

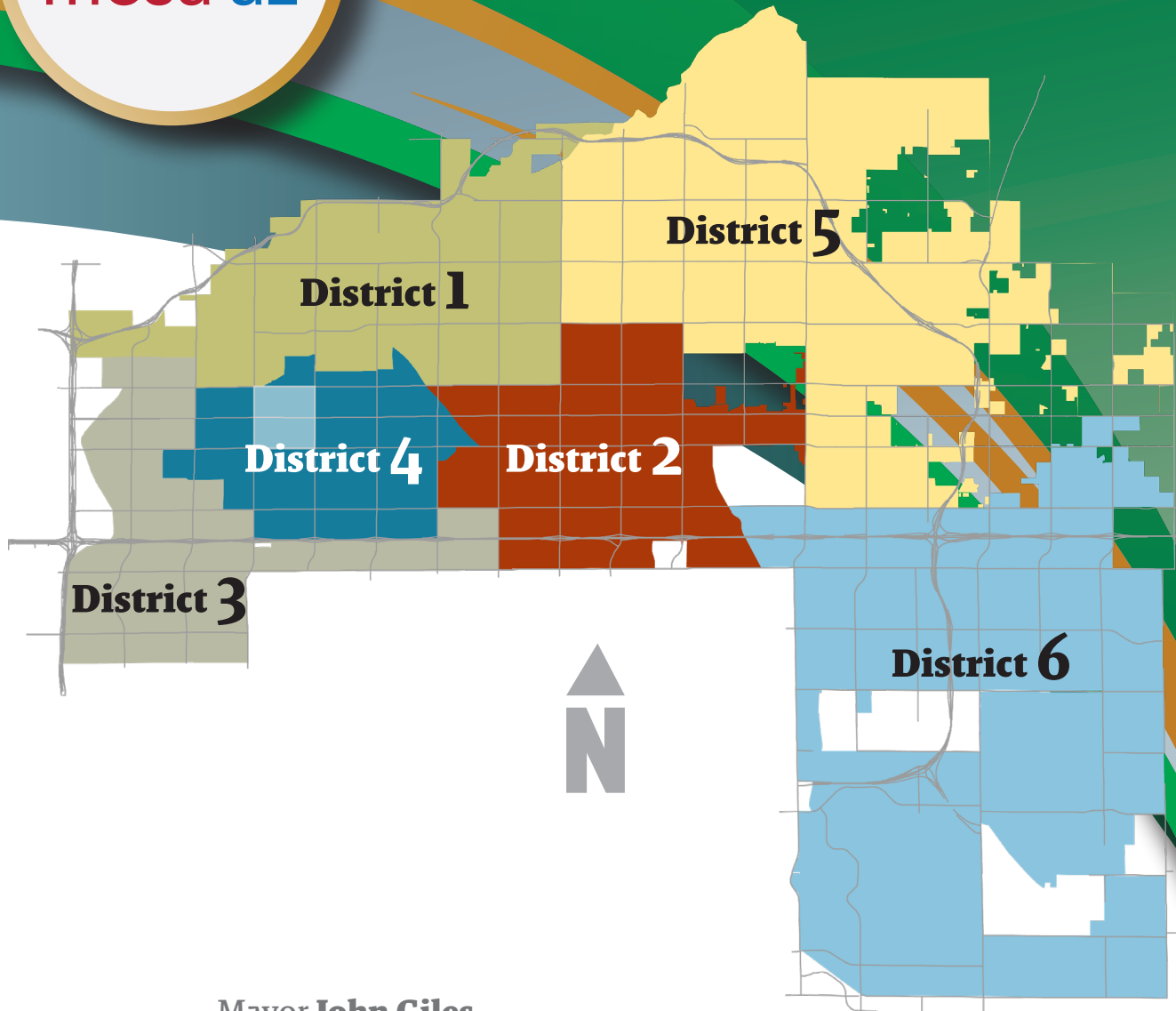


CITY of MESA, AZ

# COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED | **JUNE 30, 2018**



Mayor **John Giles**

Councilmember **Mark Freeman** – District 1

Councilmember **Jeremy Whittaker** – District 2

Councilmember **Francisco Heredia** – District 3

Councilmember **Christopher Glover** – District 4

Vice Mayor **David Luna** – District 5

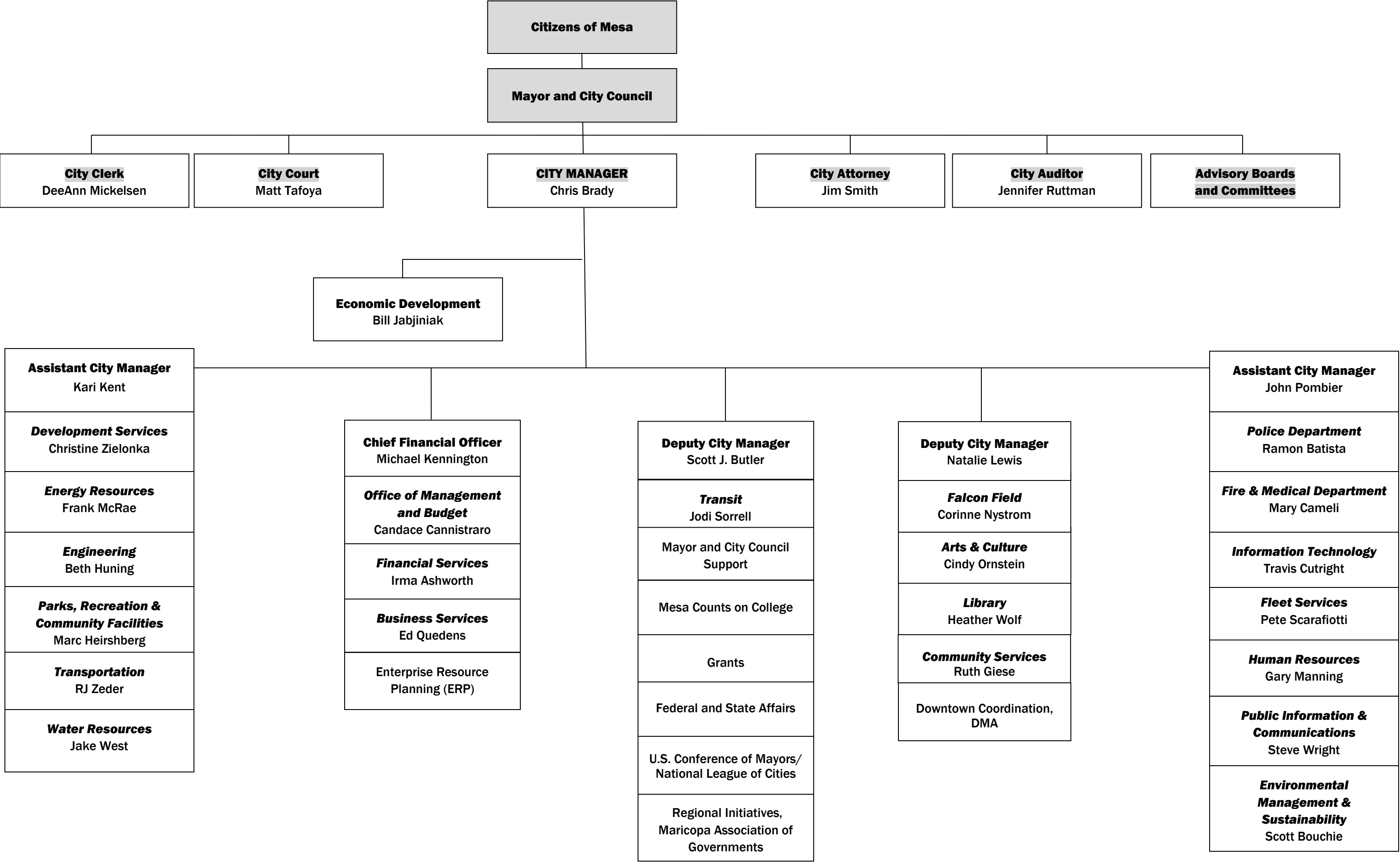
Councilmember **Kevin Thompson** – District 6

**Chris Brady**, City Manager

**Kari Kent**, Assistant City Manager

**John Pombier**, Assistant City Manager

Prepared by: Financial Services Department  
P.O. Box 1466 Mesa, Arizona 85211-1466 (480) 644-2275  
[www.mesaaz.gov](http://www.mesaaz.gov)







# INTRODUCTORY SECTION

## COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018



PIONEER **PARK**



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November 29, 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, 2018 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, 2018, 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, 2018, 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 501,137 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 3,908 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 which provides a framework to assist Mesa's elected officials and executive team in making 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) 2018 is up 7% from FY 2017 and over 120% from FY 2014. The corresponding increase in dollar valuation associated with the residential construction in FY 2018 over the prior fiscal year was approximately \$60 million. Commercial construction increased 33% over the past five years beginning in FY 2014. This represents an increase of approximately \$128 million in commercial valuation.

During FY 2018 the City issued 2,765 permits for new residential construction. This is 13% more than the previous fiscal year. Activity levels for residential constructions continues to be a strength and continues to increase year over year.

The increase in construction activity was accompanied by an increase in sales tax revenues. For the year ending June 30, 2018, retail sales tax was up 5.9% while overall sales tax revenues were up 5.5%. Tourism also increased as evidenced by an 8.1% increase in the transient lodging ('bed') tax. Other financial resources followed the economy's continuation of a slow and steady recovery. The City incorporated this in the preparation of the FY 2019 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 2019 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:

- On January 5<sup>th</sup>, Governor Doug Ducey announced that the Phoenix-Mesa Gateway Airport will be home to SkyBridge Arizona, the nation's first international air cargo hub to house both Mexican and United States customs. The hub will enable E-commerce companies, manufacturers and other commercial interests conducting business in Mexico and

throughout Latin America to more efficiently and cost-effectively transport goods between countries, while ensuring proper inspections and safety controls.

- On February 26<sup>th</sup>, the Mesa City Council approved the first step (the intergovernmental agreement) in bringing Arizona State University to downtown Mesa. The university plans to grow its film and media programs in Mesa, agreeing to bring a minimum of 750 students and 40 faculty and staff members.
- On March 7<sup>th</sup>, EdgeCore conducted a groundbreaking ceremony in Mesa's Elliot Road Technology Corridor for their 180,000 square-foot building that will help EdgeCore offer cloud-connected data center solutions to large cloud users like Microsoft, Amazon and Google. When it is eventually built out, the Mesa Data Center Campus will have seven buildings totaling more than 1.25 million square feet.
- The City of Mesa had 11 census tracts approved as Opportunity Zones by the U.S. Department of Treasury. This federal program is meant to spur investment in low-income areas by providing tax benefits to investors who reinvest capital gains into Opportunity Zones.
- Piper Plastics, Inc, a global provider of high-performance polymer material, precision molding, and machined plastic components and assemblies, announced in June that it will build its 90,000 square-foot, North American Research and Development Tech Center in the Falcon Field District. Piper Plastics will invest \$10 million to build the facility and will begin operations with 130 employees and ramp up to more than 175 over the next three years.
- AQST Space Systems announced in May that the company will be moving its headquarters from Puerto Rico to the Falcon Field District in Mesa, Arizona. The company manufactures and assembles rockets for small satellites. AQST expects to hire up to 125 employees.
- The Church of Jesus Christ of Latter-Day Saints announced dramatic plans to transform 4.5 acres along Main Street in Mesa next to the Mesa temple. The redevelopment includes mostly housing, a mix of rental apartments and townhomes. Approximately 12,500 square-feet of retail space along with an underground parking garage are also included in the plans. The project is expected to be completed by late 2020 or early 2021.
- Cognizant, a Fortune 500 digital technology firm, opened its newest U.S. regional center in Mesa. Cognizant will invest \$4.5 million this year in the Mesa facility and bring more than 500 new jobs to the site to serve companies in 15 sectors.
- The Signal Butte Water Treatment Plant was completed with the capacity to treat 24 million gallons of water per day (mgd) with the option to reach 48 mgd in the future. The treatment plant incorporates safe and reliable water treatment technology with automation and quality monitoring systems to protect the public health for the fast-growing southeastern portion of Mesa.

- Land developer, Harvard Investments, is investing more than \$40 million this year into Phase 1 of its 464-acre Cadence at Gateway master-planned community in east Mesa. Cadence will include 1,600 units of single-family residential homes, 400 units of multifamily and 40 acres of retail and commercial development.
- In 2018, Phoenix-Mesa Gateway Airport posted its best ever summer passenger numbers in the history of the Airport. May, June and July were all record-setting months with double-digit increases in year-over-year passenger growth. Travelers can now choose from one of 46 nonstop destinations offered at Gateway Airport through its airline partners Allegiant, WestJet and Swoop. Gateway Airport has emerged as an industry favorite for new aircraft flight testing welcoming five large test groups for manufacturers including Boeing, Mitsubishi, Bombardier and Embraer.

### **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, 2017. 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,



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, 2017**

*Christopher P. Morrell*

Executive Director/CEO





# FINANCIAL SECTION

## COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018



RIVERVIEW PARK



## 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, 2018, 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, 2018, 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.

### ***Emphasis of a Matter***

During the fiscal year ended June 30, 2018, the City adopted the provisions of Governmental Accounting Standards Board Statement (GASBS) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of GASBS No. 75, the City reported a restatement for the change in accounting principle (see Note 16). Our auditors' opinion was not modified with respect to the restatement.

### ***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/OPEB Liability and Related Ratios, Schedule of City Pension Contributions, Schedule of Changes in the City's Total OPEB Liability, 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 Honorable Mayor and Members of City Council  
City of Mesa, Arizona

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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 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  
November 29, 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, 2018. 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 total revenues increased by \$56.2 million from \$943.8 million to \$1 billion. The increase is from four primary sources Charges for Services, Contributions, Sales Taxes and Unrestricted Intergovernmental revenues.
- As of the end of fiscal year 2018, the City's governmental funds reported a combined ending fund balance of \$304.5 million, a \$47.0 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 beginning Net Position was restated by (\$205.6) million due to the implementation of GASB 75 which relates to the recording of other postemployment benefits (OPEB) 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 years ending June 30, 2018 and 2017.

**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 \$755.8 million at the end of fiscal year 2018. The following table summarizes Exhibit A-1, the Statement of Net Position.

