$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 30 percent through July 1, 2029.	20,525
\$47,180,000 2017 general obligation serial bonds due in annual installments ranging from \$1,500,000 to \$5,725,000, plus semi-annual interest ranging from 3 percent to 3.25 percent through July 1, 2037.	47,180
\$47,450,000 2017 general obligation refunding serial bonds due in annual installments ranging from \$50,000 to \$9,920,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2029.	<u>\$ 46,890</u>
<b>Total General Obligation Bonds</b>	<b>\$ 374,443</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.	\$ 850
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CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

\$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. \$ 775

\$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. 7,250

\$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. 825

\$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. 20,665

\$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 \$ 84,995**

**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. \$ 1,340

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**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. \$ 2,346

\$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. 3,020

\$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. 3,058

\$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. 1,875

\$6,800,000 2015 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. 6,430

\$970,000 2015 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. 914

\$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. 1,027

\$502,000 2017 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 6 Special Assessment Revenue Bonds, due in annual principle installments ranging from \$7,000 to \$35,000, plus semi-annual interest ranging from 3.5 percent to 5.25 percent through July 1, 2041. 502

**Total Community Facilities District Bonds \$ 19,172**

**Total bonds payable recorded in governmental activities \$ 479,950**

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**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, 2018.	\$ 41
\$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.	176
\$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>95</u>
<b>Total General Obligation Bonds</b>	<b>\$ 312</b>

**Utility Systems Revenue Bonds**

\$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.	37,025
\$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
\$105,400,000 2006 utility systems revenue serial bonds, (partially refunded by 2006 (Series 2), 2016 and 2017 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, 2024.	13,255
\$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.	56,000

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

\$127,260,000 2006 (Series 2) utility systems revenue refunding serial bonds, (partially refunded by 2017 utility systems revenue refunding 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, 2024.	\$ 56,445
\$65,550,000 2007 utility systems revenue serial bonds, (partially refunded by 2016 and 2017 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, 2025.	6,315
\$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, 2029.	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.	2,200
\$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
\$31,580,000 2012 utility systems revenue refunding serial bonds, (partially refunded by 2017 utility systems revenue refunding 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.	14,905
\$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



CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

\$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.	138,035
\$123,875,000 2017 utility systems revenue serial bonds, due in annual principal installments ranging from \$2,000,000 to \$18,900,000, plus semi-annual interest ranging from 3 percent to 5 percent through July 1, 2041.	123,875
\$74,435,000 2017 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$885,000 to \$26,565,000, plus semi-annual interest of 4 percent through July 1, 2028.	<u>75,435</u>
<b>Total Utility Systems Revenue Bonds</b>	<b>\$ 1,161,755</b>

**Excise Tax Revenue Obligations**

\$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>1,256,127</u></b>

The following tables summarize the City's debt service requirements to maturity for its long-term bonds payable at June 30, 2017 (in thousands). The deferred amounts on refundings are not included.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**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>
2018	\$ 25,044	\$ 13,242	\$ 38,286	2018	\$ 8,375	\$ 4,080	\$ 12,455
2019	19,309	12,155	31,464	2019	8,715	3,663	12,378
2020	18,896	11,482	30,378	2020	9,155	3,243	12,398
2021	19,492	10,834	30,326	2021	9,645	2,796	12,441
2022	20,161	10,180	30,341	2022	10,075	2,315	12,390
2023-27	115,907	39,999	155,906	2023-27	39,030	4,409	43,439
2028-32	112,079	17,870	129,949	2028-32	-	-	-
2033-37	43,555	2,786	46,341	2033-37	-	-	-
<b>TOTALS</b>	<b>\$ 374,443</b>	<b>\$ 118,548</b>	<b>\$ 492,991</b>	<b>TOTALS</b>	<b>\$ 84,995</b>	<b>\$ 20,506</b>	<b>\$ 105,501</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>
2018	\$ 335	\$ 68	\$ 403	2018	\$ 525	\$ 919	\$ 1,444
2019	335	48	383	2019	546	896	1,442
2020	335	29	364	2020	564	876	1,440
2021	335	10	345	2021	589	854	1,443
2022	-	-	-	2022	619	831	1,450
2023-27	-	-	-	2023-27	3,506	3,741	7,247
2028-32	-	-	-	2028-32	4,420	2,829	7,249
2033-37	-	-	-	2033-37	5,684	1,591	7,275
2038-41	-	-	-	2038-41	2,719	221	2,940
<b>TOTALS</b>	<b>\$ 1,340</b>	<b>\$ 155</b>	<b>\$ 1,495</b>	<b>TOTALS</b>	<b>\$ 19,172</b>	<b>\$ 12,758</b>	<b>\$ 31,930</b>

**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>
2018	\$ 76	\$ 11	\$ 87	2018	\$ 31,355	\$ 51,186	\$ 82,541
2019	46	7	53	2019	32,660	49,205	81,865
2020	40	6	46	2020	30,560	47,595	78,155
2021	43	5	48	2021	33,840	46,166	80,006
2022	44	3	47	2022	38,305	44,557	82,862
2023-27	48	7	55	2023-27	219,680	193,528	413,208
2028-32	15	1	16	2028-32	272,450	143,318	415,768
2033-37	-	-	-	2033-37	345,400	73,735	419,135
2038-41	-	-	-	2038-41	157,505	11,053	168,558
<b>TOTALS</b>	<b>\$ 312</b>	<b>\$ 40</b>	<b>\$ 352</b>	<b>TOTALS</b>	<b>\$ 1,161,755</b>	<b>\$ 660,343</b>	<b>\$ 1,822,098</b>

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<b>Excise Tax Revenue Obligations</b>			
<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ -	\$ 4,703	\$ 4,703
2019	-	4,703	4,703
2020	-	4,703	4,703
2021	-	4,703	4,703
2022	6,620	4,703	11,323
2023-27	38,415	18,206	56,621
2028-32	49,025	7,593	56,618
<b>TOTALS</b>	<b>\$ 94,060</b>	<b>\$ 49,314</b>	<b>\$ 143,374</b>

**General Obligation Bonds**

The general obligation bonds are backed by the ultimate taxing power and general revenues of the City; however, \$312,183 of these bonds at June 30, 2017 is carried as a liability of the Enterprise Fund to reflect the intention of retirement from resources of that fund.

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. General obligation bonds of community facilities districts are not subject to or included in this calculation.

The total debt margin available July 1, 2017 is (in thousands):

6% Bonds	\$ 172,451
20% Bonds	<u>203,749</u>
Total Available	<u>\$ 376,201</u>

**Special Assessment Bonds**

The City acts as trustee for Special Assessment districts whereby it collects special assessments levied against owners of property within established districts and disburses the amounts collected to retire bonds issued to finance improvements. The improvement bonds are collateralized by these properties. 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 revenues collected by the City are pledged to repay \$9.1 million of improvement 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

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 \$1,495,440. Principal and interest paid for the current year and total assessments collected were \$842,685, and \$1,041,033, respectively.

**Community Facilities Districts Special Assessment and General Obligation Bonds**

Community Facilities District Special Assessment and General Obligation Bonds are issued by Community Facilities Districts (CFDs), which are special purpose districts created specifically to acquire and improve public infrastructure in specified land areas. The City has no liability for CFD bonds.

CFD general obligation bonds are repaid by ad valorem taxes levied directly by the districts and collected by the county. Property owners in the districts are assessed for district taxes and thus for all costs associated with the districts. As of June 30, 2017, total principal and interest outstanding for CFD general obligation bonds was \$15,682,650.

CFD special assessment bonds are collateralized by properties within established districts. In the event of default by the property owner, the CFD may enforce an auction sale to satisfy the debt service requirements of the assessment bonds. At June 30, 2017, the special assessments receivable for CFDs, 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. The total principal and interest remaining to be paid on the bonds is \$16,247,881. Principal and interest paid for the current year and total assessments collected were \$847,595, and \$789,473, respectively.

**Utility System Revenue Bonds**

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.

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 2 percent of all tangible assets of the Utility System is accumulated. As of June 30, 2017, the amount provided in the Replacement and Extension Funds equaled \$26,520,040 which is in compliance with the bond provisions.

c. **Notes Payable**

**Business Type Activities**

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.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The following table reflects the annual requirements to amortize all notes outstanding as of June 30, 2017 (in thousands):

Fiscal Year	Business-type Activities		
	Principal	Interest & Fees	Total
2018	\$ 137	\$ 41	\$ 178
2019	140	38	178
2020	143	35	178
2021	146	31	177
2022	149	28	177
2023-27	798	91	889
2028-32	338	11	349
TOTALS	<u>\$ 1,851</u>	<u>\$ 275</u>	<u>\$2,126</u>

d. **Short-term Debt**

The City had no short-term debt activity for the fiscal year ended June 30, 2017.

e. **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.

f. **Pledged Revenues**

**Utility System Revenue Bonds**

The City has pledged future utility customer revenues, net of specified operating expenses, to repay approximately \$2.1 billion in utility system revenue bonds issued since 2004. Proceeds from the bonds provided financing for the construction of various utility related projects including new gas pipelines and water and wastewater treatment plants. The bonds are payable solely from utility customer net revenues and are payable through 2041. Annual principal and interest payments on the bonds were 33.0 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1.8 billion. Principal and interest paid for the current year and total customer net revenues were \$60,598,804 and \$181,641,832, respectively.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**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 32.5 percent of eligible revenues. The total principal and interest remaining to be paid on the bonds is \$105,500,988. Principal and interest paid for the current year and total highway user tax revenues were \$12,373,013 and \$38,030,435, respectively.

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

On February 23, 2017, the City called for the early redemption of \$6,080,000 in utility revenue bonds from existing resources of the City to increase the margin available for additional new money bond issuance. This defeasance was funded with Utility Systems Impact fees of \$7,370,298 provided to a defeasance escrow agent for the purchase of United States Government securities, and Utility Systems Net Revenues of \$41,000 to cover transaction costs. The securities were deposited to an irrevocable trust to provide for all future debt service payments of the defeased bonds totaling \$8,343,156. As a result, the liability for the defeased bonds has been removed from the debt of the City.

On April 5, 2017, the City issued \$75,435,000 of utility revenue bonds with an original issue premium of \$7,908,452 to advance refund \$81,300,000 of outstanding utility revenue bonds. The refunding bonds were issued with an interest rate of 4 percent. Net proceeds in the amount of \$83,219,961 (after payment of \$119,185 in underwriters' fees and deposit of \$4,306 to the City's bond fund) were provided to a refunding escrow agent to pay issuance costs of \$260,817 and the remaining \$82,959,144 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 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 \$1,659,144. This difference, reported in the accompanying financial statements as a deduction from utility revenue bonds payable, is being charged to operations through the year 2028 using the effective interest method. The purpose of the refunding was to take advantage of lower interest rates. The refunding will decrease debt service payments by \$8,071,563 over the next 16 years producing an economic gain (difference between the present value of old and new debt service payments) of \$8,603,245.

On April 5, 2017, the City issued \$47,450,000 of general obligation bonds with an original issue premium of \$3,843,391 to advance refund \$47,450,000 of outstanding general obligation bonds. The refunding bonds were issued with an interest rate ranging from 2 to 4 percent. Net proceeds of \$51,097,107 (after payment of \$88,761 in underwriters' fees and a deposit of \$107,523 to the debt service fund) were provided to a refunding escrow agent to pay issuance costs of \$205,000 with the remaining \$50,892,107 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 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 \$3,442,107. 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 take advantage

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

of lower interest rates. The refunding will decrease debt service payments by \$3,755,652 over the next 11 years producing an economic gain (difference between the present value of old and new debt service payments) of \$3,284,375.

**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.

In accordance with GASB Statement No. 7, the refunded debt outstanding at June 30, 2017 as reflected below is not included in the City's financial statements (in thousands).

Utility System Revenue Bond Issue dated February 1, 2003	\$ 2,000
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
Utility System Revenue Bond Issue dated May 29, 2008	46,775
General Obligation Bond Issue dated May 8, 2008	11,575
General Obligation Bond Issue dated May 27, 2009	35,875
Utility System Revenue Bond Issue dated June 28, 2006	4,395
Utility System Revenue Bond Issue dated May 30, 2007	<u>1,685</u>
Total Refunded and Defeased Bonds Outstanding	<u><b>\$ 131,865</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.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The Workers' Compensation Fund does not have a stop loss receivable at June 30, 2017. Over the past three fiscal years the Fund has received settlements in excess of insurance coverage of \$226,148 with \$199,372 received this fiscal year. 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, 2017, 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, 2017. Over the past three fiscal years the Fund has received settlements in excess of insurance coverage of \$3,706,051 with \$1,225,568 received this current fiscal year.

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):

	Property & Public Liability	Workers' Compensation	Employee Benefits	Total
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	12,599	23,153	2,696	38,448
Adjustments to Reserves-FY 16-17	(894)	347	69,643	69,096
Claim Payments-FY 16-17	<u>(366)</u>	<u>(254)</u>	<u>(68,087)</u>	<u>(68,707)</u>
Unpaid Claims, 6/30/17	<u>\$11,339</u>	<u>\$ 23,246</u>	<u>\$ 4,252</u>	<u>\$38,837</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.



CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 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, 2017, is \$11,306,868.

12. **NET POSITION**

a. **Restricted Net Position**

The government-wide statement of net position reports \$131.8 million of restricted net position, of which \$59.5 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 Property and Public Liability Fund was a result of other post-employment benefit charges and pension expense. The City's funding plan calls for yearly contributions from the general fund to equal the years estimated claims and claim related expenses. Post-employment benefit charges and pension expense are not considered in determining funding for each year.

The deficit in the Warehouse, Maintenance and Services fund was a result of other post-employment benefit charges and pension expense. The City's funding plan calls for Charges for Services to cover operational expenses. Post-employment benefit charges and pension expense are not considered in determining Charges for Services.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**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, the 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, 2017 for these services are as follows (in thousands):

Functions	Operating Revenues	Operating Expenses		Operating Income (Loss)
		Depreciation and Amortization	Other	
Electric	\$ 33,534	\$ 3,694	\$ 21,589	\$ 8,251
Gas	39,752	4,532	28,591	6,629
Water	138,335	26,290	46,718	65,327
Wastewater	79,056	21,039	35,032	22,985
Solid Waste	58,117	2,551	35,221	20,345
Airport	3,846	1,728	3,397	(1,279)
Golf Course	1,545	158	1,861	(474)
Convention Center	3,299	263	4,448	(1,412)
Hohokam /Fitch Complex	54	1,751	1,936	(3,633)
Cubs Stadium	291	3,909	2,133	(5,751)
District Cooling	1,231	422	846	(37)
Total	<u>\$ 359,060</u>	<u>\$ 66,337</u>	<u>\$ 181,772</u>	<u>\$ 110,951</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, 2017, is as follows (in thousands):

	Governmental Activities	Business-Type Activities	Total
Valley Metro Rail Inc.	\$ 198,417	\$ -	\$ 198,417
TOPAZ Regional Wireless Cooperative	5,409	-	5,409
Subregional Operating Group	-	85,293	85,293
Val Vista Water Treatment Plant	-	53,388	53,388
Greenfield Water Reclamation Plant	-	60,346	60,346
Joint Ventures Construction Deposits	-	4,086	4,086
Total Investment in Joint Ventures	<u>\$ 203,826</u>	<u>\$ 203,113</u>	<u>\$ 406,939</u>

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**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 \$1,318,248,933 has been spent on this project through the fiscal year ended June 30, 2017, of which the City’s share and equity interest is \$198,417,000. The City has received and accrued \$64.6 million of funding from the Federal Transit Administration (FTA), Congestion Mitigation Air Quality (CMAQ) and Public Transit Funds (PTF) related to this project.

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 \$5,409,285 and is reflected in the governmental funds financial statements. Separate financial statements are not prepared.

Total investment in the joint venture as of June 30, 2017, is (in thousands):

City of Mesa	\$	5,409
Town of Gilbert		1,272
City of Apache Junction		418
Superstition Fire and Medical		154
Town of Queen Creek		107
Rio Verde Fire District		13
Fort McDowell		3
Total Joint Venture	\$	<u>7,376</u>

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**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 \$85,293,201 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 \$60,345,763 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, 2017, is (in thousands):

Mesa's Share	\$ 60,346
Gilbert's Share	55,032
Queen Creek's Share	23,752
Total Joint Venture	<u>\$ 139,130</u>

**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 \$53,387,794 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.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**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 benefitted 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, 2017, the City reported the following aggregate amounts related to pensions for all plans to which it contributes (in thousands):

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net Pension Liabilities	\$ 755,877	\$ 55,385	\$ 811,262
Deferred Outflows of Resources	187,082	10,485	197,567
Deferred Inflows of Resources	56,283	6,905	63,188
Pension Expense	116,380	7,532	123,912

**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 by the ASRS Governing Board in accordance with Title 38, Chapter 5 Articles 2 and 2.1 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.

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:

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percentage per 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, 2017, covered employees were required by state statute to contribute at the actuarially determined rate of 11.48% (11.34% pension plus 0.14% long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.48% (10.78% for retirement, 0.56% for the health insurance premium benefit, and 0.14% for long-term disability) of the active members' annual covered payroll.

Additionally, the City is required by Statute 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, 2017 was 9.47% (9.17% retirement, 0.21% health, 0.09% long-term disability). The City's ACR contributions to the System for the year ending June 30, 2017 were \$122,429.

d. **Pension Liability**

At June 30, 2017, the City reported a liability of \$268,013,311 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2016. The total

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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, 2015, to the measurement date of June 30, 2016. The total pension liability as of June 30, 2016, reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

The City's reported liability at June 30, 2017, increased by \$12,676,241 from the City's prior year liability of \$255,337,070 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 2016 contributions. The City's proportion measured as of June 30, 2016, was 1.66045%, which was an increase of 0.0212% from its proportion measured as of June 30, 2015.

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

For the year ended June 30, 2017, the City recognized pension expense for ASRS of \$12,066,464. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,629	\$ 18,437
Changes of assumptions	-	14,180
Net difference between projected and actual earnings on pension plan investments	29,043	-
Changes in proportion and differences between City contributions	2,710	797
City contributions subsequent to the measurement date	17,423	-
Total	<u>\$ 50,805</u>	<u>\$ 33,414</u>

The \$17,422,966 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, 2018. 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,
2018	\$ (12,059)
2019	(8,169)
2020	12,052
2021	8,208
2022	-
Thereafter	-
	<u>\$ 32</u>

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

f. **Actuarial Assumptions**

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

Actuarial Valuation Date	June 30, 2015
Actuarial Roll Forward Date	June 30, 2016
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, 2015 valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2012. The ASRS Board adopted the experience study which recommended changes, and those changes were effective as of the June 30, 2013 actuarial valuation.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.75% 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 arithmetic rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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>Real Return Arithmeti</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	58%	6.73%	3.90%
Fixed Income	25%	3.70%	0.93%
Commodities	2%	3.84%	0.08%
Real Estate	10%	4.25%	0.42%
Multi-asset class	5%	3.41%	0.17%
Total	<u>100%</u>		5.50%
Inflation			<u>3.25%</u>
Expected arithmetic nominal return			<u>8.75%</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 8.75%. 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



CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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):

	1% Decrease 7%	Current Discount Rate 8%	1% Increase 9%
City's proportionate share of the net pension liability	\$ 341,737	\$ 268,013	\$ 208,903

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.

**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 regularly assigned hazardous duty 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 a nine-member board known as the board of trustees, 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.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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:

	Tier 1	Tier 2
Membership Dates	Before January 1, 2012	On or after January 1, 2012
<u>Retirement and Disability</u>		
Years of service	20 years, any age	25 years, age of 52.5
and age required to receive bene	15 years, age 62	
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percentage		
Normal Retirement (80% max)	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service, not to exceed 80%	2.5% for each year of credited 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, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not 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 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. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

c. **Employees Covered by Benefit Terms**

At June 30, 2017, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Fire	PSPRS Police
Inactive employees or beneficiaries currently receiving benefits	235	513
Inactive employees entitled to but not yet receiving benefits	51	135
Active employees	392	715
Total	678	1,363

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). Tier 1 members required contribution was 11.65% from July 1, 2016 to April 1, 2017. As a result of a court ruling, the contribution rate changed to 7.65% of their annual covered salary on April 2, 2017. Tier 2 members are required to contribute 11.65% 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, 2017 were 41.24% (40.97% pension plus 0.27% health care), for fire personnel and 42.38% (41.39% pension plus 0.99% health care) for police members.

e. **Annual Pension Contributions**

Fire personnel contributed \$3,739,306 (\$3,601,120 regular members plus \$138,186 DROP members) and police personnel contributed \$7,402,036 (\$7,094,726 regular members plus \$307,310 DROP members) during fiscal year 2017. For 2017, the City's annual pension contribution of \$13,564,174 (\$13,475,369 pension, \$88,805 health care) for fire and \$27,436,722 (\$26,795,798 pension, \$640,924 health care) for police was equal to the City's required and actual contributions, including health care. The required contribution was determined as part of the June 30, 2015 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, 2017 was 28.78% for both fire and police. The City's ACR contributions for the year ending June 30, 2017 were \$14,462 for fire and \$13,428 for police.

f. **Pension Liability**

At June 30, 2017, the City reported net pension liabilities of \$185,042,419 and \$358,206,502 for fire and police, respectively. The net pension liabilities were measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The total pension liabilities as of June 30, 2016, reflect the following changes of benefit terms and actuarial assumptions:

- In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments changed the basis for cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2%.
- Laws 2016, Chapter 2, changed the benefit formula and contribution requirements for members hired on or after July 1, 2017.
- The investment rate of return actuarial assumption was decreased from 7.85% to 7.50%.

The net pension liabilities measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the County's net pension liabilities as a result of these changes is not known.

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

For the year ended June 30, 2017, the City recognized pension expense of \$39,285,037 and \$72,561,474 for fire and police, respectively. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Fire</b>		
Differences between expected and actual experience	\$ -	\$ 10,485
Changes in assumptions	23,885	-
Net difference between projected and actual earnings on pension plan investments	13,464	3,245
City contributions subsequent to the measurement date	13,490	-
Total	<u>\$ 50,839</u>	<u>\$ 13,730</u>
	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Police</b>		
Differences between expected and actual experience	\$ -	\$ 10,587
Changes in assumptions	45,870	-
Net difference between projected and actual earnings on pension plan investments	23,244	5,457
City contributions subsequent to the measurement date	26,809	-
Total	<u>\$ 95,923</u>	<u>\$ 16,044</u>

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 in the year ended June 30, 2018. 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):

<u>Year Ending June 30,</u>	<u>Fire</u>	<u>Police</u>
2018	\$ 4,826	\$ 13,015
2019	4,826	13,015
2020	6,448	15,742
2021	5,110	7,693
2022	931	3,145
Thereafter	1,478	460
	<u>\$ 23,619</u>	<u>\$ 53,070</u>

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, 2016
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.50%
Projected Salary Increases	4% - 8% including inflation
Inflation	3%
Assumed Future Permanent Benefit Increase	Included
Mortality Rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

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.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real 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%	4.48%
Private Equity	11%	9.50%
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 7.50% was used to measure the total pension liability. This discount rate was based on the expected rate of return on pension plan investments of 7.50%. This was a decrease of 0.35% from the discount rate used at June 30, 2015. 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 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.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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>	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability
Balance at June 30, 2016	\$ 308,053	\$ 164,095	\$ 143,958
Changes for the Year:			
Service Cost	6,439	-	6,439
Interest on the Total Pension Liability	23,654	-	23,654
Changes of Benefit Terms	21,380	-	21,380
Differences Between Expected and Actual			
Experience in the Measurement of the Liability	(4,423)	-	(4,423)
Changes of Assumptions or Other Inputs	11,970	-	11,970
Contributions - Employer	-	12,735	(12,735)
Contributions - Employee	-	4,396	(4,396)
Net Investment Income	-	954	(954)
Benefit Payments, Including Refunds of			
Employee Contributions	(19,893)	(19,893)	-
Administrative Expenses	-	(138)	138
Other Changes	-	(12)	12
Net Changes	39,127	(1,958)	41,085
Balances as of June 30, 2017	<u>\$ 347,180</u>	<u>\$ 162,137</u>	<u>\$ 185,043</u>

<b>Police</b>	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability
Balance at June 30, 2016	\$ 564,698	\$ 282,088	\$ 282,610
Changes for the Year:			
Service Cost	12,438	-	12,438
Interest on the Total Pension Liability	43,573	-	43,573
Changes of Benefit Terms	34,005	-	34,005
Differences Between Expected and Actual			
Experience in the Measurement of the Liability	(4,001)	-	(4,001)
Changes of Assumptions or Other Inputs	23,614	-	23,614
Contributions - Employer	-	24,067	(24,067)
Contributions - Employee	-	8,157	(8,157)
Net Investment Income	-	1,667	(1,667)
Benefit Payments, Including Refunds of			
Employee Contributions	(31,689)	(31,689)	-
Administrative Expenses	-	(240)	240
Other Changes	-	382	(382)
Net Changes	77,940	2,344	75,596
Balances as of June 30, 2017	<u>\$ 642,638</u>	<u>\$ 284,432</u>	<u>\$ 358,206</u>

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
Fire Net Pension Liability	\$ 229,155	\$ 185,043	\$ 148,497
Police Net Pension Liability	444,419	358,206	287,434

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

For 2016 the City's annual Other Post-Employment Benefits (OPEB) cost of \$76,577 for fire and \$606,848 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, 2016 (Latest actuarial date available) is as follows (in thousands):

	<b>Fire</b>	<b>Police</b>
Actuarial accrued liability (AAL)	\$ 8,153	\$ 18,591
Actuarial value of plan assets	7,770	10,786
Unfunded actuarial accrued liability (UAAL)	<u>\$ 383</u>	<u>\$ 7,805</u>
Funded ratio (actuarial value of plan assets/AAL)	95.3%	58.0%
Covered payroll (active plan members)	\$ 32,453	\$ 61,211
UAAL as a percentage of covered payroll	1.18%	12.75%

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.

**Actuarial Assumptions**

The health insurance premium benefit contribution requirements for the year ended June 30, 2017, were established by the June 30, 2015, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.



CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining Amortization Period	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 80%/120% market corridor
Investment Rate of Return	7.85%
Projected Salary Increases	4% - 8%
Wage Growth	4%

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows (in thousands):

**Fire**

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	495	100%	\$ -
2015	542	100%	-
2016	77	100%	-

**Police**

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	1,083	100%	\$ -
2015	1,188	100%	-
2016	607	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, 2017, 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

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 2016-2017 was \$28,524,665. A liability of \$3,885,159 is accrued in the business-type activities financial statements; the remaining \$24,639,506 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 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 (Date of most recent valuation), 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, 2017, the City contributed \$19,012,605 to the plan (approximately 70.0 percent of total premiums). Plan members receiving benefits contributed \$8,142,830 or approximately 30.0 percent of total premiums.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**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.

The City's annual OPEB cost for the current year and the related information for the plan are as follows at June 30, 2017 (in thousands):

Annual Required Contribution	\$ 53,744
Interest on Net OPEB Obligation	21,826
Adjusted to Annual Required Contribution	<u>(28,032)</u>
Annual OPEB Cost	47,538
Contributions Made	<u>(19,013)</u>
Increase in Net OPEB Obligation	28,525
Net OPEB Obligation – Beginning of year	<u>485,025</u>
Net OPEB Obligation – End of year	<u><u>\$513,550</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, 2015 through 2017 were as follows:

<u>Fiscal</u> <u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Actual</u> <u>Contribution</u>	<u>Percentage of</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2015	50,750	17,125	33.7%	456,625
2016	46,258	17,858	38.6%	485,025
2017	47,538	19,013	40.0%	513,550

**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 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, 2017

**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

**17. SUBSEQUENT EVENTS**

On August 15, 2017, the City called for the optional redemption of \$45,035,000 of Excise Tax Revenue Obligations Bonds, Series 2013 plus accumulated interest of \$275,214.

On October 12, 2017, the Eastmark Community Facility District issued 2017 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds in the amount of \$8,160,000. These bonds are due in annual principal installments ranging from \$215,000 to \$510,000, plus semi-annual interest ranging from 2 percent to 5 percent through July 15, 2042.

On December 7, 2017, the Eastmark Community Facility District issued 2017 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Special Assessment District 7 Special Assessment Bonds in the amount of \$1,326,500. These bonds are due in annual principal installments ranging from \$36,500 to \$389,000, plus semi-annual interest ranging from 2% percent to 4.5% percent through July 1, 2042.



# Required Supplementary Information

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2017

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, 2017

(in thousands)

**Arizona State Retirement System**

	Reporting Fiscal Year* (Measurement Date)		
	2015 (2014)	2016 (2015)	2017 (2016)
City's Proportion of the Net Pension Liability	1.634103%	1.639250%	1.660450%
City's Proportionate Share of the Net Pension Liability	\$ 241,792	\$ 255,337	\$ 268,013
City's Covered Payroll	\$ 147,402	\$ 151,154	\$ 155,868
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	164.04%	168.93%	171.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.49%	68.35%	67.06%

See accompanying notes to pension plan schedules.