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

|                                      | Governmental Activities |                      | Business-Type Activities |                      | Total Government  |                      |
|--------------------------------------|-------------------------|----------------------|--------------------------|----------------------|-------------------|----------------------|
|                                      | 2018                    | 2017,<br>As Restated | 2018                     | 2017,<br>As Restated | 2018              | 2017,<br>As Restated |
| Cash and Other Assets                | \$ 736,077              | \$ 636,195           | \$ 541,346               | \$ 568,374           | \$ 1,277,423      | \$ 1,204,569         |
| Capital Assets                       | 1,440,294               | 1,436,952            | 1,522,043                | 1,455,419            | 2,962,337         | 2,892,371            |
| Total Assets                         | <u>2,176,371</u>        | <u>2,073,147</u>     | <u>2,063,389</u>         | <u>2,023,793</u>     | <u>4,239,760</u>  | <u>4,096,940</u>     |
| Deferred Amounts on Refunding        | 8,946                   | 10,112               | 29,430                   | 30,843               | 38,376            | 40,955               |
| Deferred Outflows on Pensions & OPEB | 162,477                 | 204,338              | 9,168                    | 12,881               | 171,645           | 217,219              |
| Total Deferred Amounts               | <u>171,423</u>          | <u>214,450</u>       | <u>38,598</u>            | <u>43,724</u>        | <u>210,021</u>    | <u>258,174</u>       |
| Non-Current Liabilities Outstanding  | 513,972                 | 524,287              | 1,336,240                | 1,307,566            | 1,850,212         | 1,831,853            |
| Net Pension & OPEB Liability         | 1,399,889               | 1,402,664            | 141,767                  | 147,382              | 1,541,656         | 1,550,046            |
| Other Liabilities                    | 117,008                 | 139,028              | 109,471                  | 94,069               | 226,479           | 233,097              |
| Total Liabilities                    | <u>2,030,869</u>        | <u>2,065,979</u>     | <u>1,587,478</u>         | <u>1,549,017</u>     | <u>3,618,347</u>  | <u>3,614,996</u>     |
| Deferred Inflows on Pensions & OPEB  | <u>67,124</u>           | <u>56,283</u>        | <u>8,526</u>             | <u>6,905</u>         | <u>75,650</u>     | <u>63,188</u>        |
| Net Investment in Capital Assets     | 1,019,888               | 986,354              | 266,012                  | 247,598              | 1,285,900         | 1,233,952            |
| Restricted Net Position              | 88,305                  | 88,721               | 40,440                   | 43,046               | 128,745           | 131,767              |
| Unrestricted Net Position            | <u>(858,392)</u>        | <u>(909,740)</u>     | <u>199,531</u>           | <u>220,951</u>       | <u>(658,861)</u>  | <u>(688,789)</u>     |
| Total Net Position                   | <u>\$ 249,801</u>       | <u>\$ 165,335</u>    | <u>\$ 505,983</u>        | <u>\$ 511,595</u>    | <u>\$ 755,784</u> | <u>\$ 676,930</u>    |



The largest portion of net position, \$1.3 billion, 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.

The restricted portion of the City's net position, \$128.7 million, represents resources that are subject to external restrictions on how they may be used. Such restrictions include debt service payments, transportation programs, other capital projects and required reserves. The unrestricted net position of (\$658.9) million is primarily due to the impact of the long-term liability associated with pensions and OPEB (\$1.5 billion).

**Capital Assets** – The following table provides a breakdown of the City's capital assets at June 30, 2018 and 2017:

**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> |                     |
|--------------------------|--------------------------------|---------------------|---------------------------------|---------------------|-------------------------|---------------------|
|                          | 2018                           | 2017                | 2018                            | 2017                | 2018                    | 2017                |
| Land                     | \$ 391,527                     | \$ 388,552          | \$ 50,700                       | \$ 50,717           | \$ 442,227              | \$ 439,269          |
| Infrastructure - Nondepr | 3,585                          | 3,612               | 17,666                          | 17,666              | 21,251                  | 21,278              |
| Buildings                | 237,881                        | 237,651             | 76,139                          | 77,927              | 314,020                 | 315,578             |
| Other Improvements       | 85,980                         | 85,004              | 75,016                          | 78,738              | 160,996                 | 163,742             |
| Machinery & Equipment    | 62,444                         | 64,552              | 38,098                          | 37,081              | 100,542                 | 101,633             |
| Intangibles              | 2,959                          | 6,712               | 4,800                           | 5,685               | 7,759                   | 12,397              |
| Infrastructure           | 537,986                        | 540,808             | 1,031,096                       | 1,007,923           | 1,569,082               | 1,548,731           |
| Construction-in-Progress | 117,932                        | 110,061             | 228,528                         | 179,682             | 346,460                 | 289,743             |
| Total                    | <u>\$ 1,440,294</u>            | <u>\$ 1,436,952</u> | <u>\$ 1,522,043</u>             | <u>\$ 1,455,419</u> | <u>\$ 2,962,337</u>     | <u>\$ 2,892,371</u> |

The City's investment in capital assets for its governmental and business-type activities amounts to \$3.0 billion (net of accumulated depreciation/amortization) as of June 30, 2018. 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 total capital asset balances at June 30, 2018 were overall consistent with prior year balances. However, there were increases in Infrastructure assets (\$20.4 million) and Construction-in-progress (\$56.7 million). The most significant Infrastructure additions in fiscal year 2018 were arterial streets, water mains, wells, and water treatment system infrastructure at the Northwest Water Reclamation Plant.

The largest current year project expenditure (\$36.7 million) continued to be for the Signal Butte Water Treatment Plant, which had its grand opening subsequent to year end. The next largest project expenditure (\$26.3 million) was related to the Greenfield Wastewater Plant Expansion. The remaining project expenditures were primarily related to street overlay, transportation projects, Gilbert Road Light Rail Expansion, water 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, 2018 and 2017.

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

|                                | <u>Governmental Activities</u> |                   | <u>Business-Type Activities</u> |                     | <u>Total Government</u> |                     |
|--------------------------------|--------------------------------|-------------------|---------------------------------|---------------------|-------------------------|---------------------|
|                                | 2018                           | 2017              | 2018                            | 2017                | 2018                    | 2017                |
| General Obligation Bonds       | \$ 365,519                     | \$ 374,443        | \$ 236                          | \$ 312              | \$ 365,755              | \$ 374,755          |
| Utility System Revenue Bonds   | -                              | -                 | 1,227,355                       | 1,161,755           | 1,227,355               | 1,161,755           |
| Highway User Revenue Fund Bond | 76,620                         | 84,995            | -                               | -                   | 76,620                  | 84,995              |
| Excise Tax Obligations         | -                              | -                 | 49,025                          | 94,060              | 49,025                  | 94,060              |
| Special Assessment Bonds       |                                |                   |                                 |                     |                         |                     |
| with Governmental Commitment   | 1,005                          | 1,340             | -                               | -                   | 1,005                   | 1,340               |
| Community Facility District    | 28,813                         | 19,172            | -                               | -                   | 28,813                  | 19,172              |
| Notes Payable                  | -                              | -                 | 1,714                           | 1,851               | 1,714                   | 1,851               |
| Total                          | <u>\$ 471,957</u>              | <u>\$ 479,950</u> | <u>\$ 1,278,330</u>             | <u>\$ 1,257,978</u> | <u>\$ 1,750,287</u>     | <u>\$ 1,737,928</u> |

At the end of the current fiscal year, the City had total outstanding debt was \$1.75 billion, which is an increase of \$12.4 million. Of this amount, \$414.8 million comprises debt backed by the full faith and credit of the City and \$1.3 billion represents bonds secured by specified revenue sources (i.e., Utility System Revenue and Highway User Revenue). The City's outstanding long-term debt (considering new borrowings, debt retirements, and defeasance) increased \$12.4 million. The change in debt includes new borrowings during the fiscal year totaling \$138.9 million, defeasance of \$15.2 million, and principal payments of \$111.2 million.

An additional amount of \$29.8 million are Special Assessment and Community Facility District bonds. Special Assessment revenues are collected to make the annual Special Assessment and Community Facility District bond debt payments. The City has no liability for the Community Facility District bonds. However, the City is contingently liable in the event that the Special Assessment revenues are insufficient to satisfy the Special Assessment Bond debt payments.

The City's current bond ratings are as follows:

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

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, sewer, light, parks, open space preserves, playgrounds, recreational facilities, public safety, law enforcement, fire emergency, streets and transportation may not exceed 20% of a City's full cash net assessed valuation, nor may outstanding general obligation bonded debt for all other purposes exceed 6% of a City's full cash net assessed valuation.

The City's total debt margin available at June 30, 2018 was \$182.2 million in the 6% capacity and \$244.7 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 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, 2018 and 2017.

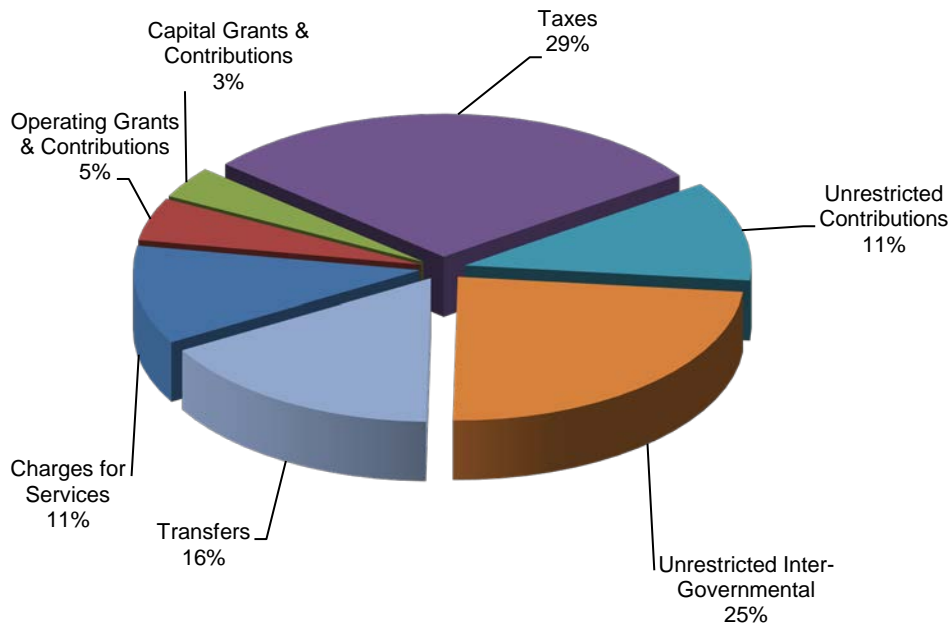
### Changes in Net Position Year Ended June 30 (In thousands of dollars)

|  | <b>Governmental Activities</b> |            | <b>Business-Type Activities</b> |            | <b>Total Government</b> |            |
|--|--------------------------------|------------|---------------------------------|------------|-------------------------|------------|
|  | 2018                           | 2017       | 2018                            | 2017       | 2018                    | 2017       |
| Program Revenues:                                    |                                |            |                                 |            |                         |            |
| Charges for Services                                 | \$ 78,756                      | \$ 72,703  | \$ 371,794                      | \$ 359,060 | \$ 450,550              | \$ 431,763 |
| Operating Grants & Contributions                     | 34,446                         | 26,955     | 2,406                           | 158        | 36,852                  | 27,113     |
| Capital Grants & Contributions                       | 23,618                         | 24,451     | 23,474                          | 28,711     | 47,092                  | 53,162     |
| General Revenues:                                    |                                |            |                                 |            |                         |            |
| Sales Taxes  | 169,024                        | 159,735    | -                               | -          | 169,024                 | 159,735    |
| Property Taxes                                       | 35,571                         | 34,684     | -                               | -          | 35,571                  | 34,684     |
| Occupancy Taxes                                      | 2,628                          | 2,536      | 1,192                           | 1,085      | 3,820                   | 3,621      |
| Unrestricted Intergovernmental Contributions         | 167,540                        | 158,916    | -                               | -          | 167,540                 | 158,916    |
| Unrestricted Investment Income                       | 80,312                         | 46,817     | -                               | -          | 80,312                  | 46,817     |
| Gain on Disposal of Capital Assets                   | 1,912                          | 448        | 1,691                           | 983        | 3,603                   | 1,431      |
| Miscellaneous  | (2,462)                        | (1,411)    | 261                             | 16,364     | (2,201)                 | 14,953     |
| Total Revenues                                       | 596,763                        | 536,995    | 402,733                         | 406,827    | 999,496                 | 943,822    |
| Governmental Activities Expenses:                    |                                |            |                                 |            |                         |            |
| General Government                                   | 105,140                        | 101,301    | -                               | -          | 105,140                 | 101,301    |
| Public Safety  | 334,905                        | 379,505    | -                               | -          | 334,905                 | 379,505    |
| Community Environment                                | 113,916                        | 104,173    | -                               | -          | 113,916                 | 104,173    |
| Cultural-Recreational                                | 54,828                         | 55,739     | -                               | -          | 54,828                  | 55,739     |
| Interest on Long-Term Debt                           | 19,514                         | 19,279     | -                               | -          | 19,514                  | 19,279     |
| Business-Type Activities:                            |                                |            |                                 |            |                         |            |
| Electric   | -                              | -          | 25,573                          | 26,561     | 25,573                  | 26,561     |
| Gas  | -                              | -          | 31,636                          | 37,109     | 31,636                  | 37,109     |
| Water  | -                              | -          | 101,005                         | 95,608     | 101,005                 | 95,608     |
| Wastewater   | -                              | -          | 74,157                          | 71,782     | 74,157                  | 71,782     |
| Solid Waste  | -                              | -          | 37,988                          | 37,911     | 37,988                  | 37,911     |
| Airport  | -                              | -          | 5,308                           | 5,125      | 5,308                   | 5,125      |
| Golf Course  | -                              | -          | 1,965                           | 2,028      | 1,965                   | 2,028      |
| Convention Center                                    | -                              | -          | 4,481                           | 4,711      | 4,481                   | 4,711      |
| Hohokam Stadium/Fitch Complex                        | -                              | -          | 3,174                           | 3,687      | 3,174                   | 3,687      |
| Cubs Stadium   | -                              | -          | 5,870                           | 6,042      | 5,870                   | 6,042      |
| District Cooling                                     | -                              | -          | 1,181                           | 1,268      | 1,181                   | 1,268      |
| Total Expenses                                       | 628,303                        | 659,997    | 292,338                         | 291,832    | 920,641                 | 951,829    |
| Increase (Decrease) in Net Position Before Transfers | (31,540)                       | (123,002)  | 110,395                         | 114,995    | 78,855                  | (8,007)    |
| Transfers  | 116,006                        | 106,607    | (116,006)                       | (106,607)  | -                       | -          |
| Change in Net Position                               | 84,466                         | (16,395)   | (5,611)                         | 8,388      | 78,855                  | (8,007)    |
| Total Net Position - As Adjusted                     | 165,335                        | 181,730    | 511,594                         | 503,206    | 676,929                 | 684,936    |
| Net Position - Ending                                | \$ 249,801                     | \$ 165,335 | \$ 505,983                      | \$ 511,594 | \$ 755,784              | \$ 676,929 |

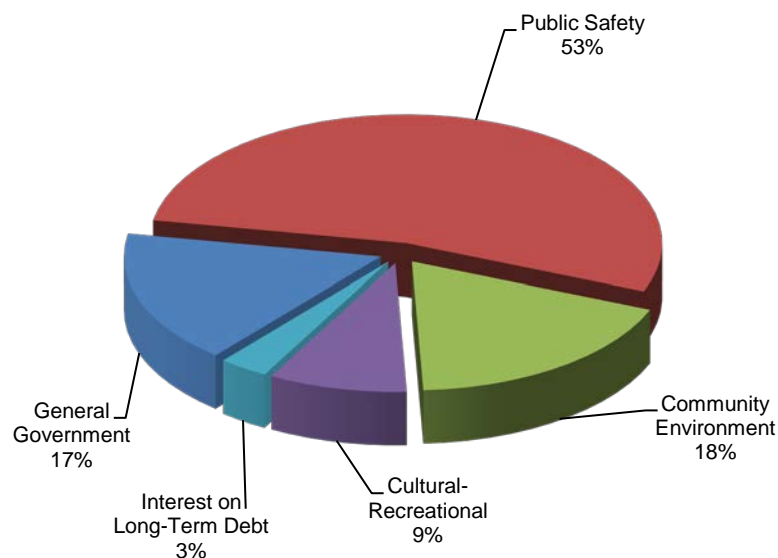
## Governmental Activities

As presented in the following two graphs, the largest funding sources, including transfers, for the governmental activities are taxes (29%), Unrestricted Intergovernmental (25%), Transfers (16%), and Charges for Services (11%). The largest users of resources for the governmental activities are Public Safety (53%), Community Environment (18%), and General Government (17%).