\*2014 through 2008 Information not available



## 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, 2017

(in thousands)

**Public Safety Personnel Retirement System - Fire**

	Reporting Fiscal Year *		
	(Measurement Date)		
	2015 (2014)	2016 (2015)	2017 (2016)
Total Pension Liability			
Service Cost	\$ 6,281	\$ 6,127	\$ 6,439
Interest on the Total Pension Liability	20,708	23,086	23,654
Changes of Benefit Terms	4,044	-	21,380
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(6,961)	(3,518)	(4,423)
Changes of Assumptions or Other Inputs	23,097	-	11,970
Benefit Payments, Including Refunds of Employee Contributions	(16,309)	(17,323)	(19,893)
Net Change in Total Pension Liability	30,860	8,372	39,127
Total Pension Liability - Beginning	268,821	299,681	308,053
Total Pension Liability - Ending (a)	299,681	308,053	347,180
Plan Fiduciary Net Position			
Contributions - Employer	9,157	9,828	12,735
Contributions - Employee	3,488	3,847	4,396
Net Investment Income	19,840	5,878	954
Benefit Payments, Including Refunds of Employee Contributions	(16,309)	(17,323)	(19,893)
Administrative Expense	(160)	(144)	(138)
Other Changes	(113)	45	(12)
Net Change in Plan Fiduciary Net Position	15,903	2,131	(1,958)
Plan Fiduciary Net Position - Beginning	146,061	161,964	164,095
Plan Fiduciary Net Position - Ending (b)	161,964	164,095	162,137
City's Net Pension Liability - Ending (a) - (b)	\$ 137,717	\$ 143,958	\$ 185,043
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.05%	53.27%	46.70%
City's Covered Payroll	\$ 30,782	\$ 31,661	\$ 32,453
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	447.39%	454.69%	570.18%

See accompanying notes to pension plan schedules.

\*2014 through 2008 Information not available

## 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, 2017

(in thousands)

**Public Safety Personnel Retirement System - Police**

	Reporting Fiscal Year (Measurement Date)		
	2015 (2014)	2016 (2015)	2017 (2016)
Total Pension Liability			
Service Cost	\$ 12,481	\$ 12,216	\$ 12,438
Interest on the Total Pension Liability	36,514	41,908	43,573
Changes of Benefit Terms	8,728	-	34,005
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(11,331)	(2,173)	(4,001)
Changes of Assumptions or Other Inputs	51,228	-	23,614
Benefit Payments, Including Refunds of Employee Contributions	(27,566)	(29,998)	(31,689)
Net Change in Total Pension Liability	70,054	21,953	77,940
Total Pension Liability - Beginning	472,691	542,745	564,698
Total Pension Liability - Ending (a)	542,745	564,698	642,638
Plan Fiduciary Net Position			
Contributions - Employer	17,443	19,680	24,067
Contributions - Employee	6,784	7,613	8,157
Net Investment Income	33,360	10,065	1,667
Benefit Payments, Including Refunds of Employee Contributions	(27,566)	(29,998)	(31,689)
Administrative Expense	(269)	(246)	(240)
Other Changes	288	28	382
Net Change in Plan Fiduciary Net Position	30,040	7,142	2,344
Plan Fiduciary Net Position - Beginning	244,906	274,946	282,088
Plan Fiduciary Net Position - Ending (b)	274,946	282,088	284,432
City's Net Pension Liability - Ending (a) - (b)	<u>\$ 267,799</u>	<u>\$ 282,610</u>	<u>\$ 358,206</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	50.66%	49.95%	44.26%
City's Covered Payroll	\$ 59,688	\$ 62,461	\$ 61,211
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	448.66%	452.46%	585.20%

See accompanying notes to pension plan schedules.

\*2014 through 2008 Information not available



## CITY OF MESA, ARIZONA

**EXHIBIT B-3**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CITY PENSION CONTRIBUTIONS

JUNE 30, 2017

(in thousands)

**Arizona State Retirement System**

	2014	2015	2016	2017
Statutorily Required Contribution	\$ 15,750	\$ 16,146	\$ 16,955	\$ 17,423
City's Contribution in Relation to the Statutorily Required Contribution	15,750	16,146	16,955	17,423
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 147,402	\$ 151,154	\$ 155,868	\$ 158,958
City's Contributions as a Percentage of Covered Payroll	10.68%	10.67%	10.88%	10.96%

**Public Safety Personnel Retirement System - Fire**

	2014	2015	2016	2017
Actuarially Determined Contribution	\$ 9,157	\$ 9,827	\$ 11,197	\$ 13,490
City's Contribution in Relation to the Actuarially Determined Contribution	9,157	9,827	12,735	13,490
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,538)</u>	<u>\$ -</u>
City's Covered Payroll	\$ 30,782	\$ 31,661	\$ 32,453	\$ 32,941
City's Contributions as a Percentage of Covered Payroll	29.75%	31.04%	39.24%	40.95%

**Public Safety Personnel Retirement System - Police**

	2014	2015	2016	2017
Actuarially Determined Contribution	\$ 17,443	\$ 19,680	\$ 21,697	\$ 26,809
City's Contribution in Relation to the Actuarially Determined Contribution	17,443	19,680	24,067	26,809
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,370)</u>	<u>\$ -</u>
City's Covered Payroll	\$ 59,688	\$ 62,461	\$ 61,211	\$ 64,740
City's Contributions as a Percentage of Covered Payroll	29.22%	31.51%	39.32%	41.41%

See accompanying notes to pension plan schedules.

\*2013 through 2008 Information not available

CITY OF MESA, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO PENSION PLAN SCHEDULES  
JUNE 30, 2017  
(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	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 80%/120% market

Actuarial Assumptions:

Investment Rate of Return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%; In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.50%
Projected Salary Increases	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5%.
Wage Growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. 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, 2017

(in thousands)

**Health Insurance Premium Benefit**

<b>Actuarial Valuation Date June 30,</b>	<b>Actuarial Value of Assets ( a )</b>	<b>Actuarial Accrued Liability (AAL) ( b )</b>	<b>Unfunded AAL (UAAL) ( b - a )</b>	<b>Funded Ratio ( a / b )</b>	<b>Annual Covered Payroll ( c )</b>	<b>UAAL as a % of Covered Payroll (( b - a ) / c )</b>
<b>Fire</b>						
2014	7,364	7,578	214	97.2%	30,782	0.7%
2015	7,727	7,702	(25)	100.3%	31,661	-0.1%
2016	7,770	8,153	383	95.3%	32,453	1.2%
<b>Police</b>						
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%
2016	10,786	18,591	7,805	58.0%	61,211	12.8%

## 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, 2017

(in thousands)

<b>Actuarial Valuation Date July 1,</b>	<b>Actuarial Value of Assets ( a )</b>	<b>Actuarial Accrued Liability (AAL) ( b )</b>	<b>Percent Funded ( a / b )</b>	<b>Unfunded AAL ( b - a )</b>	<b>Annual Covered Payroll ( c )</b>	<b>Unfunded AAL as a Percentage of Covered Payroll (( 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, 2017

(in thousands)

	<b>Budgeted Amounts</b>		<b>Actual - Budgetary Basis</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
Revenues:				
Sales Taxes	\$ 107,196	\$ 107,196	\$ 109,364	\$ 2,168
Occupancy Taxes	25	25	-	(25)
Licenses and Permits	16,372	16,372	18,310	1,938
Intergovernmental	136,223	136,223	128,457	(7,766)
Charges for Services	23,100	23,100	20,774	(2,326)
Fines and Forfeitures	7,283	7,283	7,850	567
Investment Income	491	491	(226)	(717)
Contributions	-	-	38	38
Miscellaneous Revenues	1,606	1,606	1,435	(171)
Total Revenues	<u>292,296</u>	<u>292,296</u>	<u>286,002</u>	<u>(6,294)</u>
Expenditures:				
Current:				
General Government	96,524	96,364	77,646	18,718
Public Safety	233,219	235,994	228,987	7,007
Community Environment	16,502	16,370	14,817	1,553
Cultural-Recreational	38,721	38,756	36,326	2,430
Capital Outlay	14,821	15,095	7,976	7,119
Total Expenditures	<u>399,787</u>	<u>402,579</u>	<u>365,752</u>	<u>36,827</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(107,491)	(110,283)	(79,750)	30,533
Other Financing Sources (Uses):				
Transfers In	133,012	133,012	111,449	(21,563)
Transfers Out	(37,741)	(58,990)	(14,766)	44,224
Total Other Financing Sources (Uses)	<u>95,271</u>	<u>74,022</u>	<u>96,683</u>	<u>22,661</u>
Net Change in Fund Balances	(12,220)	(36,261)	16,933	53,194
Fund Balance - Beginning	<u>77,315</u>	<u>77,315</u>	<u>78,153</u>	<u>838</u>
Fund Balance - Ending	<u>\$ 65,095</u>	<u>\$ 41,054</u>	<u>\$ 95,086</u>	<u>\$ 54,032</u>

See accompanying note to budgetary comparison schedule.

CITY OF MESA, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO BUDGETARY COMPARISON SCHEDULE  
JUNE 30, 2017  
(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, 2017 on the “GAAP basis” to the “budget basis” as follows:

Net Change in Fund Balance-Budget Basis - Exhibit B-6	\$ 16,933
Basis Differences:	
Compensated Absences	240
Bad Debt	10
Payroll Accrual	(704)
Unavailable Revenue	2,869
Unrealized Gain on Investments	272
	<hr/>
Net Change in Fund Balance-GAAP Basis - Exhibit A-5	<u><u>\$ 19,620</u></u>





# Combining Statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2017



## **NON-MAJOR GOVERNMENTAL FUNDS**

### **Special Revenue Funds**

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures 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 Facilities District 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** 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 District.

**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** accumulates monies for the payment of Eastmark and other Community Facilities District 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 Project Advancement Notes** accumulates monies for the payment of principal and interest requirements of the Highway Project Advancement Notes.

**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**  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2017  
(in thousands)

	<b>Special Revenue Funds</b>			
	<b>Cemetery</b>	<b>Community Facilities District</b>	<b>Development Impact Fees</b>	<b>Environmental Compliance</b>
<b>ASSETS</b>				
Pooled Cash and Investments	\$ 6,961	\$ 106	\$ 4,854	\$ 11,065
Accounts Receivable, Net	15	-	-	2
Accrued Interest Receivable	23	-	14	18
Due from Other Governments	-	-	-	-
Prepaid Costs	-	-	-	3
Deposits	-	-	-	-
Restricted Assets:				
Pooled Cash and Investments	-	-	-	-
Cash with Fiscal Agent	-	-	-	-
Cash with Trustee	-	-	-	-
Accounts Receivable	-	-	-	-
Due from Other Governments	-	-	-	-
Total Assets	<u>\$ 6,999</u>	<u>\$ 106</u>	<u>\$ 4,868</u>	<u>\$ 11,088</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ -	\$ 1,053
Due to Other Funds	-	-	-	-
Advances from Other Funds	-	-	234	-
Customer and Defendant Deposits	-	-	-	-
Payable from Restricted Assets:				
Accrued Interest Payable	-	-	-	-
Unearned Revenue	-	83	-	-
Matured Bonds Payable	-	-	-	-
Total Liabilities	<u>-</u>	<u>83</u>	<u>234</u>	<u>1,053</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	12	-	-	-
Total Deferred Inflows of Resources	<u>12</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	3
Restricted	-	23	4,634	-
Committed	6,987	-	-	10,032
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>6,987</u>	<u>23</u>	<u>4,634</u>	<u>10,035</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,999</u>	<u>\$ 106</u>	<u>\$ 4,868</u>	<u>\$ 11,088</u>

**EXHIBIT C-1**  
(Continued)

Special Revenue Funds						
Grants and Special Programs	Highway User Revenue	Mesa Arts Center Restoration	Mesa Housing Authority	Quality of Life Sales Tax	Street Sales Tax	Total Special Revenue Funds
\$ 6,505	\$ 6,103	\$ 1,230	\$ 1,361	\$ -	\$48,134	\$ 86,319
225	-	-	13	1,957	3,066	5,278
9	16	6	-	-	74	160
2,274	3,491	-	1,942	-	-	7,707
14	-	-	-	-	-	17
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 9,027</u>	<u>\$ 9,610</u>	<u>\$ 1,236</u>	<u>\$ 3,316</u>	<u>\$ 1,957</u>	<u>\$51,274</u>	<u>\$ 99,481</u>
\$ 1,184	\$ 1,992	\$ 216	\$ 1,073	\$ -	\$ 2,519	\$ 8,037
-	-	-	-	1,093	-	1,093
-	-	-	-	-	-	234
-	-	-	-	-	6,247	6,247
-	-	-	-	-	-	-
560	-	62	1,552	-	-	2,257
-	-	-	-	-	-	-
<u>1,744</u>	<u>1,992</u>	<u>278</u>	<u>2,625</u>	<u>1,093</u>	<u>8,766</u>	<u>17,868</u>
44	-	-	-	-	524	580
<u>44</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>524</u>	<u>580</u>
14	-	-	-	-	-	17
6,444	7,618	-	691	864	41,984	62,258
848	-	958	-	-	-	18,825
2	-	-	-	-	-	2
(69)	-	-	-	-	-	(69)
<u>7,239</u>	<u>7,618</u>	<u>958</u>	<u>691</u>	<u>864</u>	<u>41,984</u>	<u>81,033</u>
<u>\$ 9,027</u>	<u>\$ 9,610</u>	<u>\$ 1,236</u>	<u>\$ 3,316</u>	<u>\$ 1,957</u>	<u>\$51,274</u>	<u>\$ 99,481</u>

CITY OF MESA, ARIZONA  
**EXHIBIT C-1**  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2017  
(in thousands)

	Capital Projects Funds					Total Capital Projects Funds
	Community Facilities District	General Capital Projects	Parks	Public Safety	Streets	
<b>ASSETS</b>						
Pooled Cash and Investments	\$ -	\$13,100	\$ 6,064	\$ 5,852	\$23,118	\$48,134
Accounts Receivable, Net	-	44	12	-	-	56
Accrued Interest Receivable	-	4	-	-	8	12
Due from Other Governments	-	-	-	-	5,951	5,951
Prepaid Costs	-	20	-	-	-	20
Deposits	-	-	-	-	199	199
Restricted Assets:						
Pooled Cash and Investments	-	-	-	-	-	-
Cash with Fiscal Agent	-	-	-	-	-	-
Cash with Trustee	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-
Due from Other Governments	-	-	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$13,168</u>	<u>\$ 6,076</u>	<u>\$ 5,852</u>	<u>\$29,276</u>	<u>\$54,372</u>
<b>LIABILITIES</b>						
Accounts Payable and Accrued Liabilities	\$ -	\$ 1,001	\$ 3,299	\$ 1,195	\$ 1,455	\$ 6,950
Due to Other Funds	-	-	-	-	-	-
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>1,001</u>	<u>3,299</u>	<u>1,195</u>	<u>1,455</u>	<u>6,950</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenue	-	44	-	-	-	44
Total Deferred Inflows of Resources	<u>-</u>	<u>44</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44</u>
<b>FUND BALANCES</b>						
Nonspendable	-	20	-	-	-	20
Restricted	-	-	2,777	4,657	27,821	35,255
Committed	-	12,103	-	-	-	12,103
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances	<u>-</u>	<u>12,123</u>	<u>2,777</u>	<u>4,657</u>	<u>27,821</u>	<u>47,378</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ -</u>	<u>\$13,168</u>	<u>\$ 6,076</u>	<u>\$ 5,852</u>	<u>\$29,276</u>	<u>\$54,372</u>

**EXHIBIT C-1**  
(Concluded)

<b>Community Facilities District</b>	<b>General Obligation Bonds</b>	<b>Highway Project Advancement Notes</b>	<b>Highway User Revenue Bonds</b>	<b>Special Assessment Bonds</b>	<b>Total Debt Service Funds</b>	<b>Total Nonmajor Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 134,453
-	-	-	-	-	-	5,334
1	5	-	-	-	6	178
-	-	-	-	-	-	13,658
-	-	-	-	-	-	37
-	-	-	-	-	-	199
931	4,659	7,884	-	237	13,711	13,711
1,000	29,108	-	10,137	-	40,245	40,245
-	-	6,791	-	-	6,791	6,791
9,767	21	-	-	959	10,747	10,747
-	932	-	-	-	932	932
<u>\$ 11,699</u>	<u>\$ 34,725</u>	<u>\$ 14,675</u>	<u>\$ 10,137</u>	<u>\$ 1,196</u>	<u>\$72,432</u>	<u>\$ 226,285</u>
\$ 6	\$ 147	\$ -	\$ -	\$ -	\$ 153	\$ 15,140
-	-	-	-	-	-	1,093
-	-	-	-	-	-	234
-	-	-	-	-	-	6,247
453	5,811	-	2,237	39	8,540	8,540
-	-	6,202	-	-	6,202	8,459
547	23,297	-	7,900	-	31,744	31,744
<u>1,006</u>	<u>29,255</u>	<u>6,202</u>	<u>10,137</u>	<u>39</u>	<u>46,639</u>	<u>71,457</u>
9,761	481	-	-	959	11,201	11,825
<u>9,761</u>	<u>481</u>	<u>-</u>	<u>-</u>	<u>959</u>	<u>11,201</u>	<u>11,825</u>
-	-	-	-	-	-	37
932	4,989	8,473	-	198	14,592	112,105
-	-	-	-	-	-	30,928
-	-	-	-	-	-	2
-	-	-	-	-	-	(69)
<u>932</u>	<u>4,989</u>	<u>8,473</u>	<u>-</u>	<u>198</u>	<u>14,592</u>	<u>143,003</u>
<u>\$ 11,699</u>	<u>\$ 34,725</u>	<u>\$ 14,675</u>	<u>\$ 10,137</u>	<u>\$ 1,196</u>	<u>\$72,432</u>	<u>\$ 226,285</u>

## CITY OF MESA, ARIZONA

**EXHIBIT C-2**

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(in thousands)

	<b>Special Revenue Funds</b>			
	<b>Cemetery</b>	<b>Community Facilities District</b>	<b>Development Impact Fees</b>	<b>Environmental Compliance</b>
Revenues:				
Sales Taxes	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	64	-	-
Occupancy Taxes	-	-	-	-
Special Assessments	-	-	-	-
Licenses and Permits	-	-	3,871	-
Intergovernmental	-	-	-	-
Charges for Services	105	-	-	15,413
Fines and Forfeitures	-	-	-	-
Investment Income	19	-	12	17
Contributions	-	11	-	-
Miscellaneous Revenues	-	-	-	-
Total Revenues	<u>124</u>	<u>75</u>	<u>3,883</u>	<u>15,430</u>
Expenditures:				
Current:				
General Government	-	91	-	1,084
Public Safety	-	-	-	110
Community Environment	-	-	-	4,635
Cultural-Recreational	-	-	-	6,297
Debt Service:				
Principal Retirement	-	-	-	-
Interest on Bonds	-	-	-	-
Service Charges	-	2	-	-
Cost of Issuance	-	-	-	-
Capital Outlay	-	-	-	2,763
Total Expenditures	<u>-</u>	<u>93</u>	<u>-</u>	<u>14,889</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>124</u>	<u>(18)</u>	<u>3,883</u>	<u>541</u>
Other Financing Sources (Uses):				
Transfers In	-	19	-	-
Transfers Out	-	-	(2,765)	-
Face Amount of Bonds Issued	-	-	-	-
Premium on Issuance of Bonds (Net)	-	-	-	-
Issuance of Refunding Bonds	-	-	-	-
Payment to Refunding Bond Agent	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>19</u>	<u>(2,765)</u>	<u>-</u>
Net Change in Fund Balances	124	1	1,118	541
Fund Balances - Beginning	<u>6,863</u>	<u>22</u>	<u>3,516</u>	<u>9,494</u>
Fund Balances - Ending	<u>\$ 6,987</u>	<u>\$ 23</u>	<u>\$ 4,634</u>	<u>\$ 10,035</u>



**EXHIBIT C-2**  
(Continued)

Special Revenue Funds						
Grants and Special Programs	Highway User Revenue	Mesa Arts Center Restoration	Mesa Housing Authority	Quality of Life Sales Tax	Street Sales Tax	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$22,902	\$27,469	\$50,371
-	-	-	-	-	-	64
2,536	-	-	-	-	-	2,536
-	-	-	-	-	-	-
551	-	-	-	45	260	4,727
11,708	38,030	-	17,729	-	1	67,468
11	-	-	2	-	126	15,657
989	-	322	-	-	-	1,311
18	18	5	118	(14)	74	267
285	-	-	-	-	-	296
2,362	-	3	2	-	89	2,456
18,460	38,048	330	17,851	22,933	28,019	145,153
2,953	92	-	123	-	4,368	8,711
7,446	-	-	-	24,702	347	32,605
415	24,698	-	16,927	-	6,927	53,602
954	-	-	-	-	-	7,251
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	2
-	-	-	-	-	-	-
6,061	7,349	625	774	-	8,231	25,803
17,829	32,139	625	17,824	24,702	19,873	127,974
631	5,909	(295)	27	(1,769)	8,146	17,179
35	-	-	-	-	-	54
-	(12,340)	-	-	-	-	(15,105)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
35	(12,340)	-	-	-	-	(15,051)
666	(6,431)	(295)	27	(1,769)	8,146	2,128
6,573	14,049	1,253	664	2,633	33,838	78,905
\$ 7,239	\$ 7,618	\$ 958	\$ 691	\$ 864	\$41,984	\$81,033

## CITY OF MESA, ARIZONA

**EXHIBIT C-2**

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(in thousands)

	<b>Capital Projects Funds</b>					<b>Total Capital Projects Funds</b>
	<b>Community Facilities District</b>	<b>General Capital Projects</b>	<b>Parks</b>	<b>Public Safety</b>	<b>Streets</b>	
Revenues:						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	-	-	-	-	-
Occupancy Taxes	-	-	-	-	-	-
Special Assessments	-	294	-	-	-	294
Licenses and Permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	3,573	3,573
Charges for Services	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-
Investment Income	-	(2)	(5)	(5)	(2)	(14)
Contributions	45	-	-	-	-	45
Miscellaneous Revenues	-	252	12	-	162	426
Total Revenues	<u>45</u>	<u>544</u>	<u>7</u>	<u>(5)</u>	<u>3,733</u>	<u>4,324</u>
Expenditures:						
Current:						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Community Environment	-	-	-	-	-	-
Cultural-Recreational	-	-	-	-	-	-
Debt Service:						
Principal Retirement	-	-	-	-	-	-
Interest on Bonds	-	-	-	-	-	-
Service Charges	-	-	-	-	-	-
Cost of Issuance	157	-	170	268	403	998
Capital Outlay	344	8,541	14,160	13,095	12,143	48,283
Total Expenditures	<u>501</u>	<u>8,541</u>	<u>14,330</u>	<u>13,363</u>	<u>12,546</u>	<u>49,281</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(456)</u>	<u>(7,997)</u>	<u>(14,323)</u>	<u>(13,368)</u>	<u>(8,813)</u>	<u>(44,957)</u>
Other Financing Sources (Uses):						
Transfers In	-	12,684	-	-	-	12,684
Transfers Out	(8)	-	-	-	(2,052)	(2,060)
Face Amount of Bonds Issued	464	-	10,050	15,050	22,080	47,644
Premium on Issuance of Bonds (Net)	-	-	149	223	328	700
Issuance of Refunding Bonds	-	-	-	-	-	-
Payment to Refunding Bond Agent	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>456</u>	<u>12,684</u>	<u>10,199</u>	<u>15,273</u>	<u>20,356</u>	<u>58,968</u>
Net Change in Fund Balances	-	4,687	(4,124)	1,905	11,543	14,011
Fund Balances - Beginning	-	7,436	6,901	2,752	16,278	33,367
Fund Balances - Ending	<u>\$ -</u>	<u>\$12,123</u>	<u>\$ 2,777</u>	<u>\$ 4,657</u>	<u>\$27,821</u>	<u>\$47,378</u>

**EXHIBIT C-2**  
(Concluded)

<b>Debt Service Funds</b>						
<b>Community Facilities District</b>	<b>General Obligation Bonds</b>	<b>Highway Project Advancement Notes</b>	<b>Highway User Revenue Bonds</b>	<b>Special Assessment Bonds</b>	<b>Total Debt Service Funds</b>	<b>Total Nonmajor Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,371
821	33,790	-	-	-	34,611	34,675
-	-	-	-	-	-	2,536
790	-	-	-	1,041	1,831	2,125
-	-	-	-	-	-	4,727
-	558	-	-	-	558	71,599
-	-	-	-	-	-	15,657
-	651	-	-	-	651	1,962
1	5	26	-	-	32	285
-	-	-	-	-	-	341
-	-	-	-	-	-	2,882
<u>1,612</u>	<u>35,004</u>	<u>26</u>	<u>-</u>	<u>1,041</u>	<u>37,683</u>	<u>187,160</u>
-	-	-	-	-	-	8,711
-	-	-	-	-	-	32,605
-	-	-	-	-	-	53,602
-	-	-	-	-	-	7,251
645	23,297	-	7,900	745	32,587	32,587
914	12,509	-	4,473	98	17,994	17,994
2	7	-	4	-	13	15
-	273	-	-	-	273	1,271
-	-	-	-	-	-	74,086
<u>1,561</u>	<u>36,086</u>	<u>-</u>	<u>12,377</u>	<u>843</u>	<u>50,867</u>	<u>228,122</u>
<u>51</u>	<u>(1,082)</u>	<u>26</u>	<u>(12,377)</u>	<u>198</u>	<u>(13,184)</u>	<u>(40,962)</u>
8	2,981	-	12,340	-	15,329	28,067
-	-	-	-	-	-	(17,165)
38	-	-	-	-	38	47,682
-	3,913	-	-	-	3,913	4,613
-	47,450	-	-	-	47,450	47,450
-	(50,891)	-	-	-	(50,891)	(50,891)
<u>46</u>	<u>3,453</u>	<u>-</u>	<u>12,340</u>	<u>-</u>	<u>15,839</u>	<u>59,756</u>
97	2,371	26	(37)	198	2,655	18,794
<u>835</u>	<u>2,618</u>	<u>8,447</u>	<u>37</u>	<u>-</u>	<u>11,937</u>	<u>124,209</u>
<u>\$ 932</u>	<u>\$ 4,989</u>	<u>\$ 8,473</u>	<u>\$ -</u>	<u>\$ 198</u>	<u>\$ 14,592</u>	<u>\$ 143,003</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 Benefits 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, 2017  
(in thousands)

	Warehouse, Maintenance and Services	Property and Public Liability Self Insurance	Workers' Compensation Self Insurance	Employee Benefits Self Insurance	Total
<b>ASSETS</b>					
Current Assets:					
Pooled Cash and Investments	\$ 518	\$ 9,736	\$ 9,682	\$ 46,306	\$ 66,242
Accounts Receivable	534	-	-	14	548
Accrued Premiums Receivable	-	-	-	162	162
Accrued Interest Receivable	-	24	10	105	139
Inventory	5,948	-	-	-	5,948
Prepaid Costs	19	524	208	7	758
Deposits	-	-	-	69	69
Total Current Assets	<u>7,019</u>	<u>10,284</u>	<u>9,900</u>	<u>46,663</u>	<u>73,866</u>
Noncurrent Assets:					
Capital Assets, Not Being Depreciated	317	-	-	7	324
Capital Assets, Being Depreciated, Net	1,308	-	-	308	1,616
Total Noncurrent Assets	<u>1,625</u>	<u>-</u>	<u>-</u>	<u>315</u>	<u>1,940</u>
Total Assets	<u>8,644</u>	<u>10,284</u>	<u>9,900</u>	<u>46,978</u>	<u>75,806</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Outflows Related to Pensions	1,710	256	221	232	2,419
Total Deferred Outflows of Resources	<u>1,710</u>	<u>256</u>	<u>221</u>	<u>232</u>	<u>2,419</u>
Total Assets and Deferred Outflows of Resources	<u>10,354</u>	<u>10,540</u>	<u>10,121</u>	<u>47,210</u>	<u>78,225</u>
<b>LIABILITIES</b>					
Current Liabilities					
Accounts Payable and Accrued Liabilities	962	3	82	2,654	3,701
Claims Payable	-	11,339	23,246	4,252	38,837
Current Portion of Compensated Absences	133	-	-	-	133
Total Current Liabilities	<u>1,095</u>	<u>11,342</u>	<u>23,328</u>	<u>6,906</u>	<u>42,671</u>
Long-Term Liabilities					
Compensated Absences	509	-	-	-	509
Net Pension Liability	9,035	1,351	809	1,228	12,423
Post Employment Benefits	8,444	1,071	463	1,137	11,115
Total Long-Term Liabilities	<u>17,988</u>	<u>2,422</u>	<u>1,272</u>	<u>2,365</u>	<u>24,047</u>
Total Liabilities	<u>19,083</u>	<u>13,764</u>	<u>24,600</u>	<u>9,271</u>	<u>66,718</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows Related to Pensions	1,127	168	101	153	1,549
Total Deferred Inflows of Resources	<u>1,127</u>	<u>168</u>	<u>101</u>	<u>153</u>	<u>1,549</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets	1,625	-	-	315	1,940
Unrestricted	(11,481)	(3,392)	(14,580)	37,471	8,018
Total Net Position	<u>\$ (9,856)</u>	<u>\$ (3,392)</u>	<u>\$ (14,580)</u>	<u>\$ 37,786</u>	<u>\$ 9,958</u>