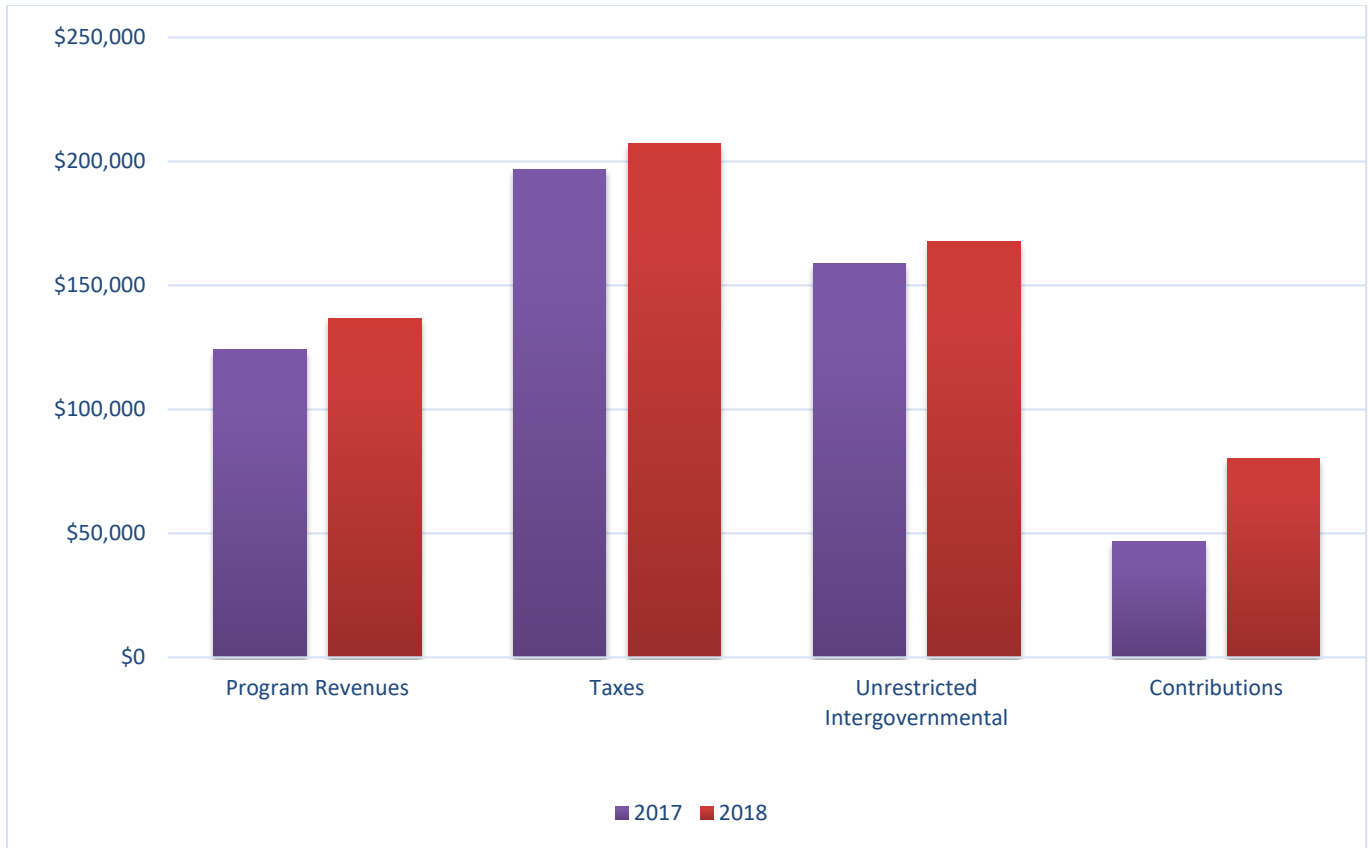
**Revenues by Source Including Transfers – Governmental Activities  
For the Fiscal Year Ended June 30, 2018**



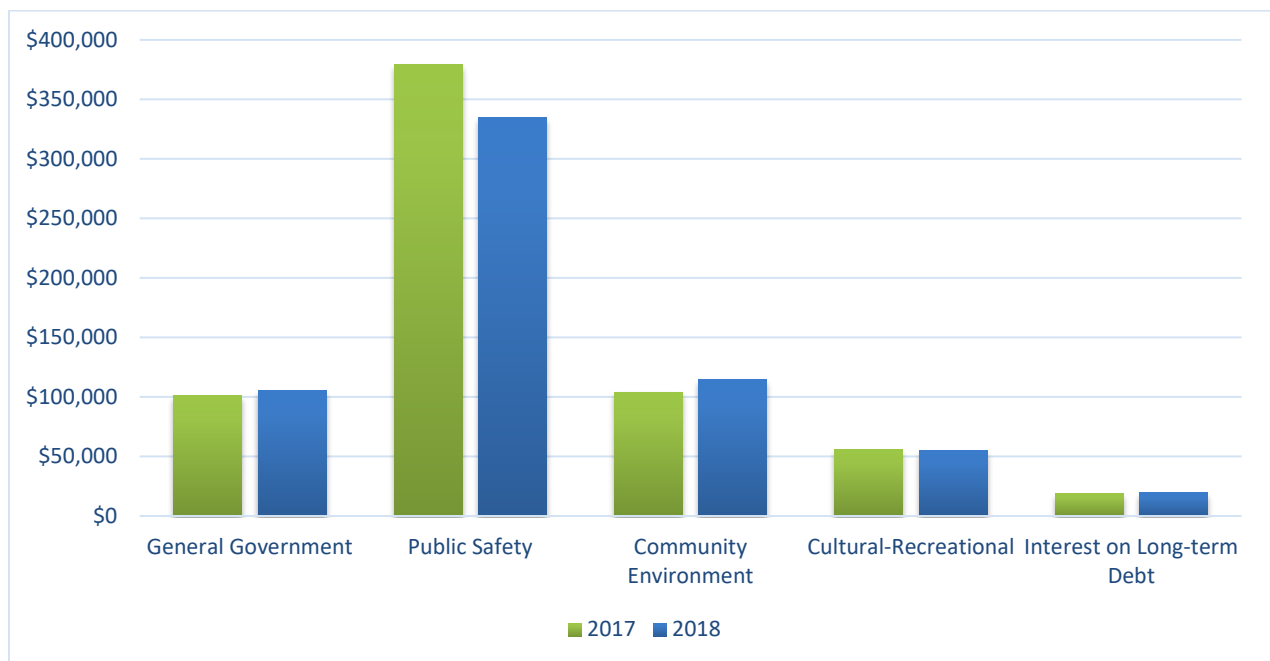
**Functional Expenses – Governmental Activities  
For the Fiscal Year Ended June 30, 2018**



**Governmental Activities Revenues**  
**For Fiscal Years 2018 and 2017**  
*(In thousands of dollars)*



**Governmental Activities Functional Expenses**  
**For Fiscal Years 2018 and 2017**  
*(In thousands of dollars)*





The graphs on the previous page compare governmental activities revenues and expenses from fiscal year 2018 to fiscal year 2017. Total governmental activities revenues increased \$59.8 million from \$537.0 million to \$596.8 million. Total governmental expenses decreased by \$31.2 million from \$660.0 million to \$628.8 million.

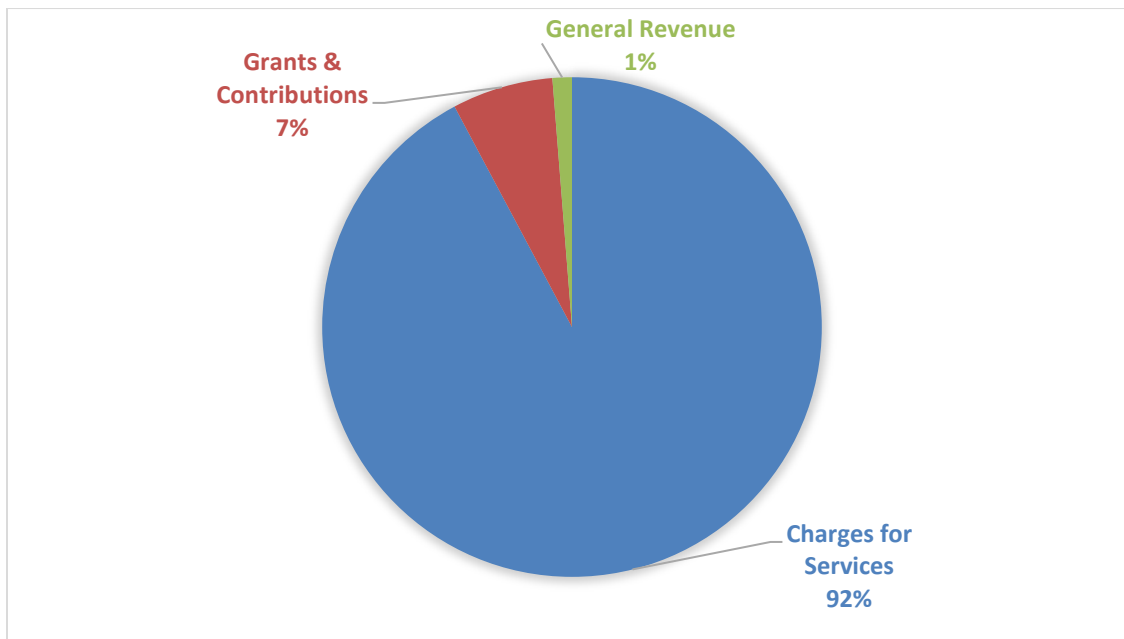
Key factors in this change include:

- The largest increase in revenues were in Contributions (\$33.5 million) due to the Gilbert Road Light Rail extension. The cost of construction on the Gilbert Road Light Rail extension continued in current year and was substantially paid for/contributed by Valley Metro Rail Inc. (VMRI), which increased the City's Equity share in the VMRI joint venture.
- Sales Taxes and Unrestricted Intergovernmental revenues increased in current year by \$9.3 million and \$8.6 million, respectively. Overall sales tax increased by 5.8%, with most of the increase being in the retail sales category. Unrestricted Intergovernmental revenue increases were in all three categories (Urban Revenue Sharing, State Shared Sales Tax, and Highway User Tax). The City's revenues in taxes and unrestricted intergovernmental revenues has followed the national economy's slow and steady recovery.
- The decrease in governmental expenditures is primarily due to Public Safety expenditures decreasing by \$44.6 million. Decrease was due to a decrease in pension expense per the annual actuarial report.

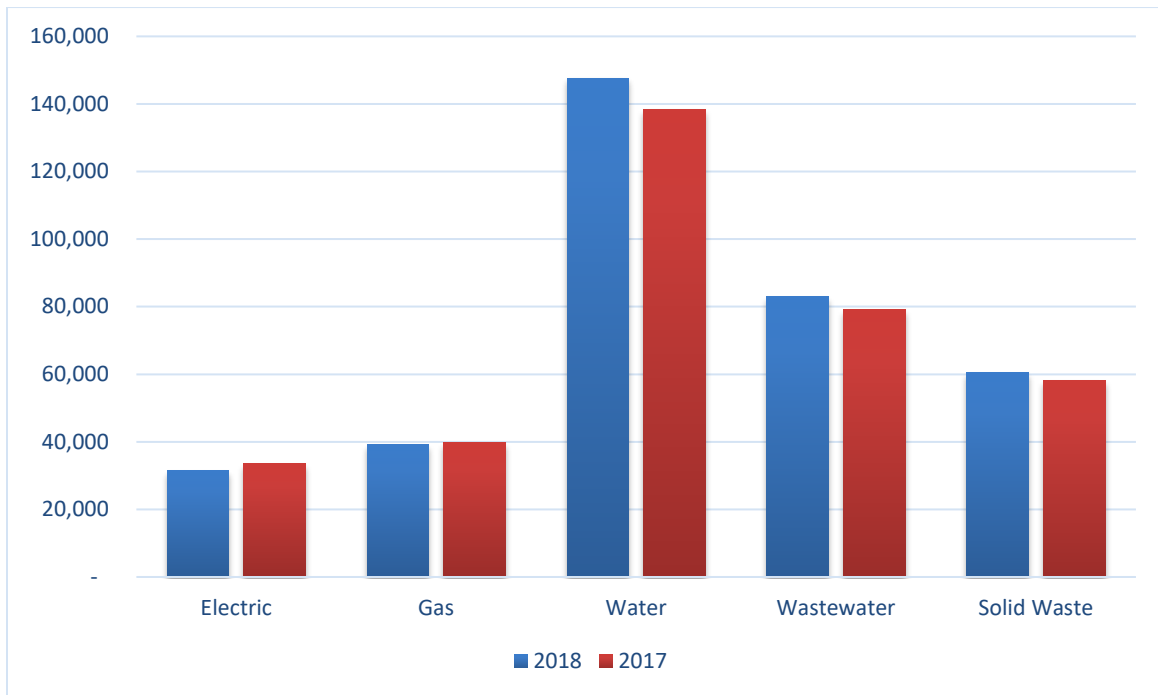
### Business-type Activities

As presented in the following two graphs, the largest revenue source is from Charges for Services from Water, Wastewater, Solid Waste, Gas, and Electric.

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

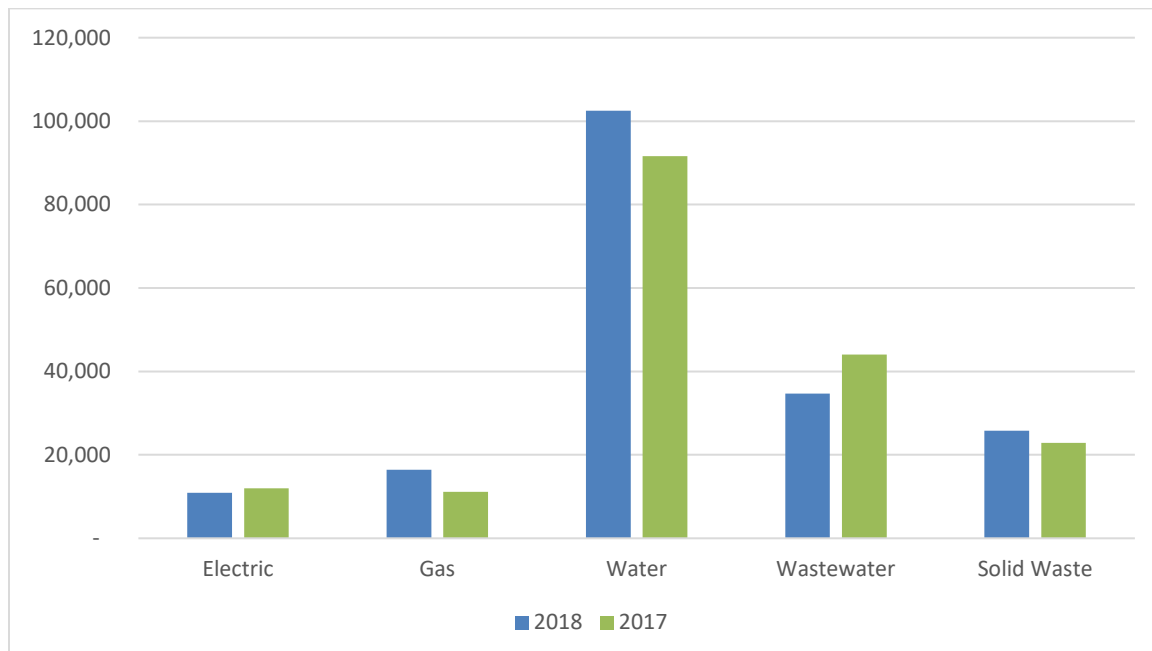


### Revenues by Utility – Business-type Activities



Total business-type activities program and general revenues decreased by \$4.0 million from \$406.8 million to \$402.8 million. Decrease is primarily attributed to gain on sale of assets. In fiscal year 2018, total Gain on Disposal of Capital Assets was \$261 thousand, down \$16.1 million as compared to fiscal year 2017. Charges for Service increased by \$12.8 million from \$359.0 million to \$371.8 million. Increase was predominately in the Water and Wastewater due to increase in rates.

### 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 94.

## **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 increase of \$47.0 million in the governmental funds is the net result of the increase in Sales Taxes and Intergovernmental Revenue and a decrease in Capital Outlay expenditures.

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 \$130.4 million, while unassigned fund balance was \$89.3 million.

Total fund balance of the City's General Fund increased by \$16.0 million during the current fiscal year from \$114.4 million to \$130.4 million. This is primarily due to an increase in Sales Taxes and Intergovernmental Revenues.

**Proprietary Funds** - The City's Enterprise Fund provides the same type of information as the government-wide financial statements, except in more detail. The total net position of the Enterprise Fund decreased by \$5.6 million during the current fiscal year from \$511.6 million (restated) to \$506.0 million. The decrease in current year is primarily related to an increase in operating expenses for wastewater. The unrestricted net position of the Enterprise Fund amounted to \$199.5 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-5. 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 2018.

General Fund revenues of \$308.9 million, on a budgetary basis, were less than the budgeted revenues of \$312.3 million. Decrease in revenues, compared to budgeted, was primarily due to the City receiving less Intergovernmental revenues than budgeted. Expenditures of \$383.1 million were less than the budgeted expenditures of \$424.8 million. Savings were primarily in general government, followed by capital outlay.

## **ECONOMIC FACTORS**

In June 2018, the City Council approved a \$1.8 billion budget, which is an increase of \$80 million compared to prior year's budget. The fiscal year 2019 budget includes \$1.6 billion for operations and \$206.4 million for scheduled bond capital improvements.

The adopted fiscal year 2019 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 2018



**HOHOKAM STADIUM**

CITY OF MESA, ARIZONA  
**EXHIBIT A-1**  
STATEMENT OF NET POSITION  
JUNE 30, 2018  
(in thousands)

|   | <b>Primary Government</b>          |                                     |                   |
|---|------------------------------------|-------------------------------------|-------------------|
|   | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>      |
| <b>ASSETS</b>                                     |                                    |                                     |                   |
| Pooled Cash and Investments                       | \$ 359,534                         | \$ 98,801                           | \$ 458,335        |
| Accounts Receivable, Net                          | 5,770                              | 36,852                              | 42,622            |
| Accrued Interest Receivable                       | 991                                | 920                                 | 1,911             |
| Due from Other Governments                        | 35,819                             | 2,647                               | 38,466            |
| Internal Balances                                 | (876)                              | 876                                 | -                 |
| Inventory   | 6,079                              | -                                   | 6,079             |
| Prepaid Costs                                     | 3,186                              | 2,172                               | 5,358             |
| Deposits  | 69                                 | 45                                  | 114               |
| Restricted Assets:                                |                                    |                                     |                   |
| Pooled Cash and Investments                       | 7,001                              | 124,753                             | 131,754           |
| Cash with Fiscal Agent                            | 42,651                             | 57,680                              | 100,331           |
| Cash with Trustee                                 | -                                  | 98                                  | 98                |
| Accounts Receivable, Net                          | 12,527                             | -                                   | 12,527            |
| Due from Other Governments                        | 1,265                              | -                                   | 1,265             |
| Customer Deposits                                 | -                                  | 4,281                               | 4,281             |
| Joint Venture Construction Deposits               | -                                  | 3,716                               | 3,716             |
| Investment in Joint Ventures                      | 262,061                            | 208,505                             | 470,566           |
| Capital Assets, Not Being Depreciated             | 513,044                            | 296,894                             | 809,938           |
| Capital Assets, Being Depreciated, Net            | 927,250                            | 1,225,149                           | 2,152,399         |
| Total Assets                                      | <u>2,176,371</u>                   | <u>2,063,389</u>                    | <u>4,239,760</u>  |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>             |                                    |                                     |                   |
| Debt Refunding                                    | 8,946                              | 29,430                              | 38,376            |
| Pensions and OPEB                                 | 162,477                            | 9,168                               | 171,645           |
| Total Deferred Outflows of Resources              | <u>171,423</u>                     | <u>38,598</u>                       | <u>210,021</u>    |
| <b>LIABILITIES</b>                                |                                    |                                     |                   |
| Accounts Payable and Accrued Liabilities          | 24,358                             | 9,722                               | 34,080            |
| Claims Payable                                    | 37,029                             | -                                   | 37,029            |
| Customer and Defendant Deposits                   | 7,190                              | -                                   | 7,190             |
| Liabilities Payable from Restricted Assets        | 48,431                             | 99,749                              | 148,180           |
| Noncurrent Liabilities, Due Within One Year       | 41,741                             | 36,352                              | 78,093            |
| Noncurrent Liabilities, Due in More Than One Year | 472,231                            | 1,299,888                           | 1,772,119         |
| Net Pension and OPEB Liability                    | 1,399,889                          | 141,767                             | 1,541,656         |
| Total Liabilities                                 | <u>2,030,869</u>                   | <u>1,587,478</u>                    | <u>3,618,347</u>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>              |                                    |                                     |                   |
| Pensions and OPEB                                 | 67,124                             | 8,526                               | 75,650            |
| Total Deferred Inflows of Resources               | <u>67,124</u>                      | <u>8,526</u>                        | <u>75,650</u>     |
| <b>NET POSITION</b>                               |                                    |                                     |                   |
| Net Investment in Capital Assets                  | 1,019,888                          | 266,012                             | 1,285,900         |
| Restricted For:                                   |                                    |                                     |                   |
| Bond Indentures                                   | -                                  | 29,505                              | 29,505            |
| Construction                                      | -                                  | 3,716                               | 3,716             |
| Debt Service                                      | 25,490                             | 7,219                               | 32,709            |
| Public Safety                                     | 5,369                              | -                                   | 5,369             |
| Transportation Programs                           | 54,265                             | -                                   | 54,265            |
| Other Programs                                    | 3,181                              | -                                   | 3,181             |
| Unrestricted                                      | (858,392)                          | 199,531                             | (658,861)         |
| Total Net Position                                | <u>\$ 249,801</u>                  | <u>\$ 505,983</u>                   | <u>\$ 755,784</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, 2018

(in thousands)

| <b>Functions/Programs:</b>     | <b>Expenses</b>   | <b>Program Revenues</b>         |   |   |
|--------------------------------|-------------------|---------------------------------|---|---|
|                                |                   | <b>Charges for<br/>Services</b> | <b>Operating<br/>Grants and<br/>Contributions</b> | <b>Capital Grants<br/>and<br/>Contributions</b> |
| Governmental Activities:       |                   |                                 |   |   |
| General Government             | \$ 105,140        | \$ 14,618                       | \$ 1,186  | \$ 20,043                                       |
| Public Safety                  | 334,905           | 32,893                          | 6,685   | 954   |
| Community Environment          | 113,916           | 18,894                          | 26,431  | 2,581   |
| Cultural-Recreational          | 54,828            | 12,351                          | 144   | 40  |
| Interest on Long-Term Debt     | 19,514            | -                               | -   | -   |
| Total Governmental Activities  | <u>628,303</u>    | <u>78,756</u>                   | <u>34,446</u>                                     | <u>23,618</u>                                   |
| Business-type Activities:      |                   |                                 |   |   |
| Electric                       | 25,573            | 31,425                          | 166   | 200   |
| Gas                            | 31,636            | 39,171                          | 258   | 741   |
| Water                          | 101,005           | 147,667                         | 1,451   | 10,884  |
| Wastewater                     | 74,157            | 83,078                          | 530   | 8,530   |
| Solid Waste                    | 37,988            | 60,522                          | 1   | 575   |
| Airport                        | 5,308             | 3,983                           | -   | 2,244   |
| Golf Course                    | 1,965             | 1,635                           | -   | -   |
| Convention Center              | 4,481             | 2,809                           | -   | 200   |
| Hohokam Stadium/Fitch Complex  | 3,174             | 51                              | -   | 100   |
| Cubs Stadium                   | 5,870             | 238                             | -   | -   |
| District Cooling               | 1,181             | 1,215                           | -   | -   |
| Total Business-type Activities | <u>292,338</u>    | <u>371,794</u>                  | <u>2,406</u>                                      | <u>23,474</u>                                   |
| Total Government               | <u>\$ 920,641</u> | <u>\$ 450,550</u>               | <u>\$ 36,852</u>                                  | <u>\$ 47,092</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

Total Net Position - As Previously Reported

Change in Accounting Principle

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<br/>Activities</b>                       | <b>Business-type<br/>Activities</b> | <b>Total</b> |
| \$ (69,293)  | \$ -                                | \$ (69,293)  |
| (294,373)  | -                                   | (294,373)    |
| (66,010)   | -                                   | (66,010)     |
| (42,293)   | -                                   | (42,293)     |
| (19,514)   | -                                   | (19,514)     |
| (491,483)  | -                                   | (491,483)    |
| -  | 6,218                               | 6,218        |
| -  | 8,534                               | 8,534        |
| -  | 58,997                              | 58,997       |
| -  | 17,981                              | 17,981       |
| -  | 23,110                              | 23,110       |
| -  | 919                                 | 919          |
| -  | (330)                               | (330)        |
| -  | (1,472)                             | (1,472)      |
| -  | (3,023)                             | (3,023)      |
| -  | (5,632)                             | (5,632)      |
| -  | 34                                  | 34           |
| -  | 105,336                             | 105,336      |
| (491,483)  | 105,336                             | (386,147)    |
| 169,024  | -                                   | 169,024      |
| 35,571   | -                                   | 35,571       |
| 2,628  | 1,192                               | 3,820        |
| 167,540  | -                                   | 167,540      |
| 80,312   | -                                   | 80,312       |
| 1,912  | 1,691                               | 3,603        |
| (2,462)  | 261                                 | (2,201)      |
| 5,418  | 1,915                               | 7,333        |
| 116,006  | (116,006)                           | -            |
| 575,949  | (110,947)                           | 465,002      |
| 84,466   | (5,611)                             | 78,855       |
| 363,708  | 518,804                             | 882,512      |
| (198,373)  | (7,210)                             | (205,583)    |
| 165,335  | 511,594                             | 676,929      |
| \$ 249,801   | \$ 505,983                          | \$ 755,784   |



CITY OF MESA, ARIZONA  
**EXHIBIT A-3**  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018  
(in thousands)

|   | <b>General Fund</b> | <b>Non-major<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|---------------------|---|---|
| <b>ASSETS</b>   |                     |   |   |
| Pooled Cash and Investments   | \$ 120,293          | \$ 170,055                                  | \$ 290,348                              |
| Accounts Receivable, Net  | 3,254               | 1,751                                       | 5,005                                   |
| Accrued Interest Receivable   | 361                 | 396   | 757                                     |
| Due from Other Governments  | 20,427              | 15,392                                      | 35,819                                  |
| Due from Other Funds  | 1,262               | -   | 1,262                                   |
| Prepaid Costs   | 2,304               | 135   | 2,439                                   |
| Restricted Assets:  |                     |   |   |
| Pooled Cash and Investments   | -                   | 7,001                                       | 7,001                                   |
| Cash with Fiscal Agent  | -                   | 42,651                                      | 42,651                                  |
| Accounts Receivable   | -                   | 12,527                                      | 12,527                                  |
| Due from Other Governments  | -                   | 1,265                                       | 1,265                                   |
| Total Assets  | <u>\$ 147,901</u>   | <u>\$ 251,173</u>                           | <u>\$ 399,074</u>                       |
| <b>LIABILITIES</b>  |                     |   |   |
| Accounts Payable and Accrued Liabilities                              | \$ 11,961           | \$ 10,307                                   | \$ 22,268                               |
| Due to Other Funds  | -                   | 1,262                                       | 1,262                                   |
| Advances from Other Funds   | 876                 | -   | 876                                     |
| Customer and Defendant Deposits                                       | 234                 | 6,956                                       | 7,190                                   |
| Payable from Restricted Assets:                                       |                     |   |   |
| Accrued Interest Payable  | -                   | 9,382                                       | 9,382                                   |
| Unearned Revenue  | 3,160               | 1,513                                       | 4,673                                   |
| Matured Bonds Payable   | -                   | 34,376                                      | 34,376                                  |
| Total Liabilities   | <u>16,231</u>       | <u>63,796</u>                               | <u>80,027</u>                           |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                  |                     |   |   |
| Unavailable Revenue   | 1,296               | 13,293                                      | 14,589                                  |
| Total Deferred Inflows of Resources                                   | <u>1,296</u>        | <u>13,293</u>                               | <u>14,589</u>                           |
| <b>FUND BALANCES</b>  |                     |   |   |
| Nonspendable  | 2,304               | 135   | 2,439                                   |
| Restricted  | -                   | 132,462                                     | 132,462                                 |
| Committed   | 10,377              | 41,641                                      | 52,018                                  |
| Assigned  | 28,346              | 22  | 28,368                                  |
| Unassigned  | 89,347              | (176)                                       | 89,171                                  |
| Total Fund Balances   | <u>130,374</u>      | <u>174,084</u>                              | <u>304,458</u>                          |
| Total Liabilities, Deferred Inflows of<br>Resources and Fund Balances | <u>\$ 147,901</u>   | <u>\$ 251,173</u>                           | <u>\$ 399,074</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, 2018

(in thousands)

|  |            |
|--|------------|
| Fund Balances - total governmental funds | \$ 304,458 |
|--|------------|

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. | 1,437,912 |
|--|-----------|

|  |         |
|--|---------|
| Other assets used in governmental activities are not financial resources and therefore not reported in the governmental funds. | 262,061 |
|--|---------|

|  |         |
|--|---------|
| Deferred outflows related to deferred amounts on refunding and pensions are not financial resources and therefore not reported in the funds. | 169,373 |
|--|---------|

|  |             |
|--|-------------|
| 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. | (1,881,408) |
|--|-------------|

|  |          |
|--|----------|
| 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. | (50,633) |
|--|----------|

|  |       |
|--|-------|
| Internal service funds are used by management to charge the costs of certain activities to individual funds. | 8,038 |
|--|-------|

|   |                   |
|---|-------------------|
| Net position of the governmental activities - statement of net position | <u>\$ 249,801</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, 2018