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, 2017  
(in thousands)

	<b>Warehouse, Maintenance and Services</b>	<b>Property and Public Liability Self Insurance</b>	<b>Workers' Compensation Self Insurance</b>	<b>Employee Benefits Self Insurance</b>	<b>Total</b>
Operating Revenues:					
Charges For Services:					
Warehouse	\$ 6,066	\$ -	\$ -	\$ -	\$ 6,066
Fleet Support Services	18,132	-	-	-	18,132
Printing and Graphics	1,333	-	-	-	1,333
Self-Insurance Contributions:					
Employee	-	-	-	15,077	15,077
City	-	3,631	5,666	56,009	65,306
State Retirement System	-	-	-	4,423	4,423
Other	-	-	96	1,096	1,192
Total Operating Revenues	<u>25,531</u>	<u>3,631</u>	<u>5,762</u>	<u>76,605</u>	<u>111,529</u>
Operating Expenses:					
Warehouse, Maintenance & Services:					
Warehouse	6,766	-	-	-	6,766
Fleet Support Services	17,916	-	-	-	17,916
Printing and Graphics	846	-	-	-	846
Self-Insurance:					
Administrative Costs	-	1,079	1,196	7,292	9,567
Claims and Premiums Paid	-	1,229	3,871	71,814	76,914
Total Operating Expenses	<u>25,528</u>	<u>2,308</u>	<u>5,067</u>	<u>79,106</u>	<u>112,009</u>
Operating Income (Loss) Before Depreciation	3	1,323	695	(2,501)	(480)
Depreciation	<u>(211)</u>	<u>-</u>	<u>-</u>	<u>(136)</u>	<u>(347)</u>
Operating Income (Loss)	<u>(208)</u>	<u>1,323</u>	<u>695</u>	<u>(2,637)</u>	<u>(827)</u>
Nonoperating Revenues (Expense):					
Investment Income	-	20	9	88	117
Gain/(Loss) on Disposal of Capital Assets	3	-	-	-	3
Total Nonoperating Revenues (Expenses)	<u>3</u>	<u>20</u>	<u>9</u>	<u>88</u>	<u>120</u>
Income (Loss) Before Capital Contributions	(205)	1,343	704	(2,549)	(707)
Capital Contributions	<u>37</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37</u>
Change in Net Position	(168)	1,343	704	(2,549)	(670)
Total Net Position - Beginning	<u>(9,688)</u>	<u>(4,735)</u>	<u>(15,284)</u>	<u>40,335</u>	<u>10,628</u>
Total Net Position - Ending	<u>\$ (9,856)</u>	<u>\$ (3,392)</u>	<u>\$ (14,580)</u>	<u>\$ 37,786</u>	<u>\$ 9,958</u>

CITY OF MESA, ARIZONA  
**EXHIBIT C-5**  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(in thousands)

	<b>Warehouse, Maintenance and Services</b>	<b>Property and Public Liability Self Insurance</b>	<b>Workers' Compensation Self Insurance</b>	<b>Employee Benefits Self Insurance</b>	<b>Total</b>
Cash Flows from Operating Activities:					
Cash Received from Users	\$ 25,289	\$ 3,631	\$ 5,763	\$ 77,457	\$ 112,140
Cash Payments to Suppliers	(16,298)	(2,615)	(4,461)	(76,527)	(99,901)
Cash Payments to Employees	(8,887)	(934)	(241)	(1,044)	(11,106)
Net Cash Provided by (Used For)					
Operating Activities	104	82	1,061	(114)	1,133
Cash Flows from Capital and Related					
Financing Activities:					
Acquisition and Construction of Capital Assets	(323)	-	-	-	(323)
Net Cash Provided By (Used For) Capital					
and Related Financing Activities	(323)	-	-	-	(323)
Cash Flows from Investing Activities:					
Interest Received on Investments	-	11	7	64	82
Net Cash Provided by Investing Activities	-	11	7	64	82
Net Change in Cash and Cash Equivalents	(219)	93	1,068	(50)	892
Pooled Cash and Investments at Beginning of Year	737	9,643	8,614	46,356	65,350
Pooled Cash and Investments at End of Year	\$ 518	\$ 9,736	\$ 9,682	\$ 46,306	\$ 66,242
Reconciliation of Operating Income (Loss)					
to Net Cash Provided by Operating Activities:					
Operating Income (Loss)	\$ (208)	\$ 1,323	\$ 695	\$ (2,637)	\$ (827)
Adjustments to Reconcile Operating Income (Loss)					
to Net Cash Provided by Operating Activities:					
Depreciation	211	-	-	136	347
Changes in Assets and Liabilities:					
(Increase)/Decrease in Receivables	(241)	-	-	6	(235)
(Increase)/Decrease in Inventory	(51)	-	-	-	(51)
(Increase)/Decrease in Deposits and Prepaid Costs	(12)	(7)	1	6	(12)
(Decrease)/Increase in Accounts Payable	389	(27)	49	872	1,283
(Decrease)/Increase in Pension Liability	(504)	(17)	177	(131)	(475)
(Decrease)/Increase in Other Accrued Expenses	520	(1,190)	139	1,634	1,103
Total Adjustments	312	(1,241)	366	2,523	1,960
Net Cash Provided by (Used for) Operating Activities	\$ 104	\$ 82	\$ 1,061	\$ (114)	\$ 1,133
Noncash Transactions Affecting Financial Position:					
Contributions of Capital Assets	\$ 37	\$ -	\$ -	\$ -	\$ 37
Gain/(Loss) on Disposal of Capital Assets	3	-	-	-	3

## **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**

## AGENCY FUND

## STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(in thousands)

	<b>Balance July 1, 2016</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2017</b>
<b>PAYROLL AGENCY FUND</b>				
Assets:				
Pooled Cash and Investments	\$ 10,236	\$ 725,537	\$ 727,516	\$ 8,257
Due from Others	6	172	145	33
Total Assets	<u>\$ 10,242</u>	<u>\$ 725,709</u>	<u>\$ 727,661</u>	<u>\$ 8,290</u>
Liabilities:				
Accounts Payable	\$ 1,335	\$ 51,865	\$ 50,641	\$ 2,559
Accrued Payroll Payable	8,907	777,664	780,840	5,731
Total Liabilities	<u>\$ 10,242</u>	<u>\$ 829,529</u>	<u>\$ 831,481</u>	<u>\$ 8,290</u>





# Supplemental Information

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2017

CITY OF MESA, ARIZONA  
**EXHIBIT D-1**  
 SUPPLEMENTAL INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 COMMUNITY FACILITIES DISTRICT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
 (in thousands)

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Property Taxes	\$ -	\$ -	\$ 64	\$ 64
Special Assessments	61	61	-	(61)
Contributions	-	-	56	56
Miscellaneous Revenues	192	192	-	(192)
Total Revenues	<u>253</u>	<u>253</u>	<u>120</u>	<u>(133)</u>
Expenditures:				
Current:				
General Government	1,265	1,256	91	1,165
Debt Service:				
Service Charges	-	2	2	-
Cost of Issuance	600	605	157	448
Capital Outlay	2,138	2,133	344	1,789
Total Expenditures	<u>4,003</u>	<u>3,996</u>	<u>594</u>	<u>3,402</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,750)</u>	<u>(3,743)</u>	<u>(474)</u>	<u>3,269</u>
Other Financing Uses:				
Transfers In	-	-	19	19
Transfers Out	-	(8)	(8)	-
Face Amount of Bonds Issued	3,750	3,750	464	3,286
Total Other Financing Uses	<u>3,750</u>	<u>3,742</u>	<u>475</u>	<u>3,305</u>
Net Change in Fund Balances	-	(1)	1	2
Fund Balance - Beginning	<u>(263)</u>	<u>(263)</u>	<u>22</u>	<u>285</u>
Fund Balance - Ending	<u>\$ (263)</u>	<u>\$ (264)</u>	<u>\$ 23</u>	<u>\$ 287</u>

Note: Includes both the Special Revenue and the Capital Projects Funds

## CITY OF MESA, ARIZONA

**EXHIBIT D-2**

## SUPPLEMENTAL INFORMATION

## BUDGETARY COMPARISON SCHEDULE

## ENVIRONMENTAL COMPLIANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(in thousands)

	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
Revenues:				
Charges for Services	\$ 15,233	\$ 15,233	\$ 15,413	\$ 180
Investment Income	41	41	17	(24)
Total Revenues	<u>15,274</u>	<u>15,274</u>	<u>15,430</u>	<u>156</u>
Expenditures:				
Current:				
General Government	1,408	1,410	1,084	326
Public Safety	101	105	110	(5)
Community Environment	6,739	6,157	4,635	1,522
Cultural-Recreational	6,408	6,407	6,297	110
Capital Outlay	4,263	7,067	2,763	4,304
Total Expenditures	<u>18,919</u>	<u>21,146</u>	<u>14,889</u>	<u>6,257</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,645)</u>	<u>(5,872)</u>	<u>541</u>	<u>6,413</u>
Other Financing Uses:				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(3,645)	(5,872)	541	6,413
Fund Balances - Beginning	<u>6,231</u>	<u>6,231</u>	<u>9,494</u>	<u>3,263</u>
Fund Balance - Ending	<u>\$ 2,586</u>	<u>\$ 359</u>	<u>\$ 10,035</u>	<u>\$ 9,676</u>

## CITY OF MESA, ARIZONA

**EXHIBIT D-3**

## SUPPLEMENTAL INFORMATION

## BUDGETARY COMPARISON SCHEDULE

## GRANTS AND SPECIAL PROGRAMS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(in thousands)

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
Revenues:				
Occupancy Taxes	\$ 2,275	\$ 2,275	\$ 2,536	\$ 261
Licenses and Permits	342	342	551	209
Intergovernmental	12,862	12,862	11,708	(1,154)
Charges for Services	15	15	11	(4)
Fines and Forfeitures	1,021	1,021	989	(32)
Investment Income	-	-	18	18
Contributions	255	255	285	30
Miscellaneous Revenues	2,012	2,012	2,362	350
Total Revenues	<u>18,782</u>	<u>18,782</u>	<u>18,460</u>	<u>(322)</u>
Expenditures:				
Current:				
General Government	3,002	3,437	2,953	484
Public Safety	14,053	14,195	7,446	6,749
Community Environment	699	699	415	284
Cultural-Recreational	1,008	1,418	954	464
Capital Outlay	2,339	4,705	6,061	(1,356)
Total Expenditures	<u>21,101</u>	<u>24,454</u>	<u>17,829</u>	<u>6,625</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,319)	(5,672)	631	6,303
Other Financing Sources (Uses):				
Transfers In	-	-	35	35
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>35</u>	<u>35</u>
Net Change in Fund Balances	(2,319)	(5,672)	666	6,338
Fund Balances - Beginning	<u>6,848</u>	<u>6,848</u>	<u>6,573</u>	<u>(275)</u>
Fund Balance - Ending	<u>\$ 4,529</u>	<u>\$ 1,176</u>	<u>\$ 7,239</u>	<u>\$ 6,063</u>

## CITY OF MESA, ARIZONA

**EXHIBIT D-4**

## SUPPLEMENTAL INFORMATION

## BUDGETARY COMPARISON SCHEDULE

## HIGHWAY USER REVENUE

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(in thousands)

	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
Revenues:				
Intergovernmental	\$ 37,565	\$ 37,565	\$ 38,030	\$ 465
Investment Income	126	126	18	(108)
Total Revenues	<u>37,691</u>	<u>37,691</u>	<u>38,048</u>	<u>357</u>
Expenditures:				
Current:				
General Government	88	88	92	(4)
Community Environment	15,451	25,549	24,698	851
Capital Outlay	9,586	9,548	7,349	2,199
Total Expenditures	<u>25,125</u>	<u>35,185</u>	<u>32,139</u>	<u>3,046</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>12,566</u>	<u>2,506</u>	<u>5,909</u>	<u>3,403</u>
Other Financing Uses:				
Transfers Out	(12,377)	(12,377)	(12,340)	37
Total Other Financing Uses	<u>(12,377)</u>	<u>(12,377)</u>	<u>(12,340)</u>	<u>37</u>
Net Change in Fund Balances	189	(9,871)	(6,431)	3,440
Fund Balances - Beginning	<u>-</u>	<u>-</u>	<u>14,049</u>	<u>14,049</u>
Fund Balance - Ending	<u>\$ 189</u>	<u>\$ (9,871)</u>	<u>\$ 7,618</u>	<u>\$ 17,489</u>

## CITY OF MESA, ARIZONA

**EXHIBIT D-5**

## SUPPLEMENTAL INFORMATION

## BUDGETARY COMPARISON SCHEDULE

## MESA HOUSING AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(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	\$ 29,225	\$ 29,225	\$ 17,729	\$ (11,496)
Charges for Services	-	-	2	2
Investment Income	9	9	118	109
Miscellaneous Revenues	-	-	2	2
Total Revenues	<u>29,234</u>	<u>29,234</u>	<u>17,851</u>	<u>(11,383)</u>
Expenditures:				
Current:				
General Government	25	25	123	(98)
Community Environment	29,624	29,524	16,927	12,597
Capital Outlay	4	104	774	(670)
Total Expenditures	<u>29,653</u>	<u>29,653</u>	<u>17,824</u>	<u>11,829</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(419)</u>	<u>(419)</u>	<u>27</u>	<u>446</u>
Net Change in Fund Balances	(419)	(419)	27	446
Fund Balances - Beginning	<u>1,516</u>	<u>1,516</u>	<u>664</u>	<u>(852)</u>
Fund Balance - Ending	<u>\$ 1,097</u>	<u>\$ 1,097</u>	<u>\$ 691</u>	<u>\$ (406)</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, 2017

(in thousands)