(in thousands)

|  | <b>General Fund</b> | <b>Non-major<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|---------------------|---|---|
| <b>REVENUES</b>  |                     |   |   |
| Sales Taxes  | \$ 116,024          | \$ 53,000                                   | \$ 169,024                              |
| Property Taxes   | -                   | 35,616                                      | 35,616                                  |
| Occupancy Taxes  | 25                  | 2,603                                       | 2,628                                   |
| Special Assessments  | -                   | 1,174                                       | 1,174                                   |
| Licenses and Permits   | 20,103              | 5,016                                       | 25,119                                  |
| Intergovernmental  | 138,177             | 85,623                                      | 223,800                                 |
| Charges for Services   | 24,033              | 16,189                                      | 40,222                                  |
| Fines and Forfeitures  | 8,155               | 2,281                                       | 10,436                                  |
| Investment Income  | 208                 | 1,400                                       | 1,608                                   |
| Contributions  | 75                  | 354   | 429                                     |
| Miscellaneous Revenue  | 1,768               | 3,779                                       | 5,547                                   |
| Total Revenues   | <u>308,568</u>      | <u>207,035</u>                              | <u>515,603</u>                          |
| <b>EXPENDITURES</b>  |                     |   |   |
| Current:   |                     |   |   |
| General Government   | 80,860              | 9,349                                       | 90,209                                  |
| Public Safety  | 237,902             | 28,557                                      | 266,459                                 |
| Community Environment  | 15,705              | 57,699                                      | 73,404                                  |
| Cultural-Recreational  | 38,358              | 7,785                                       | 46,143                                  |
| Debt Service:  |                     |   |   |
| Principal  | -                   | 34,738                                      | 34,738                                  |
| Interest on Bonds  | -                   | 18,477                                      | 18,477                                  |
| Service Charges  | -                   | 14  | 14                                      |
| Cost of Issuance   | -                   | 1,023                                       | 1,023                                   |
| Capital Outlay   | 13,261              | 63,018                                      | 76,279                                  |
| Total Expenditures   | <u>386,086</u>      | <u>220,660</u>                              | <u>606,746</u>                          |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(77,518)</u>     | <u>(13,625)</u>                             | <u>(91,143)</u>                         |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |   |   |
| Transfers In   | 120,095             | 56,477                                      | 176,572                                 |
| Transfers Out  | (26,629)            | (39,579)                                    | (66,208)                                |
| Face Amount of Bonds Issued                                  | -                   | 26,745                                      | 26,745                                  |
| Premium on Issuance of Bonds (Net)                           | -                   | 1,063                                       | 1,063                                   |
| Total Other Financing Sources (Uses)                         | <u>93,466</u>       | <u>44,706</u>                               | <u>138,172</u>                          |
| Net Change in Fund Balances                                  | 15,948              | 31,081                                      | 47,029                                  |
| Fund Balance - Beginning                                     | <u>114,426</u>      | <u>143,003</u>                              | <u>257,429</u>                          |
| Fund Balances - Ending                                       | <u>\$ 130,374</u>   | <u>\$ 174,084</u>                           | <u>\$ 304,458</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, 2018  
(in thousands)

|   |                  |
|---|------------------|
| Net change in fund balances - total governmental funds  | \$ 47,029        |
| 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.   | (3,490)          |
| 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.   | (111,992)        |
| Current-year pension contributions are reclassified to deferred outflows of resources and therefore not reported as expenditures in governmental funds.   | 63,382           |
| 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 \$73,370 exceeded depreciation (\$66,102) in the current period. | 7,268            |
| The net effect of miscellaneous transactions involving capital assets (e.g., donations, transfers and disposals) is to increase net position.   | 9,130            |
| Change in equity in Joint Venture   | 58,235           |
| 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.  | 7,993            |
| 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.  | 34               |
| 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.  | <u>6,877</u>     |
| Change in net position of the governmental activities - statement of activities   | <u>\$ 84,466</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, 2018

(in thousands)

|   | <b>Business-type<br/>Activities</b> | <b>Governmental<br/>Activities</b> |
|---|-------------------------------------|------------------------------------|
|   | <b>Enterprise<br/>Fund</b>          | <b>Internal<br/>Service Funds</b>  |
| <b>ASSETS</b>                                   |                                     |                                    |
| Current Assets:                                 |                                     |                                    |
| Pooled Cash and Investments                     | \$ 98,801                           | \$ 69,186                          |
| Accounts Receivable (Net of Allowances)         | 36,852                              | 592                                |
| Accrued Premiums Receivable                     | -                                   | 173                                |
| Accrued Interest Receivable                     | 920                                 | 234                                |
| Due from Other Governments                      | 2,647                               | -                                  |
| Advances to Other Funds                         | 876                                 | -                                  |
| Inventory                                       | -                                   | 6,079                              |
| Prepaid Costs                                   | 2,172                               | 747                                |
| Deposits  | 45                                  | 69                                 |
| Restricted Assets:                              |                                     |                                    |
| Pooled Cash and Investments                     | 124,753                             | -                                  |
| Cash with Fiscal Agents                         | 57,680                              | -                                  |
| Cash with Trustees                              | 98                                  | -                                  |
| Customer Deposits                               | 4,281                               | -                                  |
| Joint Venture Construction Deposits             | 3,716                               | -                                  |
| Total Current Assets                            | <u>332,841</u>                      | <u>77,080</u>                      |
| Noncurrent Assets:                              |                                     |                                    |
| Investment in Joint Ventures                    | 208,505                             | -                                  |
| Capital Assets, Not Being Depreciated           | 296,894                             | 61                                 |
| Capital Assets, Being Depreciated, Net          | 1,225,149                           | 2,321                              |
| Total Noncurrent Assets                         | <u>1,730,548</u>                    | <u>2,382</u>                       |
| Total Assets                                    | <u>2,063,389</u>                    | <u>79,462</u>                      |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>           |                                     |                                    |
| Refundings                                      | 29,430                              | -                                  |
| Pensions and OPEB                               | 9,168                               | 2,050                              |
| Total Deferred Outflows of Resources            | <u>38,598</u>                       | <u>2,050</u>                       |
| Total Assets and Deferred Outflows of Resources | <u>\$ 2,101,987</u>                 | <u>\$ 81,512</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, 2018  
(in thousands)

|   | <b>Business-type<br/>Activities<br/>Enterprise<br/>Fund</b> | <b>Governmental<br/>Activities<br/>Internal<br/>Service Funds</b> |
|---|---|---|
| <b>LIABILITIES</b>                                  |   |   |
| Current Liabilities-Payable From Current Assets:    |   |   |
| Accounts Payable and Accrued Liabilities            | \$ 9,722  | \$ 2,090  |
| Claims Payable                                      | -   | 37,029  |
| Current Liabilities-Payable From Restricted Assets: |   |   |
| Accounts Payable and Accrued Liabilities            | 8,081   | -   |
| Interest Payable                                    | 26,614  | -   |
| Unearned Revenue                                    | 285   | -   |
| Matured Bonds Payable                               | 31,431  | -   |
| Customer Deposits and Prepayments                   | 33,338  | -   |
| Current Portion of Long-Term Liabilities:           |   |   |
| Current Portion of Bonds Payable                    | 35,571  | -   |
| Current Portion of Notes Payable                    | 140   | -   |
| Current Portion of Compensated Absences             | 641   | 144   |
| Total Current Liabilities                           | <u>145,823</u>  | <u>39,263</u>   |
| Long-Term Liabilities:                              |   |   |
| Bonds Payable                                       | 1,294,630   | -   |
| Notes Payable                                       | 1,574   | -   |
| Compensated Absences                                | 3,684   | 696   |
| Net Pension and OPEB Liability                      | 141,767   | 31,613  |
| Total Long-Term Liabilities                         | <u>1,441,655</u>  | <u>32,309</u>   |
| Total Liabilities                                   | <u>1,587,478</u>  | <u>71,572</u>   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                |   |   |
| Pensions and OPEB                                   | <u>8,526</u>  | <u>1,902</u>  |
| Total Deferred Inflows of Resources                 | <u>8,526</u>  | <u>1,902</u>  |
| <b>NET POSITION</b>                                 |   |   |
| Net Investment in Capital Assets                    | 266,012   | 2,382   |
| Restricted For:                                     |   |   |
| Bond Indentures                                     | 29,505  | -   |
| Construction  | 3,716   | -   |
| Debt Service  | 7,219   | -   |
| Unrestricted  | 199,531   | 5,656   |
| Total Net Position                                  | <u><u>\$ 505,983</u></u>                                    | <u><u>\$ 8,038</u></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, 2018

(in thousands)

|  | <b>Business-type<br/>Activities</b> | <b>Governmental<br/>Activities</b> |
|--|-------------------------------------|------------------------------------|
|  | <b>Enterprise<br/>Fund</b>          | <b>Internal<br/>Service Funds</b>  |
| Operating Revenues:  |                                     |                                    |
| Electric Sales Pledged as Security for Revenue Bonds         | \$ 31,425                           | \$ -                               |
| Gas Sales Pledged as Security for Revenue Bonds              | 39,171                              | -                                  |
| Water Sales Pledged as Security for Revenue Bonds            | 147,667                             | -                                  |
| Wastewater Charges Pledged as Security for Revenue Bonds     | 83,078                              | -                                  |
| Solid Waste Charges Pledged as Security for Revenue Bonds    | 60,522                              | -                                  |
| Airport Fees   | 3,983                               | -                                  |
| Golf Course Fees   | 1,635                               | -                                  |
| Convention Center Fees                                       | 2,809                               | -                                  |
| Hohokam Stadium/Fitch Complex Fees                           | 51                                  | -                                  |
| Cubs Stadium Fees  | 238                                 | -                                  |
| District Cooling Charges                                     | 1,215                               | -                                  |
| Charges For Services   | -                                   | 27,261                             |
| Self-Insurance Contributions                                 | -                                   | 90,541                             |
| Other Revenue  | -                                   | 5,122                              |
| Total Operating Revenues                                     | <u>371,794</u>                      | <u>122,924</u>                     |
| Operating Expenses:  |                                     |                                    |
| Electric   | 20,542                              | -                                  |
| Gas  | 22,757                              | -                                  |
| Water  | 45,149                              | -                                  |
| Wastewater   | 48,392                              | -                                  |
| Solid Waste  | 34,729                              | -                                  |
| Airport  | 3,516                               | -                                  |
| Golf Course  | 1,820                               | -                                  |
| Convention Center  | 4,169                               | -                                  |
| Hohokam Stadium/Fitch Complex                                | 1,463                               | -                                  |
| Cubs Stadium   | 1,989                               | -                                  |
| District Cooling   | 761                                 | -                                  |
| Warehouse, Maintenance & Services                            | -                                   | 26,691                             |
| Self-Insurance   | -                                   | 90,005                             |
| Total Operating Expenses                                     | <u>185,287</u>                      | <u>116,696</u>                     |
| Operating Income (Loss) Before Depreciation and Amortization | 186,507                             | 6,228                              |
| Depreciation and Amortization                                | <u>(65,618)</u>                     | <u>(368)</u>                       |
| Operating Income (Loss)                                      | <u>120,889</u>                      | <u>5,860</u>                       |
|  |                                     | (Continued)                        |

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

## CITY OF MESA, ARIZONA

**EXHIBIT A-8 (Continued)**

## STATEMENT OF REVENUES, EXPENSES

## AND CHANGES IN NET POSITION

## PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(in thousands)

|   | <b>Business-type<br/>Activities</b> | <b>Governmental<br/>Activities</b> |
|---|-------------------------------------|------------------------------------|
|   | <b>Enterprise<br/>Fund</b>          | <b>Internal<br/>Service Funds</b>  |
| Nonoperating Revenues (Expenses):                       |                                     |                                    |
| Investment Income Pledged as Security for Revenue Bonds | 475                                 | -                                  |
| Investment Income Unpledged                             | 1,216                               | 304                                |
| Intergovernmental                                       | 2,406                               | -                                  |
| Interest Expense:                                       |                                     |                                    |
| Bonds   | (52,041)                            | -                                  |
| Notes Payable and Other Long-Term Obligations           | (13)                                | -                                  |
| Bond Administrative Costs                               | (39)                                | -                                  |
| Gain/(Loss) on Disposal of Capital Assets               | (5,619)                             | (20)                               |
| Net Gain from Joint Venture                             | 9,109                               | -                                  |
| Utility Development Fees                                | 16,261                              | -                                  |
| Bond Issuance Costs                                     | (560)                               | -                                  |
| Occupancy Tax   | 1,192                               | -                                  |
| Miscellaneous Revenue                                   | 4,026                               | -                                  |
| Total Nonoperating Revenues (Expenses)                  | <u>(23,587)</u>                     | <u>284</u>                         |
| Income before Transfers and Capital Contributions       | 97,302                              | 6,144                              |
| Capital Contributions                                   | 7,451                               | 733                                |
| Transfers In  | -                                   | -                                  |
| Transfers Out   | <u>(110,364)</u>                    | <u>-</u>                           |
| Change in Net Position                                  | (5,611)                             | 6,877                              |
| Total Net Position - Beginning                          | 518,804                             | 9,958                              |
| Change in Accounting Principle                          | <u>(7,210)</u>                      | <u>(8,797)</u>                     |
| Total Net Position - As Restated                        | <u>511,594</u>                      | <u>1,161</u>                       |
| Total Net Position - Ending                             | <u>\$ 505,983</u>                   | <u>\$ 8,038</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, 2018

(in thousands)

|  | <b>Business-type<br/>Activities</b> | <b>Governmental<br/>Activities</b> |
|--|-------------------------------------|------------------------------------|
|  | <b>Enterprise Fund</b>              | <b>Internal<br/>Service Funds</b>  |
| Cash Flows From Operating Activities:                      |                                     |                                    |
| Cash Received from Customers                               | \$ 375,796                          | \$ -                               |
| Cash Received from Users                                   | -                                   | 122,865                            |
| Cash Payments to Suppliers                                 | (126,509)                           | (108,808)                          |
| Cash Payments to Employees                                 | (57,661)                            | (11,230)                           |
| Other Non-Operating Revenue                                | 4,026                               | -                                  |
| Net Cash Provided By (Used For) Operating Activities       | 195,652                             | 2,827                              |
| Cash Flows From Noncapital Financing Activities:           |                                     |                                    |
| Intergovernmental  | 1,982                               | -                                  |
| Transient Occupancy Tax                                    | 1,192                               | -                                  |
| Investment in Joint Ventures                               | 1                                   | -                                  |
| Transfers Out to Other Funds                               | (110,364)                           | -                                  |
| Net Cash Used For Noncapital Financing Activities          | (107,189)                           | -                                  |
| Cash Flows From Capital and Related Financing Activities:  |                                     |                                    |
| Proceeds from Bond Sales                                   | 125,051                             | -                                  |
| Payment to Refunded Bond Escrow Agent                      | (17,066)                            | -                                  |
| Proceeds From Sale of Capital Assets                       | 322                                 | -                                  |
| Acquisition and Construction of Capital Assets             | (144,986)                           | (97)                               |
| Principal Paid on Bonds, Leases and Notes Maturities       | (59,135)                            | -                                  |
| Interest Paid on Bonds, Leases and Notes                   | (51,836)                            | -                                  |
| Bond Issuance Costs  | (560)                               | -                                  |
| Developer Contributions and Capital Grants                 | 20,500                              | -                                  |
| Net Cash Used For Capital and Related Financing Activities | (127,710)                           | (97)                               |
| Cash Flows From Investing Activities:                      |                                     |                                    |
| Interest Received on Investments                           | 1,491                               | 214                                |
| Net Cash Provided By Investing Activities                  | 1,491                               | 214                                |
| Net Change in Pooled Cash and Investments                  | (37,756)                            | 2,944                              |
| Total Cash and Investments at Beginning of Year            | 319,088                             | 66,242                             |
| Total Cash and Investments at End of Year                  | \$ 281,332                          | \$ 69,186                          |