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
Revenues:				
Sales Taxes	\$ 22,333	\$ 22,333	\$ 22,902	\$ 569
Licenses and Permits	-	-	45	45
Investment Income	26	26	(14)	(40)
Total Revenues	<u>22,359</u>	<u>22,359</u>	<u>22,933</u>	<u>574</u>
Expenditures:				
Current:				
Public Safety	24,703	24,703	24,702	1
Total Expenditures	<u>24,703</u>	<u>24,703</u>	<u>24,702</u>	<u>1</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,344)</u>	<u>(2,344)</u>	<u>(1,769)</u>	<u>575</u>
Net Change in Fund Balances	(2,344)	(2,344)	(1,769)	575
Fund Balances - Beginning	<u>2,488</u>	<u>2,488</u>	<u>2,633</u>	<u>145</u>
Fund Balance - Ending	<u>\$ 144</u>	<u>\$ 144</u>	<u>\$ 864</u>	<u>\$ 720</u>

## CITY OF MESA, ARIZONA

**EXHIBIT D-7**

## SUPPLEMENTAL INFORMATION

## BUDGETARY COMPARISON SCHEDULE

## STREET SALES TAX

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(in thousands)

	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
Revenues:				
Sales Taxes	\$ 26,799	\$ 26,799	\$ 27,469	\$ 670
Licenses and Permits	51	51	260	209
Intergovernmental	-	-	1	1
Charges for Services	612	612	126	(486)
Fines and Forfeitures	40	40	-	(40)
Investment Income	191	191	74	(117)
Miscellaneous Revenues	390	390	89	(301)
Total Revenues	<u>28,083</u>	<u>28,083</u>	<u>28,019</u>	<u>(64)</u>
Expenditures:				
Current:				
General Government	3,284	3,346	4,368	(1,022)
Public Safety	354	359	347	12
Community Environment	24,234	23,243	6,927	16,316
Capital Outlay	17,181	18,333	8,231	10,102
Total Expenditures	<u>45,053</u>	<u>45,281</u>	<u>19,873</u>	<u>25,408</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(16,970)</u>	<u>(17,198)</u>	<u>8,146</u>	<u>25,344</u>
Net Change in Fund Balances	(16,970)	(17,198)	8,146	25,344
Fund Balances - Beginning	<u>45,990</u>	<u>45,990</u>	<u>33,838</u>	<u>(12,152)</u>
Fund Balance - Ending	<u>\$ 29,020</u>	<u>\$ 28,792</u>	<u>\$ 41,984</u>	<u>\$ 13,192</u>

## CITY OF MESA, ARIZONA

**EXHIBIT D-8**

## SUPPLEMENTAL INFORMATION

## BUDGETARY COMPARISON SCHEDULE

## GENERAL CAPITAL PROJECTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(in thousands)

	<b>Budgeted Amounts</b>			<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
Revenues:				
Special Assessments	\$ -	\$ -	\$ 294	\$ 294
Investment Income	-	-	(2)	(2)
Miscellaneous Revenues	223	223	252	29
Total Revenues	223	223	544	321
Expenditures:				
Capital Outlay	19,500	20,117	8,541	11,576
Total Expenditures	19,500	20,117	8,541	11,576
Excess (Deficiency) of Revenues Over (Under) Expenditures	(19,277)	(19,894)	(7,997)	11,897
Other Financing Sources (Uses):				
Transfers In	11,070	11,070	12,684	(1,614)
Total Other Financing Uses	11,070	11,070	12,684	(1,614)
Net Change in Fund Balances	(8,207)	(8,824)	4,687	13,511
Fund Balances - Beginning	9,575	9,575	7,436	(2,139)
Fund Balance - Ending	\$ 1,368	\$ 751	\$ 12,123	\$ 11,372

## CITY OF MESA, ARIZONA

**EXHIBIT D-9**

## SUPPLEMENTAL INFORMATION

## BUDGETARY COMPARISON SCHEDULE

## STREETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(in thousands)

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
Revenues:				
Intergovernmental	\$ 3,806	\$ 3,806	\$ 3,573	\$ (233)
Investment Income	-	-	(2)	(2)
Miscellaneous Revenues	-	-	162	162
Total Revenues	<u>3,806</u>	<u>3,806</u>	<u>3,733</u>	<u>(73)</u>
Expenditures:				
Debt Service:				
Cost of Issuance	116	406	403	3
Capital Outlay	<u>23,597</u>	<u>23,597</u>	<u>12,143</u>	<u>11,454</u>
Total Expenditures	<u>23,713</u>	<u>24,003</u>	<u>12,546</u>	<u>11,457</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(19,907)</u>	<u>(20,197)</u>	<u>(8,813)</u>	<u>11,384</u>
Other Financing Sources (Uses):				
Transfers Out	-	(2,110)	(2,052)	(58)
Face Amount of Bonds Issued	23,713	23,713	22,080	1,633
Premium on Issuance of Bonds (Net)	-	-	328	(328)
Total Other Financing Uses	<u>23,713</u>	<u>21,603</u>	<u>20,356</u>	<u>1,247</u>
Net Change in Fund Balances	3,806	1,406	11,543	10,137
Fund Balances - Beginning	<u>16,374</u>	<u>16,374</u>	<u>16,278</u>	<u>(96)</u>
Fund Balance - Ending	<u>\$ 20,180</u>	<u>\$ 17,780</u>	<u>\$ 27,821</u>	<u>\$ 10,041</u>





# Statistical Section

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2017

## 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> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	123
<b>Revenue Capacity</b> These schedules contain information to help readers assess the City's most significant local revenue source, the sales tax.	135
<b>Debt Capacity</b> 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.	138
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	146
<b>Operating Information</b> 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.	148

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>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
<b>GOVERNMENTAL ACTIVITIES</b>				
Net Investment in Capital Assets	\$ 794,720	\$ 791,523	\$ 844,777	\$ 872,302
Restricted	86,252	92,533	86,955	39,296
Unrestricted	125,128	91,363	3,651	(6,376)
Total Governmental Activities Net Position	<u>\$ 1,006,100</u>	<u>\$ 975,419</u>	<u>\$ 935,383</u>	<u>\$ 905,222</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Net Investment in Capital Assets	\$ 410,074	\$ 413,944	\$ 434,814	\$ 430,436
Restricted	94,133	82,697	47,011	55,873
Unrestricted	308,216	278,892	271,706	258,131
Total Business-type Activities	<u>\$ 812,423</u>	<u>\$ 775,533</u>	<u>\$ 753,531</u>	<u>\$ 744,440</u>
<b>PRIMARY GOVERNMENT</b>				
Net Investment in Capital Assets	\$ 1,204,794	\$ 1,205,467	\$ 1,279,591	\$ 1,302,738
Restricted	180,385	175,230	133,966	95,169
Unrestricted	433,344	370,255	275,357	251,755
Total Primary Government	<u>\$ 1,818,523</u>	<u>\$ 1,750,952</u>	<u>\$ 1,688,914</u>	<u>\$ 1,649,662</u>



**TABLE I**  
(Concluded)

<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
\$ 913,702	\$ 902,397	\$ 866,332	\$ 932,660	\$ 965,148	\$ 986,354
41,257	56,719	60,555	72,170	81,941	88,721
(96,986)	(184,355)	(120,803)	(666,758)	(666,986)	(711,367)
<u>\$ 857,973</u>	<u>\$ 774,761</u>	<u>\$ 806,084</u>	<u>\$ 338,072</u>	<u>\$ 380,103</u>	<u>\$ 363,708</u>
\$ 412,016	\$ 346,352	\$ 393,720	\$ 327,743	\$ 302,521	\$ 247,598
69,739	37,795	43,023	47,576	49,139	43,046
254,189	271,619	178,702	160,934	158,756	228,160
<u>\$ 735,944</u>	<u>\$ 655,766</u>	<u>\$ 615,445</u>	<u>\$ 536,253</u>	<u>\$ 510,416</u>	<u>\$ 518,804</u>
\$ 1,325,718	\$ 1,248,749	\$ 1,260,052	\$ 1,260,403	\$ 1,267,669	\$ 1,233,952
110,996	94,514	103,578	119,746	131,080	131,767
157,203	87,264	57,899	(505,824)	(508,230)	(483,207)
<u>\$ 1,593,917</u>	<u>\$ 1,430,527</u>	<u>\$ 1,421,529</u>	<u>\$ 874,325</u>	<u>\$ 890,519</u>	<u>\$ 882,512</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>2007-08</u></b>	<b><u>2008-09</u></b>	<b><u>2009-10</u></b>	<b><u>2010-11</u></b>	<b><u>2011-12</u></b>
<b>GOVERNMENTAL ACTIVITIES:</b>					
General Government	\$ 63,633	\$ 54,226	\$ 54,863	\$ 59,552	\$ 57,472
Public Safety	292,396	290,928	288,929	273,320	287,918
Community Environment	99,415	121,736	104,096	106,434	97,593
Cultural-Recreational	72,999	67,039	54,010	54,550	57,171
Interest on Long-term Debt	19,083	18,659	20,013	21,078	21,631
<b>Total Governmental Activities Expenses</b>	<b><u>547,526</u></b>	<b><u>552,588</u></b>	<b><u>521,911</u></b>	<b><u>514,934</u></b>	<b><u>521,785</u></b>
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Electric	31,612	27,634	27,106	26,817	29,751
Gas	43,247	35,992	35,466	36,020	34,275
Water	59,225	68,956	80,915	82,378	74,162
Wastewater	61,293	80,349	70,228	63,613	68,540
Solid Waste	32,877	31,953	31,504	31,462	32,485
Airport	3,317	3,703	3,944	3,972	3,737
Golf Course	3,012	3,083	2,715	2,679	2,589
Convention Center	5,447	4,558	4,158	3,849	3,486
Hohokam Stadium/Fitch Complex	-	-	7,408	8,324	8,525
Cubs Stadium	-	-	-	15	54
District Cooling	769	976	1,000	965	974
Interest on Long-term Debt	-	-	-	-	-
<b>Total Business-type Activities Expenses</b>	<b><u>240,799</u></b>	<b><u>257,204</u></b>	<b><u>264,444</u></b>	<b><u>260,094</u></b>	<b><u>258,578</u></b>
<b>Total Primary Government Expenses</b>	<b><u>\$ 788,325</u></b>	<b><u>\$ 809,792</u></b>	<b><u>\$ 786,355</u></b>	<b><u>\$ 775,028</u></b>	<b><u>\$ 780,363</u></b>

**TABLE II**  
(Continued)

<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
\$ 105,410	\$ 103,819	\$ 102,396	\$ 96,860	\$ 101,301
287,451	277,614	302,633	305,376	379,505
129,164	125,700	101,531	117,120	104,173
61,717	49,275	52,430	54,967	55,739
23,443	24,431	23,939	20,424	19,279
<u>607,185</u>	<u>580,839</u>	<u>582,929</u>	<u>594,747</u>	<u>659,997</u>
28,897	30,044	28,495	27,647	26,561
35,653	35,020	32,104	31,549	37,109
103,432	93,871	101,863	95,574	95,608
91,739	65,637	71,161	73,877	71,782
33,694	32,908	36,979	36,586	37,911
4,300	4,343	2,863	4,865	5,125
3,353	2,555	2,210	2,575	2,028
3,946	3,060	3,715	4,252	4,711
9,094	2,879	1,200	2,913	3,687
-	6,201	8,581	5,271	6,042
1,081	1,153	885	1,182	1,268
3,653	-	4,124	-	-
<u>318,842</u>	<u>277,671</u>	<u>294,180</u>	<u>286,291</u>	<u>291,832</u>
<u>\$ 926,027</u>	<u>\$ 858,510</u>	<u>\$ 877,109</u>	<u>\$ 881,038</u>	<u>\$ 951,829</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>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
<b>GOVERNMENTAL ACTIVITIES:</b>				
Charges for services:				
Licenses and Permits	\$ 23,342	\$ 13,426	\$ 11,824	\$ 12,577
Charges for Services	23,703	24,740	20,419	20,304
Fines and Forfeitures	10,761	10,215	10,135	11,820
Other activities	324	78	9	8
Operating Grants and Contributions	63,787	63,055	72,812	65,284
Capital Grants and Contributions	21,916	35,436	30,343	31,461
Total Governmental Activities Program Revenues	<u>143,833</u>	<u>146,950</u>	<u>145,542</u>	<u>141,454</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Charges for services:				
Electric	34,148	35,313	33,079	33,138
Gas	46,540	41,708	38,924	41,370
Water	97,559	95,995	98,806	102,215
Wastewater	53,951	54,720	57,699	59,659
Solid Waste	46,168	46,762	46,685	47,538
Airport	3,192	2,959	3,125	3,318
Golf Course	2,448	2,310	2,265	2,250
Convention Center	3,658	2,687	1,971	2,826
Hohokam Stadium/Fitch Complex	-	-	5,837	6,161
Cubs Stadium	-	-	-	52
District Cooling	229	834	984	945
Economic Investment	-	-	-	-
Operating Grants and Contributions	11	101	210	25
Capital Grants and Contributions	80,570	31,222	17,782	10,774
Total Business-type Activities Program Revenues	<u>368,474</u>	<u>314,611</u>	<u>307,367</u>	<u>310,271</u>
Total Primary Government Program Revenues	<u>\$ 512,307</u>	<u>\$ 461,561</u>	<u>\$ 452,909</u>	<u>\$ 451,725</u>
<b>NET (EXPENSE)/REVENUE</b>				
Governmental Activities	\$ (403,693)	\$ (405,638)	\$ (376,369)	\$ (373,480)
Business-type Activities	<u>127,675</u>	<u>57,407</u>	<u>42,923</u>	<u>50,177</u>
Total Primary Government Net Expense	<u>\$ (276,018)</u>	<u>\$ (348,231)</u>	<u>\$ (333,446)</u>	<u>\$ (323,303)</u>

**TABLE II**  
(Continued)

<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
\$ 13,359	\$ 17,693	\$ 18,797	\$ 20,892	\$ 23,254	\$ 23,152
25,779	27,675	32,106	36,260	38,178	38,348
11,294	9,885	9,890	10,505	11,049	9,873
18	2,945	400	5,741	9,385	1,330
60,355	55,312	29,514	26,418	26,361	26,955
23,503	25,049	20,714	75,907	35,925	24,451
<u>134,308</u>	<u>138,559</u>	<u>111,421</u>	<u>175,723</u>	<u>144,152</u>	<u>124,109</u>
34,625	31,075	31,198	33,601	32,254	33,534
39,139	39,125	38,600	39,422	38,962	39,752
113,418	111,933	112,003	121,205	130,674	138,335
64,544	64,413	66,457	77,172	79,523	79,056
47,631	47,369	47,452	52,748	55,354	58,117
3,271	3,484	3,813	3,454	3,623	3,846
2,169	1,472	1,622	1,737	1,645	1,545
2,122	2,597	2,057	2,475	2,798	3,299
6,074	5,496	36	2	63	54
825	-	174	202	201	291
1,092	975	1,142	1,274	1,234	1,231
-	148	-	-	-	-
2,126	9,401	9,056	157	267	158
15,814	7,997	17,331	18,107	16,929	28,711
<u>332,850</u>	<u>325,485</u>	<u>330,941</u>	<u>351,556</u>	<u>363,527</u>	<u>387,929</u>
<u>\$ 467,158</u>	<u>\$ 464,044</u>	<u>\$ 442,362</u>	<u>\$ 527,279</u>	<u>\$ 507,679</u>	<u>\$ 512,038</u>
\$ (387,477)	\$ (468,626)	\$ (469,418)	\$ (407,206)	\$ (450,595)	\$ (535,888)
74,272	6,643	53,270	57,376	77,236	96,097
<u>\$ (313,205)</u>	<u>\$ (461,983)</u>	<u>\$ (416,148)</u>	<u>\$ (349,830)</u>	<u>\$ (373,359)</u>	<u>\$ (439,791)</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>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
GOVERNMENTAL ACTIVITIES:				
Sales Taxes	\$ 147,763	\$ 126,520	\$ 121,557	\$ 121,046
Property Taxes	-	-	14,318	14,244
Occupancy Taxes	2,395	1,808	1,581	2,148
Unrestricted Intergovernmental Revenues	122,561	117,543	104,580	92,613
Contributions Not Restricted to Specific Programs	14,746	14,741	14,757	15,610
Investment Income	6,282	1,896	261	617
Miscellaneous	6,679	15,849	13,846	7,060
Gain (Loss) on Sale of Capital Assets				-
Transfers	94,121	96,599	65,433	83,334
Total Governmental Activities	<u>394,547</u>	<u>374,956</u>	<u>336,333</u>	<u>336,672</u>
BUSINESS-TYPE ACTIVITIES:				
Occupancy Taxes	-	-	-	-
Investment Income	6,546	1,894	508	839
Gain (Loss) on Sale of Capital Assets	-	-	-	-
Miscellaneous	694	407	-	-
Transfers	(94,121)	(96,599)	(65,433)	(83,334)
Total Business-type Activities	<u>(86,881)</u>	<u>(94,298)</u>	<u>(64,925)</u>	<u>(82,495)</u>
Total Primary Government	<u>\$ 307,666</u>	<u>\$ 280,658</u>	<u>\$ 271,408</u>	<u>\$ 254,177</u>
<b>Change in Net Position</b>				
Governmental Activities	\$ (9,146)	\$ (30,682)	\$ (40,036)	\$ (36,808)
Business-type Activities	40,794	(36,891)	(22,002)	(32,318)
Total Primary Government	<u>\$ 31,648</u>	<u>\$ (67,573)</u>	<u>\$ (62,038)</u>	<u>\$ (69,126)</u>

**TABLE II**  
(Concluded)

<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
\$ 126,644	\$ 137,280	\$ 140,567	\$ 146,337	\$ 151,826	\$ 159,735
14,234	14,354	22,549	33,241	33,825	34,684
2,019	1,903	1,919	2,081	2,331	2,536
86,103	104,462	135,075	145,266	149,350	158,916
17,171	49,569	88,646	47,761	44,928	46,817
1,503	1,692	966	1,786	2,210	448
8,939	7,424	5,550	7,844	6,008	11,161
-	-	-	-	-	(1,411)
83,615	83,615	109,520	94,427	102,148	106,607
<u>340,228</u>	<u>400,299</u>	<u>504,792</u>	<u>478,743</u>	<u>492,626</u>	<u>519,493</u>
-	825	851	999	1,161	1,085
850	860	1,453	1,141	3,020	983
-	-	18,697	5,157	(6,145)	16,364
-	-	288	233	1,039	466
(83,615)	(83,615)	(109,520)	(94,427)	(102,148)	(106,607)
<u>(82,765)</u>	<u>(81,930)</u>	<u>(88,231)</u>	<u>(86,897)</u>	<u>(103,073)</u>	<u>(87,709)</u>
<u>\$ 257,463</u>	<u>\$ 318,369</u>	<u>\$ 416,561</u>	<u>\$ 391,846</u>	<u>\$ 389,553</u>	<u>\$ 431,784</u>
\$ (47,249)	\$ (68,327)	\$ 35,374	\$ 71,537	\$ 42,031	\$ (16,395)
(8,493)	(75,287)	(34,961)	(29,521)	(25,837)	8,388
<u>\$ (55,742)</u>	<u>\$ (143,614)</u>	<u>\$ 413</u>	<u>\$ 42,016</u>	<u>\$ 16,194</u>	<u>\$ (8,007)</u>

## CITY OF MESA, ARIZONA

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

(modified accrual basis of accounting)

(in thousands)

	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
<b>GENERAL FUND</b>				
Reserved (1)(2)	\$ 84,886	\$ 51,862	\$ 4,048	\$ -
Unreserved	50,283	74,711	92,187	-
Nonspendable	-	-	-	405
Restricted	-	-	-	1,992
Committed	-	-	-	4,898
Assigned	-	-	-	-
Unassigned	-	-	-	93,875
Total General Fund	<u>\$ 135,169</u>	<u>\$ 126,573</u>	<u>\$ 96,235</u>	<u>\$ 101,170</u>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>				
Reserved	\$ 8,643	\$ 17,013	\$ 53,674	\$ -
Unreserved, Reported in:				
Special Revenue Funds	24,922	24,816	31,871	-
Capital Project Funds	11,143	28,442	15,724	-
Nonspendable	-	-	-	2,906
Restricted (3)(4)	-	-	-	112,538
Committed	-	-	-	19,166
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total All Other Governmental Funds	<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>	<b>2016-17</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
754	1,724	2,956	3,490	4,035	2,145
2,012	284	188	184	184	146
4,992	1,185	1,484	126	227	528
-	-	-	-	10,703	19,367
78,035	50,426	72,683	74,145	79,657	92,240
<u>\$ 85,793</u>	<u>\$ 53,619</u>	<u>\$ 77,311</u>	<u>\$ 77,945</u>	<u>\$ 94,806</u>	<u>\$ 114,426</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
84	55	23	138	77	37
211,279	243,831	190,609	172,316	95,701	112,105
16,360	23,005	21,379	30,092	28,580	30,928
-	-	-	-	6	2
(1)	(1,177)	(675)	(31)	(155)	(69)
<u>\$ 227,722</u>	<u>\$ 265,714</u>	<u>\$ 211,336</u>	<u>\$ 202,515</u>	<u>\$ 124,209</u>	<u>\$ 143,003</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>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
<b>REVENUES</b>				
Sales Taxes (1)(2)	\$ 147,763	\$ 126,520	\$ 121,557	\$ 121,046
Property Taxes	-	-	13,886	14,274
Occupancy Taxes	2,395	1,808	1,581	2,148
Special Assessments	1,218	806	923	1,069
Licenses and Permits	23,342	13,426	11,824	12,577
Intergovernmental	193,585	191,085	190,731	174,781
Charges for Services	23,703	24,343	20,419	20,304
Fines and Forfeitures	10,761	10,215	10,135	11,820
Investment Income	5,178	2,018	191	587
Contributions	-	-	-	-
Miscellaneous	6,422	14,755	13,675	7,417
Total Revenues	<u>414,367</u>	<u>384,976</u>	<u>384,922</u>	<u>366,023</u>
<b>EXPENDITURES</b>				
Current				
General Government	48,112	36,507	40,113	38,843
Public Safety	233,507	230,864	216,026	215,166
Community Environment	66,616	72,647	72,081	68,463
Cultural-Recreational	57,765	53,171	40,150	42,191
Debt Service				
Principal	25,871	36,906	34,846	31,690
Interest	19,230	18,845	21,186	21,211
Service Charges	58	28	9	10
Cost of Issuance	-	-	539	29
Capital Outlay	77,309	77,899	82,530	60,173
Total Expenditures	<u>528,468</u>	<u>526,867</u>	<u>507,480</u>	<u>477,776</u>
Excess of Revenues Under Expenditures	<u>(114,101)</u>	<u>(141,891)</u>	<u>(122,558)</u>	<u>(111,753)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	147,478	155,697	149,437	128,065
Transfers Out	(53,960)	(59,106)	(66,654)	(44,418)
Face Amount of Bonds Issued	15,450	61,830	30,865	29,320
Face Amount of Notes Issued	-	-	45,000	-
Premium on Issuance of Bonds (Net)	195	437	402	360
Premium on Issuance of Notes	-	-	869	-
Proceeds from Capital Leases	2,529	-	-	-
Issuance of Refunding Bonds	-	-	-	-
Payment to Refunding Bond Agent	-	-	-	-
Total Other Financing Sources (Uses)	<u>111,692</u>	<u>158,858</u>	<u>159,919</u>	<u>113,327</u>
Net Change in Fund Balances	<u>\$ (2,409)</u>	<u>\$ 16,967</u>	<u>\$ 37,361</u>	<u>\$ 1,574</u>
Debt Service as a percentage of Noncapital Expenditures	10.01%	12.42%	13.19%	12.67%

(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)

<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
\$ 126,644	\$ 137,280	\$ 140,567	\$ 146,337	\$ 151,826	\$ 159,735
14,323	14,404	22,500	34,022	34,765	34,675
2,019	1,903	1,919	2,081	2,331	2,536
996	897	1,062	1,264	1,433	2,125
13,359	17,693	18,797	20,892	23,254	23,152
168,433	184,823	185,303	185,529	191,360	200,820
25,779	27,675	32,106	36,260	38,178	38,348
11,294	9,885	9,890	10,505	11,049	9,873
1,284	1,501	589	1,793	1,483	331
-	2,264	1,212	1,344	961	360
7,573	5,940	4,524	6,587	3,994	4,348
<u>371,704</u>	<u>404,265</u>	<u>418,469</u>	<u>446,614</u>	<u>460,634</u>	<u>476,303</u>
41,083	74,596	75,077	81,066	79,448	86,360
226,429	226,677	231,364	243,570	254,528	261,892
64,404	55,197	56,573	60,512	65,559	68,403
43,904	37,787	38,788	40,365	43,651	43,744
25,513	31,519	71,015	28,367	107,383	32,587
22,643	23,433	23,704	23,269	18,905	17,994
8	10	-	13	14	15
870	1,448	727	657	1,505	1,271
66,951	91,537	102,657	74,150	91,784	82,062
<u>491,805</u>	<u>542,204</u>	<u>599,905</u>	<u>551,969</u>	<u>662,777</u>	<u>594,328</u>
<u>(120,101)</u>	<u>(137,939)</u>	<u>(181,436)</u>	<u>(105,355)</u>	<u>(202,143)</u>	<u>(118,025)</u>
121,459	147,818	141,909	123,044	122,572	139,516
(38,136)	(64,203)	(32,389)	(45,324)	(24,298)	(31,931)
27,290	62,672	40,800	18,999	46,530	47,682
77,835	-	-	-	-	-
8,027	3,681	430	2,952	2,283	4,613
8,250	-	-	-	-	-
-	-	-	-	-	-
67,238	17,415	-	17,555	43,304	47,450
(74,127)	(19,889)	-	(20,058)	(49,693)	(50,891)
<u>197,836</u>	<u>147,494</u>	<u>150,750</u>	<u>97,168</u>	<u>140,698</u>	<u>156,439</u>
<u>\$ 77,735</u>	<u>\$ 9,555</u>	<u>\$ (30,686)</u>	<u>\$ (8,187)</u>	<u>\$ (61,445)</u>	<u>\$ 38,414</u>
11.34%	12.20%	19.05%	10.81%	22.12%	9.88%

## CITY OF MESA, ARIZONA

**TABLE V**

## SALES TAX COLLECTIONS BY CATEGORY

## LAST TEN FISCAL YEARS

(in thousands)

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Utilities	\$ 9,668	\$ 9,654	\$ 9,757	\$ 11,104	\$ 11,878
Communications	4,312	3,749	3,809	4,456	4,483
Publishing	1,923	1,402	1,102	999	934
Printing & Advertising	375	280	175	342	336
Contracting	19,301	15,263	10,913	8,388	9,962
Retail Sales	77,308	63,230	63,469	60,266	62,191
Restaurants & Bars	12,039	10,956	10,948	11,165	11,864
Amusements	1,349	1,363	1,176	1,433	1,434
Rentals	21,369	20,514	20,123	22,219	22,968
Miscellaneous	119	107	84	674	595
Total	<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%

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>	<b>2016-17</b>
\$ 12,549	\$ 12,344	\$ 13,111	\$ 13,251	\$ 13,575
4,651	4,230	4,796	4,229	4,432
866	830	747	688	526
434	455	461	428	446
12,402	13,794	14,103	14,623	16,806
66,789	69,276	71,996	76,160	79,715
12,577	12,972	13,708	14,240	15,002
1,432	1,469	1,542	1,561	1,581
24,847	24,374	25,102	25,578	26,340
732	823	771	1,068	1,313
<u>\$ 137,279</u>	<u>\$ 140,567</u>	<u>\$ 146,337</u>	<u>\$ 151,826</u>	<u>\$ 159,736</u>
1.75%	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 Year</b>	<b>City Direct Rate</b>	<b>Maricopa County</b>	<b>State of Arizona</b>
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%
2016-17	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>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
<b>Governmental Activities</b>				
General Obligation Bonds	\$ 221,625	\$ 267,063	\$ 273,869	\$ 281,514
Municipal Development Corporation Bonds	9,970	-	-	-
Highway User Revenue Bonds	142,290	140,265	134,545	128,515
Special Assessment Bonds	8,046	7,294	6,550	5,806
Community Facilities District	-	-	-	-
Capital Leases	17,503	9,730	5,406	2,166
Notes Payable	-	-	45,000	45,000
<b>Business-type Activities</b>				
Utility System Revenue Bonds	767,445	817,530	857,435	898,800
General Obligation Bonds	3,290	2,957	2,691	2,221
Excise Tax Revenue Obligation Bonds	-	-	-	-
Municipal Development Corporation Bonds	-	-	-	-
Notes Payable	432	333	2,964	2,731
Capital Leases	1,541	158	-	-
<b>Total Primary Government</b>	<b>\$ 1,172,142</b>	<b>\$ 1,245,330</b>	<b>\$ 1,328,460</b>	<b>\$ 1,366,753</b>
Percentage of Personal Income (1)	10.68%	11.03%	11.49%	13.06%
Per Capita (1)	\$ 2,529	\$ 2,677	\$ 2,843	\$ 3,101