(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, 2018  
(in thousands)

|  | <b>Business-type<br/>Activities<br/>Enterprise<br/>Fund</b> | <b>Governmental<br/>Activities<br/>Internal<br/>Service Funds</b> |
|--|---|---|
| Reconciliation of Operating Income to Net Cash<br>Provided By (Used For) Operating Activities: |   |   |
| Operating Income   | \$ 120,889  | \$ 5,860  |
| Adjustments to Reconcile Operating Income<br>to Net Cash Provided By Operating Activities:     |   |   |
| Depreciation and Amortization  | 65,618  | 368   |
| Miscellaneous Revenue  | 4,026   | -   |
| Changes in Assets and Liabilities:   |   |   |
| (Increase)/Decrease in Receivables   | (2,600)   | (60)  |
| (Increase)/Decrease in Inventory   | -   | (131)   |
| (Increase)/Decrease in Deposits and Prepaid Costs  | 5,330   | 11  |
| Increase/(Decrease) in Accounts Payable  | 2,510   | (1,611)   |
| Increase/(Decrease) in Unearned Revenue  | 59  | -   |
| Increase/(Decrease) in Pension and OPEB Liability  | (3,220)   | (722)   |
| Increase (Decrease) in Deferred Outflows   | 1,317   | 369   |
| Increase (Decrease) in Deferred Inflows  | 1,621   | 353   |
| Increase/(Decrease) in Other Accrued Expenses  | 102   | (1,610)   |
| Total Adjustments  | 74,763  | (3,033)   |
| Net Cash Provided By (Used For) Operating Activities   | \$ 195,652  | \$ 2,827  |
| Noncash Transactions Affecting Financial Position:   |   |   |
| Contributions of Capital Assets  | \$ 3,212  | \$ (733)  |
| Gain (Loss) on Disposal of Capital Assets  | (5,619)   | (20)  |
| Amortization of Deferred Amounts on Refunding  | (3,314)   | -   |
| Amortization of Premiums   | 4,711   | -   |

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, 2018

(in thousands)

|                             | <u>Payroll<br/>Agency</u> |
|-----------------------------|---------------------------|
| <b>ASSETS</b>               |                           |
| Pooled Cash and Investments | \$ 10,789                 |
| Due from Others             | 84                        |
| Total Assets                | <u>\$ 10,873</u>          |
| <b>LIABILITIES</b>          |                           |
| Accounts Payable            | \$ 23                     |
| Accrued Payroll Payable     | 10,850                    |
| Total Liabilities           | <u>\$ 10,873</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, 2018

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 501,137 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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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 May 22, 2017.

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 one local bank.

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, 2018

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 acquisition 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, 2018

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. **Pension and Postemployment Benefits**

For purposes of measuring the net pension and other postemployment benefits (OPEB) liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. 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.

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.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2018 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 2017-2018, current property tax collections were \$33,009,244 or 98.76% 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, 2018 was \$854,611 of which \$418,382 was recorded as revenue and \$436,229 as unavailable revenue.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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 has implemented this Statement in fiscal year 2018. See Note 15 and Note 16 for the current year effect of implementing GASB Statement No. 75.

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 has implemented this Statement in fiscal year 2018 with no effect.

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.

GASB Statement No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The City has implemented this Statement in fiscal year 2018 with no effect.

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 were implemented by the City in fiscal year 2018 with no effect.

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

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**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, 2018

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

|   | Total<br>Governmental<br>Funds | Long-term<br>Assets/<br>Liabilities (1) | Internal<br>Service<br>Funds (2) | Reclassifications<br>and<br>Eliminations | Statement of<br>Net Position<br>Total |
|---|--------------------------------|---|----------------------------------|--|---------------------------------------|
| <b>Assets</b>                                   |                                |   |                                  |  |                                       |
| Pooled Cash and Investments                     | \$ 290,348                     | \$ -                                    | \$ 69,186                        | \$ -                                     | \$ 359,534                            |
| Account and Misc Receivables, Net               | 5,005                          | -                                       | 765                              | -  | 5,770                                 |
| Accrued Interest Receivable                     | 757                            | -                                       | 234                              | -  | 991                                   |
| Due from Other Governments                      | 35,819                         | -                                       | -                                | -  | 35,819                                |
| Due from Other Funds                            | 1,262                          | -                                       | -                                | (1,262)                                  | -                                     |
| Advances to Other Funds                         | -                              | -                                       | -                                | (876)                                    | (876)                                 |
| Inventory                                       | -                              | -                                       | 6,079                            | -  | 6,079                                 |
| Prepaid Costs                                   | 2,439                          | -                                       | 747                              | -  | 3,186                                 |
| Deposits  | -                              | -                                       | 69                               | -  | 69                                    |
| Restricted Assets:                              |                                |   |                                  |  |                                       |
| Pooled Cash and Investments                     | 7,001                          | -                                       | -                                | -  | 7,001                                 |
| Cash with Fiscal Agent                          | 42,651                         | -                                       | -                                | -  | 42,651                                |
| Cash with Trustee                               | -                              | -                                       | -                                | -  | -                                     |
| Accounts Receivable                             | 12,527                         | -                                       | -                                | -  | 12,527                                |
| Due from Other Governments                      | 1,265                          | -                                       | -                                | -  | 1,265                                 |
| Investment in Joint Ventures                    | -                              | 262,061                                 | -                                | -  | 262,061                               |
| Capital Assets                                  | -                              | 1,437,912                               | 2,382                            | -  | 1,440,294                             |
| Total Assets                                    | <u>399,074</u>                 | <u>1,699,973</u>                        | <u>79,462</u>                    | <u>(2,138)</u>                           | <u>2,176,371</u>                      |
| <b>Deferred Outflows of Resources</b>           |                                |   |                                  |  |                                       |
| Deferred Amounts on Refunding                   | -                              | 8,946                                   | -                                | -  | 8,946                                 |
| Pensions and OPEB                               | -                              | 160,427                                 | 2,050                            | -  | 162,477                               |
| Total Deferred Outflows of Resources            | <u>-</u>                       | <u>169,373</u>                          | <u>2,050</u>                     | <u>-</u>                                 | <u>171,423</u>                        |
| Total Assets and Deferred Outflows of Resources | <u>\$ 399,074</u>              | <u>\$ 1,869,346</u>                     | <u>\$ 81,512</u>                 | <u>\$ (2,138)</u>                        | <u>\$ 2,347,794</u>                   |
| <b>Liabilities</b>                              |                                |   |                                  |  |                                       |
| Accounts Payable and Accrued Liabilities        | \$ 22,268                      | \$ -                                    | \$ 2,090                         | \$ -                                     | \$ 24,358                             |
| Claims Payable                                  | -                              | -                                       | 37,029                           | -  | 37,029                                |
| Due To Other Funds                              | 1,262                          | -                                       | -                                | (1,262)                                  | -                                     |
| Advances from Other Funds                       | 876                            | -                                       | -                                | (876)                                    | -                                     |
| Customer and Defendant Deposits                 | 7,190                          | -                                       | -                                | -  | 7,190                                 |
| Restricted Bond Interest Payable                | 9,382                          | -                                       | -                                | -  | 9,382                                 |
| Restricted Unearned Revenue                     | 4,673                          | -                                       | -                                | -  | 4,673                                 |
| Matured Bonds Payable                           | 34,376                         | -                                       | -                                | -  | 34,376                                |
| Pension and OPEB                                | -                              | 1,368,276                               | 31,613                           | -  | 1,399,889                             |
| Long-term Liabilities                           | -                              | 513,132                                 | 840                              | -  | 513,972                               |
| Total Liabilities                               | <u>80,027</u>                  | <u>1,881,408</u>                        | <u>71,572</u>                    | <u>(2,138)</u>                           | <u>2,030,869</u>                      |
| Deferred Inflows of Resources                   |                                |   |                                  |  |                                       |
| Unavailable Revenue                             | 14,589                         | (14,589)                                | -                                | -  | -                                     |
| Pension   | -                              | 65,222                                  | 1,902                            | -  | 67,124                                |
| Total Deferred Inflows of Resources             | <u>14,589</u>                  | <u>50,633</u>                           | <u>1,902</u>                     | <u>-</u>                                 | <u>67,124</u>                         |
| <b>Fund Balance/Net Position</b>                |                                |   |                                  |  |                                       |
| Total Fund Balance/Net Position                 | <u>304,458</u>                 | <u>(62,695)</u>                         | <u>8,038</u>                     | <u>-</u>                                 | <u>249,801</u>                        |
| Total Liabilities and Fund Balance/Net Position | <u>\$ 399,074</u>              | <u>\$ 1,869,346</u>                     | <u>\$ 81,512</u>                 | <u>\$ (2,138)</u>                        | <u>\$ 2,347,794</u>                   |

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

- (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 | \$ 262,061 |
|------------------------------|------------|

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  | \$ 2,427,498        |
| Accumulated depreciation | (989,586)           |
| Total                    | <u>\$ 1,437,912</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             | \$ 471,957          |
| Compensated absences      | 26,360              |
| Post-employment benefits  | 605,491             |
| Unamortized bond premiums | 14,815              |
| Pension liability         | 762,785             |
| Total                     | <u>\$ 1,881,408</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 | \$ 8,946          |
| Pensions and OPEB            | 160,427           |
| Total                        | <u>\$ 169,373</u> |

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

|                                    |                  |
|------------------------------------|------------------|
| Deferred Inflows – Pensions & OPEB | <u>\$ 65,222</u> |
|------------------------------------|------------------|

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

|  |    |                      |
|--|----|----------------------|
| Unavailable property tax revenues      | \$ | 436                  |
| Unavailable special assessment revenue |    | 12,522               |
| Receivables not yet collected          |    | <u>1,631</u>         |
| Total                                  | \$ | <u><u>14,589</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>8,038</u></u> |
|------------------------------|----|---------------------|

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

|   | Total<br>Governmental<br>Funds | Long-term<br>Revenues/<br>Expenses(1) | Capital -<br>Related<br>Items(2) | Internal<br>Service<br>Funds(3) | Long-term<br>Debt (4) | Eliminations<br>(5) | Statement<br>of<br>Activities |
|---|--------------------------------|---------------------------------------|----------------------------------|---------------------------------|-----------------------|---------------------|-------------------------------|
| <b>Revenues and Other Sources</b>                         |                                |                                       |                                  |                                 |                       |                     |                               |
| Revenues:   |                                |                                       |                                  |                                 |                       |                     |                               |
| Sales Taxes   | \$ 169,024                     | \$ -                                  | \$ -                             | \$ -                            | \$ -                  | \$ -                | \$ 169,024                    |
| Property Taxes  | 35,616                         | (45)                                  | -                                | -                               | -                     | -                   | 35,571                        |
| Occupancy Taxes   | 2,628                          | -                                     | -                                | -                               | -                     | -                   | 2,628                         |
| Special Assessments                                       | 1,174                          | 1,805                                 | -                                | -                               | -                     | -                   | 2,979                         |
| Licenses and Permits                                      | 25,119                         | -                                     | -                                | -                               | -                     | -                   | 25,119                        |
| Intergovernmental   | 223,800                        | -                                     | -                                | -                               | -                     | -                   | 223,800                       |
| Charges for Services                                      | 40,222                         | -                                     | -                                | -                               | -                     | -                   | 40,222                        |
| Fines and Forfeitures                                     | 10,436                         | -                                     | -                                | -                               | -                     | -                   | 10,436                        |
| Investment Income   | 1,608                          | -                                     | -                                | 304                             | -                     | -                   | 1,912                         |
| Contributions   | 429                            | -                                     | 60,038                           | 21,648                          | -                     | -                   | 82,115                        |
| Miscellaneous   | 5,547                          | (5,250)                               | -                                | 5,122                           | -                     | -                   | 5,419                         |
| Other Sources:  |                                |                                       | -                                |                                 |                       |                     |                               |
| Transfers In  | 176,572                        | -                                     | 5,880                            | -                               | -                     | (66,208)            | 116,244                       |
| Face Amount of Bonds Issued                               | 26,745                         | -                                     | -                                | -                               | (26,745)              | -                   | -                             |
| Premiums on Issuance of Bonds                             | 1,063                          | -                                     | -                                | -                               | (1,063)               | -                   | -                             |
| Total Revenue and Other Sources                           | <u>\$ 719,983</u>              | <u>\$ (3,490)</u>                     | <u>\$ 65,918</u>                 | <u>\$ 27,074</u>                | <u>\$ (27,808)</u>    | <u>\$ (66,208)</u>  | <u>\$ 715,469</u>             |
| <b>Expenditures/Expenses and<br/>Other Financing Uses</b> |                                |                                       |                                  |                                 |                       |                     |                               |
| Expenditures/Expenses:                                    |                                |                                       |                                  |                                 |                       |                     |                               |
| Current:  |                                |                                       |                                  |                                 |                       |                     |                               |
| General Government  | \$ 90,209                      | (207)                                 | 7,746                            | 9,075                           | (1,097)               | \$ -                | \$ 105,726                    |
| Public Safety   | 266,459                        | 49,223                                | 11,849                           | 7,469                           | -                     | -                   | 335,000                       |
| Community Environment                                     | 73,404                         | (65)                                  | 39,122                           | 2,663                           | -                     | -                   | 115,124                       |
| Cultural-Recreational                                     | 46,143                         | (341)                                 | 8,609                            | 990                             | -                     | -                   | 55,401                        |
| Debt Service:   |                                |                                       |                                  |                                 |                       |                     |                               |
| Principal   | 34,738                         | -                                     | -                                | -                               | (34,738)              | -                   | -                             |
| Interest on Bonds   | 18,477                         | -                                     | -                                | -                               | -                     | -                   | 18,477                        |
| Service Charge  | 14                             | -                                     | -                                | -                               | -                     | -                   | 14                            |
| Cost of Issuance  | 1,023                          | -                                     | -                                | -                               | -                     | -                   | 1,023                         |
| Capital Outlay  | 76,279                         | -                                     | (76,279)                         | -                               | -                     | -                   | -                             |
| Other Financing Uses:                                     |                                |                                       |                                  |                                 |                       |                     |                               |
| Transfers Out   | 66,208                         | -                                     | 238                              | -                               | -                     | (66,208)            | 238                           |
| Pmt to Ref Bond Escrow Agent                              | -                              | -                                     | -                                | -                               | -                     | -                   | -                             |
| Total Expenditures\Expenses<br>& Other Financing Uses     | <u>672,954</u>                 | <u>48,610</u>                         | <u>(8,715)</u>                   | <u>20,197</u>                   | <u>(35,835)</u>       | <u>(66,208)</u>     | <u>631,003</u>                |
| Net Change for the Year                                   | <u>\$ 47,029</u>               | <u>\$ (52,100)</u>                    | <u>\$ 74,633</u>                 | <u>\$ 6,877</u>                 | <u>\$ 8,027</u>       | <u>\$ -</u>         | <u>\$ 84,466</u>              |



CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

|                            |                   |
|----------------------------|-------------------|
| Property tax revenue       | \$ (45)           |
| Special assessment revenue | 1,805             |
| Unavailable revenue        | <u>(5,250)</u>    |
| Total                      | <u>\$ (3,490)</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 | \$ 1,319            |
| OPEB Expense                               | (29,272)            |
| Pension Expense                            | <u>(84,039)</u>     |
| Total                                      | <u>\$ (111,992)</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 & OPEB Contributions | <u>\$ 63,382</u> |
|---|------------------|

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

|                                   |                 |
|-----------------------------------|-----------------|
| Capital outlay for capital assets | \$ 73,370       |
| Depreciation expense              | <u>(66,102)</u> |
| Total                             | <u>\$ 7,268</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 | \$ 58,235        |
| Donated capital and transfers               | 11,593           |
| Loss on Disposal                            | <u>(2,462)</u>   |
| Total                                       | <u>\$ 67,366</u> |

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

- (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   | \$ | 27,074       |
| Expenditures and other uses |    | (20,197)     |
| Change in net position      | \$ | <u>6,877</u> |

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

|  |    |              |
|--|----|--------------|
| New debt issued (including refunded debt): |    |              |
| General Obligation bond proceeds           | \$ | (16,120)     |
| Community Facilities District Bonds        |    | (10,625)     |
| Principal repayments                       |    | 34,738       |
| Total                                      | \$ | <u>7,993</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 | \$ | (1,166)   |
| Amortization of bond premiums              |    | 2,263     |
| Premiums on bonds                          |    | (1,063)   |
| Total                                      | \$ | <u>34</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 | \$ | (66,208) |
| Transfers in  |    | 66,208   |
| Total         | \$ | <u>-</u> |

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**3. FUND BALANCE**

As of June 30, 2018, the fund balance details by classification are listed below (in thousands):

|                             | <b>General<br/>Fund</b> | <b>Non-Major<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|-----------------------------|-------------------------|---|---|
| <b>Fund Balances:</b>       |                         |   |   |
| <b>Nonspendable:</b>        |                         |   |   |
| Prepaid Costs               | \$ 2,304                | \$ 135                                      | \$ 2,439                                |
| Nonspendable Sub-total      | 2,304                   | 135   | 2,439                                   |
| <b>Restricted:</b>          |                         |   |   |
| Capital Projects            | -                       | 57,420                                      | 57,420                                  |
| Community Facility District | -                       | 33  | 33                                      |
| Court                       | -                       | 1,931                                       | 1,931                                   |
| Debt Service                | -                       | 12,532                                      | 12,532                                  |
| Fire                        | -                       | 3,362                                       | 3,362                                   |
| Housing                     | -                       | 911   | 911                                     |
| Library                     | -                       | 306   | 306                                     |
| Police                      | -                       | 2,007                                       | 2,007                                   |
| Transportation Programs     | -                       | 53,960                                      | 53,960                                  |
| Restricted Sub-total        | -                       | 132,462                                     | 132,462                                 |
| <b>Committed To:</b>        |                         |   |   |
| Arts & Culture              | -                       | 954   | 954                                     |
| Capital Projects            | -                       | 14,236                                      | 14,236                                  |
| Cemetery                    | 780                     | 7,233                                       | 8,013                                   |
| Economic Development        | 97                      | -   | 97                                      |
| Environmental Compliance    | -                       | 12,715                                      | 12,715                                  |
| Fire                        | 4,350                   | -   | 4,350                                   |
| Parks & Recreation          | -                       | 53  | 53                                      |
| Police                      | 5,150                   | -   | 5,150                                   |
| Technology                  | -                       | 1,103                                       | 1,103                                   |
| Vehicle Replacement         | -                       | 5,347                                       | 5,347                                   |
| Committed To Sub-total      | 10,377                  | 41,641                                      | 52,018                                  |
| <b>Assigned To:</b>         |                         |   |   |
| Development Services        | 123                     | -   | 123                                     |
| Economic Development        | 2,010                   | -   | 2,010                                   |
| Fire                        | 42                      | -   | 42                                      |
| General Government          | 19,089                  | 22  | 19,111                                  |
| Parks & Recreation          | 609                     | -   | 609                                     |
| Police                      | 6,349                   | -   | 6,349                                   |
| Sustainability              | 87                      | -   | 87                                      |
| Transit                     | 37                      | -   | 37                                      |
| Assigned To Sub-total       | 28,346                  | 22  | 28,368                                  |
| <b>Unassigned</b>           | 89,347                  | (176)                                       | 89,171                                  |
| <b>Total Fund Balances</b>  | <b>\$ 130,374</b>       | <b>\$ 174,084</b>                           | <b>\$ 304,458</b>                       |

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, 2018 as reported in Exhibit B-5 is 35.3% of General Fund expenditures budgeted for fiscal year 2017-2018.

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 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**4. POOLED CASH AND INVESTMENTS**

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

|   |    |                 |
|---|----|-----------------|
| Cash on Hand                              | \$ | 143             |
| Carrying Amount of City Deposits          |    | 24,036          |
| Investment in Insured Cash Sweep Accounts |    | 15,266          |
| Investments in Local Govt Invest Pool     |    | 117,933         |
| Cash with Trustee (1)                     |    | 98              |
| Cash with Fiscal Agent (2)                |    | 100,331         |
| Long-Term Investments                     |    | 443,500         |
| Pooled Cash and Investments               |    | <u>701,307</u>  |
| Less: Cash in Agency Fund                 |    | <u>(10,789)</u> |
| Total City Pooled Cash and Investments    | \$ | <u>690,518</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, 2018 for debt service payments due to bondholders on July 1, 2018.

**Deposits**

At year-end, the City's cash totaled \$24,179,232 which included \$143,005 of petty cash. The carrying amount of the City's deposits was \$24,036,227 and the bank balance was \$25,867,319. The difference of \$1,831,092 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, 2018 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  
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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 one local bank.

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.

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At June 30, 2018, the City had the following recurring fair value measurements (in thousands):

| <u>Investment by Fair Value Level</u> | Fair Value<br>6/30/2018 | <u>Fair Value Measurements Using:</u> |                |                |
|---------------------------------------|-------------------------|---------------------------------------|----------------|----------------|
|                                       |                         | <u>Level 1</u>                        | <u>Level 2</u> | <u>Level 3</u> |
| <b><u>Debt Securities</u></b>         |                         |                                       |                |                |
| U.S. Treasuries                       | \$ 257,266              | \$ -                                  | \$ 257,266     | \$ -           |
| U.S. Agencies:                        |                         |                                       |                |                |
| Federal Home Loan Bank                | 25,529                  | -                                     | 25,529         | -              |
| Federal Home Loan Mortgage Corp.      | 24,985                  | -                                     | 24,985         | -              |
| Federal National Mortgage Assn        | 43,076                  | -                                     | 43,076         | -              |
| Corporate Notes                       |                         | -                                     |                | -              |
| American Express Credit               | 3,298                   | -                                     | 3,298          | -              |
| American Honda Finance Corp.          | 2,279                   | -                                     | 2,279          | -              |
| Apple, Inc.                           | 1,494                   | -                                     | 1,494          | -              |
| Bank of New York Mellon Inc.          | 990                     | -                                     | 990            | -              |
| Bank of America                       | 1,686                   | -                                     | 1,686          | -              |
| BB&T                                  | 3,035                   | -                                     | 3,035          | -              |
| Caterpillar Financial                 | 2,493                   | -                                     | 2,493          | -              |
| Charles Schwab Corp                   | 1,240                   | -                                     | 1,240          | -              |
| Chevron Corp                          | 3,122                   | -                                     | 3,122          | -              |
| Cisco Systems Inc.                    | 345                     | -                                     | 345            | -              |
| Walt Disney                           | 3,383                   | -                                     | 3,383          | -              |
| Exxon Mobil                           | 836                     | -                                     | 836            | -              |
| Goldman Sachs                         | 2,895                   | -                                     | 2,895          | -              |
| Home Depot Inc.                       | 1,571                   | -                                     | 1,571          | -              |
| HSBC USA                              | 988                     | -                                     | 988            | -              |
| IBM                                   | 3,355                   | -                                     | 3,355          | -              |
| Intel                                 | 1,698                   | -                                     | 1,698          | -              |
| John Deere                            | 2,322                   | -                                     | 2,322          | -              |
| JP Morgan Chase & Co                  | 3,345                   | -                                     | 3,345          | -              |
| Microsoft                             | 2,170                   | -                                     | 2,170          | -              |
| Morgan Stanley                        | 2,615                   | -                                     | 2,615          | -              |
| National Rural Utility Coop.          | 715                     | -                                     | 715            | -              |
| Paccar Financial                      | 874                     | -                                     | 874            | -              |
| Pepsico Inc.                          | 816                     | -                                     | 816            | -              |
| Pfizer Inc.                           | 946                     | -                                     | 946            | -              |
| Toyota Motor Credit                   | 3,324                   | -                                     | 3,324          | -              |
| United Parcel Service                 | 1,346                   | -                                     | 1,346          | -              |
| Visa Inc                              | 836                     | -                                     | 836            | -              |
| Wal-Mart Stores Inc.                  | 3,819                   | -                                     | 3,819          | -              |

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|   | Fair Value        | Fair Value Measurements Using: |                   |                |
|---|-------------------|--------------------------------|-------------------|----------------|
| <u>Investment by Fair Value Level</u>         | <u>6/30/2018</u>  | <u>Level 1</u>                 | <u>Level 2</u>    | <u>Level 3</u> |
| <b><u>Debt Securities (continued)</u></b>     |                   |                                |                   |                |
| Negotiable Certificates of Deposit            |                   |                                |                   |                |
| Bank of Montreal Chicago                      | 6,787             | -                              | 6,787             | -              |
| Bank of Nova Scotia Houston                   | 2,614             | -                              | 2,614             | -              |
| Bank of Tokyo Misubishi NY                    | 1,707             | -                              | 1,707             | -              |
| Credit Suisse NY                              | 1,725             | -                              | 1,725             | -              |
| Royal Bank of Canada NY                       | 1,939             | -                              | 1,939             | -              |
| Skandinaviska Enskilda Banken NY              | 6,791             | -                              | 6,791             | -              |
| Sumitomo Bitsui Bank                          | 6,771             | -                              | 6,771             | -              |
| UBS AG Stamford CT                            | 1,731             | -                              | 1,731             | -              |
| Wells Fargo & Co                              | 3,337             | -                              | 3,337             | -              |
| City of Mesa Special Improvement              |                   | -                              |                   | -              |
| District Bonds                                | 1,073             | -                              | 1,073             | -              |
| Total Debt Securities at Fair Value           | <u>\$ 443,167</u> | <u>\$ -</u>                    | <u>\$ 443,167</u> | <u>\$ -</u>    |
| <br><u>Investments Measured at Fair Value</u> |                   |                                |                   |                |
| Arizona State Treasurers Investment Pool:     |                   |                                |                   |                |
| State of Arizona Pool 7                       | 117,933           |                                |                   |                |
| Total Investments Measured At Fair Value      | <u>\$ 561,100</u> |                                |                   |                |
| <br><u>Amortized Cost Securities</u>          |                   |                                |                   |                |
| FDIC Insured Cash Sweep Money Market Funds    | \$ 15,266         |                                |                   |                |

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

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, 2018.

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The City's investments at June 30, 2018 are as follows (in thousands):

| Investment Type                    | Investment Maturities (in Years) |                  |                   |                   |                 | Concentration of<br>Credit Risk % |
|------------------------------------|----------------------------------|------------------|-------------------|-------------------|-----------------|-----------------------------------|
|                                    | Fair Value                       | Less Than 1      | 1-2               | 2-3               | More than<br>3  |                                   |
| U.S. Treasuries                    | \$ 257,266                       | \$ 9,550         | \$ 106,079        | \$ 141,637        |                 | 58.01%                            |
| U.S. Agencies:                     |                                  |                  |                   |                   |                 |                                   |
| Federal Home Loan Bank             | 25,529                           | 6,821            | 18,708            | -                 | -               | 5.76%                             |
| Federal Home Loan Mortgage Corp.   | 24,985                           | 8,372            | 16,613            | -                 | -               | 5.63%                             |
| Federal National Mortgage Assn     | 43,076                           | 4,959            | 28,589            | 9,528             | -               | 9.71%                             |
| Corporate Notes                    |                                  |                  |                   |                   |                 |                                   |
| American Express Credit            | 3,298                            |                  | 3,298             |                   | -               | 0.74%                             |
| American Honda Finance Corp.       | 2,279                            |                  | 1,564             | 715               | -               | 0.51%                             |
| Apple, Inc.                        | 1,494                            |                  | 1,494             |                   | -               | 0.34%                             |
| Bank of America                    | 1,686                            |                  |                   |                   | 1,686           | 0.38%                             |
| Bank of New York Mellon Inc.       | 990                              |                  |                   | 990               | -               | 0.22%                             |
| BB&T                               | 3,035                            | -                | 3,035             |                   | -               | 0.68%                             |
| Caterpillar                        | 2,493                            |                  |                   | 2,493             |                 | 0.56%                             |
| Charles Schwab                     | 1,240                            |                  |                   | 1,240             |                 | 0.28%                             |
| Chevron Corp                       | 3,122                            | 3,122            |                   | -                 | -               | 0.70%                             |
| Cisco Systems Inc.                 | 345                              |                  | 345               |                   | -               | 0.08%                             |
| Walt Disney                        | 3,383                            | -                | 3,383             |                   | -               | 0.76%                             |
| Exxon Mobil                        | 836                              |                  | 836               |                   |                 | 0.19%                             |
| Goldman Sachs                      | 2,895                            |                  | 2,895             |                   | -               | 0.65%                             |
| Home Depot Inc.                    | 1,571                            | -                | 1,571             |                   | -               | 0.35%                             |
| HSBC                               | 988                              |                  | 988               |                   |                 | 0.22%                             |
| IBM                                | 3,355                            | -                | 3,355             |                   | -               | 0.76%                             |
| Intel                              | 1,698                            | -                | 1,698             |                   | -               | 0.38%                             |
| John Deere                         | 2,322                            | -                | 2,049             | 273               | -               | 0.52%                             |
| JP Morgan Chase & Co               | 3,345                            | 1,093            |                   | -                 | 2,252           | 0.75%                             |
| Microsoft                          | 2,170                            | -                | 2,170             |                   | -               | 0.49%                             |
| Morgan Stanley                     | 2,615                            | -                | 1,638             | 977               | -               | 0.59%                             |
| National Rural Utility Coop.       | 715                              |                  |                   | 715               |                 | 0.16%                             |
| Paccar Financial                   | 874                              |                  |                   | 874               |                 | 0.20%                             |
| Pepsico Inc.                       | 816                              | -                | 816               |                   | -               | 0.18%                             |
| Pfizer Inc.                        | 946                              | -                | 946               |                   | -               | 0.21%                             |
| Toyota Motor Credit Corp           | 3,324                            | 2,374            |                   | 950               | -               | 0.75%                             |
| United Parcel Service              | 1,346                            |                  |                   | 1,346             |                 | 0.30%                             |
| Visa Inc.                          | 836                              |                  |                   | 836               |                 | 0.19%                             |
| Wal-Mart Stores Inc                | 3,819                            |                  | 2,266             | 1,553             |                 | 0.86%                             |
| Wells Fargo & Co                   | 3,337                            |                  | -                 | 3,337             |                 | 0.75%                             |
| Negotiable Certificates of Deposit |                                  |                  |                   |                   |                 |                                   |
| Bank of Montreal Chicago           | 6,787                            | 6,787            |                   | -                 | -               | 1.53%                             |
| Bank of Nova Scotia Houston        | 2,614                            | -                | 2,614             | -                 | -               | 0.59%                             |
| Bank of Tokyo Misubishi NY         | 1,707                            |                  | 1,707             |                   |                 | 0.38%                             |
| Credit Suisse NY                   | 1,725                            |                  | 1,725             |                   |                 | 0.39%                             |
| Royal Bank of Canada NY            | 1,939                            |                  |                   | 1,939             |                 | 0.44%                             |
| Skandinaviska Enskilda Banken NY   | 6,791                            |                  | 6,791             |                   |                 | 1.53%                             |
| Sumitomo Mitsui Bank               | 6,771                            | 6,771            |                   | -                 | -               | 1.53%                             |
| UBS AG Stamford CT                 | 1,731                            |                  | 1,731             |                   |                 | 0.39%                             |
| City of Mesa Special Improvement   |                                  |                  |                   |                   |                 |                                   |
| District Bonds                     | 1,073                            | 369              | 348               | 356               |                 | 0.24%                             |
| Wells Fargo MMF                    | 333                              | 333              | -                 | -                 | -               | 0.08%                             |
| Total                              | <u>\$ 443,500</u>                | <u>\$ 50,551</u> | <u>\$ 219,252</u> | <u>\$ 169,759</u> | <u>\$ 3,938</u> | <u>100.00%</u>                    |