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



**TABLE VII**  
(Concluded)

<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
\$ 288,669	\$ 327,265	\$ 346,860	\$ 338,401	\$ 350,593	\$ 374,443
-	-	-	-	-	-
121,395	120,942	112,882	106,740	98,743	84,995
5,062	4,318	3,574	2,830	2,085	1,340
-	2,712	5,897	11,012	19,300	19,172
822	140	72	-	-	-
122,835	129,435	83,610	82,785	-	-
952,500	973,670	987,454	996,705	1,062,871	1,161,755
1,601	887	605	474	390	312
-	105,079	104,499	103,919	103,339	94,060
-	-	-	-	-	-
2,493	2,370	2,244	2,116	1,985	1,851
-	-	-	-	-	-
<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>	<u>\$ 1,737,928</u>
14.10%	16.09%	15.42%	14.53%	13.91%	13.74%
\$ 3,390	\$ 3,747	\$ 3,621	\$ 3,561	\$ 3,451	\$ 3,525

## CITY OF MESA, ARIZONA

**TABLE VIII**

## RATIOS OF GENERAL BONDED DEBT OUTSTANDING

## LAST TEN FISCAL YEARS

(in thousands)

<b>Year</b>	<b>Secondary Assessed Value (1)</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Secondary Assessed Value</b>	<b>Per Capita (2)</b>
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
2017	2,888,291	374,755	4,989	369,766	12.80%	750

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, 2017

(in thousands)

Governmental Unit	Debt Outstanding (2)	Estimated Percentage Applicable to City of Mesa	
		Percent (2)(4)	Amount
Debt repaid with property taxes			
Maricopa County Community College District	\$ 557,390	7.99%	\$ 44,535
Mesa Unified School District No. 4	280,905	86.37%	242,618
Gilbert Unified School District No. 41	116,725	25.79%	30,103
Queen Creek Unified School District No. 95	59,945	30.82%	18,475
Higley Unified School District No. 60	120,095	0.86%	1,033
Tempe Union High School District No. 213	96,300	0.31%	299
Tempe Elementary School District No. 3	147,675	0.75%	1,108
Eastmark Community Facilities District	9,700	100.00%	9,700
Other Debt:			
Maricopa County	239,320	7.99%	19,122
Subtotal, overlapping debt			366,993
City direct debt (3)			525,315
Total Direct and Overlapping Debt			\$ 892,308

(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 2016/17

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>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
<b>6% Limitation</b>					
Legal Debt Limitation Equal to 6% of Assessed Valuation	\$ 246,872	\$ 287,585	\$ 284,977	\$ 245,642	\$ 189,857
Total Net Debt Applicable to 6% Limit	<u>17,688</u>	<u>13,569</u>	<u>6,064</u>	<u>5,326</u>	<u>1,370</u>
Margin Available for Future General Obligation Bond Issues for 6% Bonds	<u>\$ 229,184</u>	<u>\$ 274,016</u>	<u>\$ 278,913</u>	<u>\$ 240,316</u>	<u>\$ 188,487</u>
Total Net Debt Applicable to the 6% Limit as a Percentage of the 6% Legal Debt Limitation	7.16%	4.72%	2.13%	2.17%	0.72%
<b>20% Limitation</b>					
Legal Debt Limitation Equal to 20% of Assessed Valuation	\$ 922,905	\$ 958,616	\$ 949,923	\$ 818,807	\$ 632,855
Total Net Debt Applicable to 20% Limit	<u>207,227</u>	<u>246,326</u>	<u>270,496</u>	<u>278,409</u>	<u>288,900</u>
Margin Available for Future General Obligation Bond Issues for 20% Bonds	<u>\$ 715,678</u>	<u>\$ 712,290</u>	<u>\$ 679,427</u>	<u>\$ 540,398</u>	<u>\$ 343,955</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of the 20% Legal Debt Limitation	22.45%	25.70%	28.48%	34.00%	45.65%
Total Margin Available	<u>\$ 944,862</u>	<u>\$ 986,306</u>	<u>\$ 958,340</u>	<u>\$ 780,714</u>	<u>\$ 532,442</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 2016-17**

Secondary Assessed Value			\$ 2,888,291	
			<b><u>6% Bonds (1)</u></b>	<b><u>20% Bonds (2)</u></b>
Legal Debt Limitation			\$ 173,297	\$ 577,658
Debt Applicable to Limit:				
General Obligation Bonds			846	373,909
Total Net Debt Applicable to Limit			<u>846</u>	<u>373,909</u>
Margin Available for Future General Obligation Bond Issues			<u>\$ 172,451</u>	<u>\$ 203,749</u>
Total Margin Available				<u>\$ 376,201</u>
<b><u>2012-13</u></b>	<b><u>2013-14</u></b>	<b><u>2014-15</u></b>	<b><u>2015-16</u></b>	<b><u>2016-17</u></b>
\$ 166,225	\$ 153,578	\$ 169,270	\$ 165,475	\$ 173,297
<u>175</u>	<u>605</u>	<u>1,275</u>	<u>1,047</u>	<u>846</u>
<u>\$ 166,050</u>	<u>\$ 152,973</u>	<u>\$ 167,995</u>	<u>\$ 164,428</u>	<u>\$ 172,451</u>
0.11%	0.39%	0.75%	0.63%	0.49%
\$ 554,084	\$ 511,927	\$ 564,235	\$ 551,583	\$ 577,658
<u>300,735</u>	<u>344,040</u>	<u>343,370</u>	<u>349,903</u>	<u>373,909</u>
<u>\$ 253,349</u>	<u>\$ 167,887</u>	<u>\$ 220,865</u>	<u>\$ 201,680</u>	<u>\$ 203,749</u>
54.28%	67.20%	60.86%	63.44%	64.73%
<u>\$ 419,399</u>	<u>\$ 320,860</u>	<u>\$ 388,860</u>	<u>\$ 366,108</u>	<u>\$ 376,200</u>

## CITY OF MESA, ARIZONA

**TABLE XI**

## PLEDGED-REVENUE COVERAGE

## LAST TEN FISCAL YEARS

(in thousands)

<b>Utility System Revenue Bonds</b>						
	<b>Operating Revenues (1)</b>	<b>Operating Expenses</b>	<b>Net Revenue Available for Debt Service</b>	<b>Debt Service</b>		<b>Coverage Ratio</b>
				<b>Principal</b>	<b>Interest</b>	
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
2016-17	348,794	225,257	123,537	13,885	47,187	2.02

**Highway User Revenue Fund Revenue Bonds**

	<b>Highway User Fund Revenues</b>	<b>Debt Service</b>		<b>Coverage Ratio</b>
		<b>Principal</b>	<b>Interest</b>	
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
2016-17	38,048	7,900	4,473	3.08

(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 Assessment Collections	Debt Service		Coverage Ratio	Community Facility District Collections	Debt Service		Coverage Ratio
	Principal	Interest			Principal	Interest	
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
1,041	745	98	1.23	1,612	645	914	1.03

Municipal Development Corporation Bonds				Highway Project Advancement Notes			
Excise Tax Revenues (2)	Debt Service		Coverage Ratio	Excise Tax Revenues (2)	Debt Service		Coverage Ratio
	Principal	Interest			Principal	Interest	
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 Income (in thousands)</b>	<b>Per Capita Personal Income (1)</b>	<b>Median Age (1)</b>	<b>Public School Enrollment (2)</b>	<b>Unemployment Rate (3)</b>
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%
2017	493,089	12,644,774	25,644	36.0	63,779	4.5%

## 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	2017			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Banner Health Systems	8,741	1	5.42%	6,600	2	3.43%
Mesa Public Schools	8,439	2	5.24%	10,000	1	5.19%
Boeing	4,200	3	2.61%	4,000	3	2.08%
City of Mesa	3,526	4	2.19%	3,500	4	1.82%
Drivetime Automotive Group	1,280	5	0.79%	-		0.00%
County of Maricopa	986	6	0.61%	1,300	8	0.67%
Gilbert Unified School District	983	7	0.61%	-		0.00%
Maricopa County Community College District	896	8	0.56%	-		0.00%
Special Devices Inc	722	9	0.45%	-		0.00%
Santander Consumer	720	10	0.45%	-		0.00%
Wal-Mart	-		0.00%	2,280	5	1.18%
The Kroger Company	-		0.00%	1,000	9	0.52%
Home Depot	-		0.00%	750	10	0.39%
Empire Southwest Machinery	702		0.44%	1,800	6	0.93%
Bashas'	-		0.00%	1,000	9	0.52%
Mesa Community College	-		0.00%	1,500	7	0.78%
Total	31,195		19.35%	33,730		17.51%

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>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
<b>Function/Program</b>			
General Government	966	838	835
Police	1,306	1,282	1,240
Fire	472	470	455
Community Environment	181	189	184
Cultural-Recreational	417	335	329
Energy Resources	132	140	122
Water Resources	166	213	232
Environmental Management & Sustainability	136	126	124
Airport	<u>9</u>	<u>10</u>	<u>10</u>
Total	<u><u>3,785</u></u>	<u><u>3,603</u></u>	<u><u>3,531</u></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>	<u>2016-17</u>
824	870	864	880	876	860	811
1,163	1,158	1,163	1,173	1,154	1,155	1,189
457	473	479	482	503	492	518
189	184	183	178	182	189	194
334	332	313	317	338	599	289
116	115	117	117	116	116	118
230	233	229	238	240	238	249
120	117	127	125	127	138	147
9	9	10	10	10	11	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>	<u>3,526</u>

## CITY OF MESA, ARIZONA

**TABLE XV**

## OPERATING INDICATORS BY FUNCTION/PROGRAM

## LAST TEN FISCAL YEARS

<b>Function/Program</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
Police				
Major Crimes	21,388	18,482	17,345	16,623
Traffic Accidents	7,578	6,256	5,890	5,952
Fire				
Fires	1,200	1,165	1,048	981
Rescue or Emergency	34,207	32,478	34,079	38,788
False Alarms	2,456	2,125	1,478	1,478
Hazardous Conditions	567	663	701	478
Other Calls	12,976	11,923	12,819	11,840
Libraries				
Number of Registered Borrowers	275,449	306,427	352,607	220,812
Total Attendance	1,165,451	1,348,555	1,367,667	1,095,196
Access to Electronic Resources	2,910,088	3,661,261	2,542,927	1,691,966
Electric Connections	15,215	14,546	14,738	15,064
Gas Connections	51,454	51,911	52,832	53,434
Water				
Connections	133,086	132,771	133,701	134,072
Average Daily Consumption (mgd)*	85.76	79.72	72.67	76.23
Peak Daily Consumption (mg)**	125.72	108.68	111.14	114.30
Wastewater				
Connections	116,465	116,721	117,831	118,413
Average Daily Sewage Treatment (mgd)*	38.00	36.00	33.60	33.70
Solid Waste				
Customers Served	112,632	112,832	113,079	115,811
Refuse Collected (tons)	243,208	234,709	217,295	223,217
Recyclables Collected (tons)	39,296	37,841	36,490	35,486
Green Waste Collected (tons)	17,601	18,936	18,588	19,149
Falcon Field				
Average Number of Aircraft Based	934	873	841	789
Aircraft Operations (annual)	337,178	283,336	248,381	221,910

\* mgd - millions of gallons per day

\*\* mg - millions of gallons

**TABLE XV**  
(Concluded)

<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
16,740	16,149	14,561	14,795	13,208	13,151
6,047	6,186	6,107	6,622	6,968	6,966
1,012	929	1,075	1,083	1,053	1,153
42,925	43,416	44,885	45,832	49,743	50,024
1,292	1,255	1,176	1,106	1,083	989
446	454	477	534	507	488
11,192	11,803	9,403	8,964	10,613	14,034
142,943	166,492	196,020	125,336	122,810	121,340
1,143,718	1,178,137	1,166,560	1,166,131	1,157,394	1,067,207
1,566,775	1,515,299	1,541,323	1,549,150	1,345,977	1,272,859
15,841	13,815	16,460	16,703	16,854	16,724
55,828	55,544	58,011	59,214	60,383	62,010
135,138	136,640	137,910	139,560	141,824	144,276
81.60	81.03	80.85	79.55	78.55	79.78
122.30	115.68	117.13	113.45	116.62	120.35
119,615	120,953	122,623	124,142	126,359	128,782
33.40	33.60	33.10	33.30	34.60	34.28
118,949	119,142	121,674	122,552	127,517	129,479
209,116	215,463	217,745	233,754	236,849	232,812
34,443	34,616	34,629	35,541	35,499	35,546
17,882	19,878	18,854	21,151	20,602	19,639
749	700	729	702	663	689
222,650	190,605	276,731	241,848	270,702	289,801

## CITY OF MESA, ARIZONA

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

<b>Function/Program</b>	<b><u>2007-08</u></b>	<b><u>2008-09</u></b>	<b><u>2009-10</u></b>	<b><u>2010-11</u></b>	<b><u>2011-12</u></b>
Police Stations					
Stations	4	4	4	4	5
Vehicular Patrol Units	368	330	289	290	267
Fire Stations	17	17	18	18	19
Libraries	3	3	3	4	4
Parks and Recreation					
Developed Parks (acres)	1,180	1,180	1,154	1,154	1,553
Undeveloped Acres	1,251	1,251	1,078	1,074	705
Swimming Pools	12	12	12	13	9
Recreation Facilities	6	6	6	6	6
Community Environment					
Streets (miles)					
Paved	1,178	1,182	1,184	1,190	1,303
Unpaved	12	12	12	12	1
Storm Sewers (miles)	308	316	321	329	438
Gas Mains (miles)	1,202	1,223	1,243	1,247	1,240
Water					
Mains (miles)	2,068	2,104	2,127	2,136	2,270
Storage Capacity (millions of gallons)	117	125	125	125	125
Wastewater					
Mains (miles)	1,577	1,598	1,606	1,613	1,652
Treatment Capacity (millions of gallons per day)	60	60	60	60	60
Solid Waste					
Collection Trucks	70	69	69	69	70
Golf Courses	2	2	2	2	1

Note: The decrease in water storage capacity is due to Reservoir FFR6 being decommissioned in FY 16/17.

**TABLE XVI**  
(Concluded)

<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
6	8	8	8	8
267	291	292	287	281
20	20	20	20	20
4	4	4	4	4
1,177	1,232	1,901	1,901	2,300
1,104	1,157	633	633	475
9	9	9	9	9
6	4	4	4	5
1,307	1,418	1,427	1,427	1,387
1	1	1	1	82
432	440	423	423	394
1,256	1,256	1,311	1,311	1,325
2,284	2,315	2,364	2,364	2,398
125	125	112	112	109
1,677	1,677	1,781	1,781	1,778
60	60	60	60	60
72	72	74	73	75
1	1	1	1	1







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