CITY OF MESA, ARIZONA  
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At June 30, 2018 the following investments had callable dates:

| <b>Corporate Notes</b>  | <b>Date</b> | <b>Market Value</b> |
|-------------------------|-------------|---------------------|
| American Express Credit | 9/30/2019   | \$ 3,298            |
| Bank of America         | 10/1/2020   | 1,686               |
| Bank of New York Mellon | 7/17/2020   | 990                 |
| BB&T                    | 12/15/2019  | 3,035               |
| Exxon Mobil             | 2/6/2020    | 836                 |
| Goldman Sachs           | 11/13/2019  | 1,658               |
| JP Morgan Chase & Co    | 2/22/2019   | 1,093               |
| Visa Inc.               | 11/14/2020  | 836                 |

**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:                         |                    |                   |                  |
| Courts                                | 1,227              | -                 | 1,227            |
| Other Customers                       | 5,691              | (3,664)           | 2,027            |
| Due from Other Governments:           |                    |                   |                  |
| State Shared Revenues                 | 9,628              | -                 | 9,628            |
| Other                                 | 12,299             | (1,500)           | 10,799           |
| Non-Major Governmental Funds:         |                    |                   |                  |
| Other Customers                       | 1,751              | -                 | 1,751            |
| Restricted-Spec. Assessments          | 12,522             | -                 | 12,522           |
| Restricted-Other                      | 5                  | -                 | 5                |
| Restricted-Due from Other Governments | 1,265              | -                 | 1,265            |
| Due from Other Governments            | 15,392             | -                 | 15,392           |
| Internal Service Funds                |                    |                   |                  |
| Premiums                              | 173                | -                 | 173              |
| Other Customers                       | 592                | -                 | 592              |
| Total Governmental Activities         | <u>\$ 60,545</u>   | <u>\$ (5,164)</u> | <u>\$ 55,381</u> |
| <b>Business-Type Activities:</b>      |                    |                   |                  |
| Utility Customers                     | \$ 35,487          | \$ (884)          | \$ 34,603        |
| Other Customers                       | 2,731              | (482)             | 2,249            |
| Due from Other Governments            | 2,647              | -                 | 2,647            |
| Total Business-type Activities        | <u>\$ 40,865</u>   | <u>\$ (1,366)</u> | <u>\$ 39,499</u> |

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**Unbilled Accounts Receivable**

Unbilled utility service receivables are recorded in the year in which the services are provided. At June 30, 2018, unbilled utility service receivables are recorded in the Enterprise Fund as follows (in thousands):

|             |                  |
|-------------|------------------|
| Electric    | \$ 2,237         |
| Gas         | 1,042            |
| Water       | 8,217            |
| Wastewater  | 4,067            |
| Solid Waste | 2,570            |
|             | <u>\$ 18,133</u> |

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):

| <b><u>Unearned Revenue</u></b>                                | <b><u>General Fund</u></b> | <b><u>Non-Major Funds</u></b> |
|---|----------------------------|-------------------------------|
| Mesa Arts Center advanced ticket sales                        | \$ 1,326                   | \$ 39                         |
| Grants received prior to meeting all eligibility requirements | -                          | 1,379                         |
| Amounts paid in advance                                       | 1,834                      | 95                            |
|   | <u>\$ 3,160</u>            | <u>\$ 1,513</u>               |

| <b><u>Unavailable Revenue</u></b> | <b><u>General Fund</u></b> | <b><u>Non-Major Funds</u></b> |
|-----------------------------------|----------------------------|-------------------------------|
| Receivables not yet collected     | \$ 1,296                   | \$ 335                        |
| Delinquent Property Taxes         | -                          | 436                           |
| Special Assessments not yet due   | -                          | 12,522                        |
|                                   | <u>\$ 1,296</u>            | <u>\$ 13,293</u>              |

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

The following interfund activities are included in the fund financial statements at June 30, 2018 (in thousands):

| <b><u>Fund</u></b>           | <b><u>Due from Other Funds</u></b> | <b><u>Due to Other Funds</u></b> |
|------------------------------|------------------------------------|----------------------------------|
| General Fund                 | \$ 1,262                           | \$ -                             |
| Non-major Governmental Funds | -                                  | 1,262                            |
| Total Governmental Funds     | <u>\$ 1,262</u>                    | <u>\$ 1,262</u>                  |

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Interfund balances at June 30, 2018 are short-term loans used to cover temporary cash deficits in various funds and are expected to be repaid within one year.

The following advances are included in the fund financial statements at June 30, 2018 (in thousands):

| <u>Fund</u>              | <u>Advances<br/>to<br/>Other Funds</u> | <u>Advances<br/>from<br/>Other Funds</u> |
|--------------------------|--|--|
| Governmental Funds:      |  |  |
| General Fund             | \$ -                                   | \$ 876                                   |
| Total Governmental Funds | -                                      | 876                                      |
| Proprietary Funds:       |  |  |
| Enterprise Fund          | 876                                    | -  |
| Total                    | <u>\$ 876</u>                          | <u>\$ 876</u>                            |

The Advances at June 30, 2018 are an advance from the Enterprise Fund to the General Fund for property acquisition. The advances outstanding at June 30, 2018 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, 2018 (in thousands):

| <u>Fund</u>                  | <u>Transfers Out</u> | <u>Transfers In</u> |
|------------------------------|----------------------|---------------------|
| Governmental Funds:          |                      |                     |
| General Fund                 | \$ 26,629            | \$ 120,095          |
| Non-major Governmental Funds | 39,579               | 56,477              |
| Total Governmental Funds     | 66,208               | 176,572             |
| Proprietary Funds:           |                      |                     |
| Enterprise Fund              | 110,364              | -                   |
| Total                        | <u>\$ 176,572</u>    | <u>\$ 176,572</u>   |

Transfers from business-type activities to governmental activities on the government-wide statement of activities include a \$110,364,000 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 \$5,880,000 and capital asset transfers from the governmental activities to the business-type activities in the amount of \$237,800.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**7. CAPITAL ASSETS**

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2018 follows (in thousands):

|                                    | Balance<br>July 1, 2017 | Additions        | Retirements        | Transfers       | Balance<br>June 30, 2018 |
|------------------------------------|-------------------------|------------------|--------------------|-----------------|--------------------------|
| <b>Governmental Activities:</b>    |                         |                  |                    |                 |                          |
| Non-depreciable Assets:            |                         |                  |                    |                 |                          |
| Land                               | \$ 388,552              | \$ 3,938         | \$ (963)           | \$ -            | \$ 391,527               |
| Infrastructure                     | 3,612                   | -                | (27)               | -               | 3,585                    |
| Construction-in-Progress           | 110,061                 | 66,129           | (58,020)           | (238)           | 117,932                  |
| Total Non-depreciable Assets       | <u>502,225</u>          | <u>70,067</u>    | <u>(59,010)</u>    | <u>(238)</u>    | <u>513,044</u>           |
| Depreciable Assets:                |                         |                  |                    |                 |                          |
| Buildings                          | 339,951                 | 8,664            | (1,583)            |                 | 347,032                  |
| Other Improvements                 | 190,315                 | 7,620            | (1,163)            |                 | 196,772                  |
| Machinery & Equipment              | 203,742                 | 8,589            | (4,130)            | 147             | 208,348                  |
| Intangibles                        | 23,251                  | -                | -                  |                 | 23,251                   |
| Infrastructure                     | <u>1,117,803</u>        | <u>29,990</u>    | <u>(3,370)</u>     | <u>5,733</u>    | <u>1,150,156</u>         |
| Total Depreciable Assets           | <u>1,875,062</u>        | <u>54,863</u>    | <u>(10,246)</u>    | <u>5,880</u>    | <u>1,925,559</u>         |
| Less Accumulated Depreciation for: |                         |                  |                    |                 |                          |
| Buildings                          | (102,300)               | (7,647)          | 796                | -               | (109,151)                |
| Other Improvements                 | (105,311)               | (6,259)          | 778                | -               | (110,792)                |
| Machinery & Equipment              | (139,190)               | (10,566)         | 3,852              | -               | (145,904)                |
| Intangibles                        | (16,539)                | (3,753)          | -                  | -               | (20,292)                 |
| Infrastructure                     | <u>(576,995)</u>        | <u>(38,245)</u>  | <u>3,070</u>       | <u>-</u>        | <u>(612,170)</u>         |
| Total Accum. Depreciation          | <u>(940,335)</u>        | <u>(66,470)</u>  | <u>8,496</u>       | <u>-</u>        | <u>(998,309)</u>         |
| Total Depreciable Assets, net      | <u>934,727</u>          | <u>(11,607)</u>  | <u>(1,750)</u>     | <u>5,880</u>    | <u>927,250</u>           |
| Governmental Activities            |                         |                  |                    |                 |                          |
| Capital Assets, net                | <u>\$1,436,952</u>      | <u>\$ 58,460</u> | <u>\$ (60,760)</u> | <u>\$ 5,642</u> | <u>\$ 1,440,294</u>      |

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

|  |                 |
|--|-----------------|
| General Government   | \$ 7,182        |
| Public Safety  | 11,754          |
| Community Environment  | 39,130          |
| Cultural-Recreational  | 8,036           |
| Capital assets held by the City's Internal Service funds are charged to the various functions based on their usage of assets | <u>368</u>      |
|  | <u>\$66,470</u> |

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

|                                    | Balance<br>July 1, 2017 | Additions        | Retirements        | Transfers        | Balance<br>June 30, 2018 |
|------------------------------------|-------------------------|------------------|--------------------|------------------|--------------------------|
| <b>Business-type Activities:</b>   |                         |                  |                    |                  |                          |
| Non-depreciable Assets:            |                         |                  |                    |                  |                          |
| Land                               | \$ 50,717               | \$ 39            | \$ (56)            | \$ -             | \$ 50,700                |
| Water Rights                       | 17,560                  | -                | -                  | -                | 17,560                   |
| Collections of Art                 | 106                     | -                | -                  | -                | 106                      |
| Construction-in-Progress           | 179,682                 | 137,785          | (83,059)           | (5,880)          | 228,528                  |
| Total Non-depreciable Assets       | 248,065                 | 137,824          | (83,115)           | (5,880)          | 296,894                  |
| Depreciable Assets:                |                         |                  |                    |                  |                          |
| Buildings                          | 107,723                 | 421              | -                  |                  | 108,144                  |
| Other Improvements                 | 133,057                 | 893              | (57)               |                  | 133,893                  |
| Machinery & Equipment              | 92,408                  | 8,303            | (3,761)            |                  | 96,950                   |
| Intangibles                        | 27,549                  | -                | -                  |                  | 27,549                   |
| Infrastructure                     | 1,812,246               | 73,806           | (430)              | 238              | 1,885,860                |
| Total Depreciable Assets           | 2,172,983               | 83,423           | (4,248)            | 238              | 2,252,396                |
| Less Accumulated Depreciation for: |                         |                  |                    |                  |                          |
| Buildings                          | (29,796)                | (2,209)          | -                  | -                | (32,005)                 |
| Other Improvements                 | (54,319)                | (4,596)          | 38                 | -                | (58,877)                 |
| Machinery & Equipment              | (55,327)                | (7,127)          | 3,602              | -                | (58,852)                 |
| Intangibles                        | (21,864)                | (885)            | -                  | -                | (22,749)                 |
| Infrastructure                     | (804,323)               | (50,801)         | 360                | -                | (854,764)                |
| Total Accum. Depreciation          | (965,629)               | (65,618)         | 4,000              | -                | (1,027,247)              |
| Total Depreciable Assets, net      | 1,207,354               | 17,805           | (248)              | 238              | 1,225,149                |
| Business-type Activities           |                         |                  |                    |                  |                          |
| Capital Assets, net                | <u>\$1,455,419</u>      | <u>\$155,629</u> | <u>\$ (83,363)</u> | <u>\$(5,642)</u> | <u>\$ 1,522,043</u>      |

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

|                               |                  |
|-------------------------------|------------------|
| Electric                      | \$ 3,589         |
| Gas                           | 4,569            |
| Water                         | 26,433           |
| Wastewater                    | 19,753           |
| Solid Waste                   | 3,020            |
| Airport                       | 1,792            |
| Golf Course                   | 138              |
| Convention Center             | 312              |
| Hohokam Stadium/Fitch Complex | 1,711            |
| Cubs Stadium                  | 3,881            |
| District Cooling              | 420              |
|                               | <u>\$ 65,618</u> |

CITY OF MESA, ARIZONA  
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Construction in progress and related construction commitments are composed of the following (in thousands):

| <u>Governmental Activities</u>    | <u>Construction<br/>in Progress</u> | <u>Commitments</u> |
|-----------------------------------|-------------------------------------|--------------------|
| General Government                | \$ 66,013                           | \$ 22,555          |
| Public Safety                     | 2,091                               | 460                |
| Community Environment             | 46,217                              | -                  |
| Cultural-Recreational             | 3,550                               | 299                |
| Warehouse, Maintenance & Services | 61                                  | 145                |
| Total                             | <u>\$ 117,932</u>                   | <u>\$ 23,459</u>   |
|                                   |                                     |                    |
| <u>Business-type Activities</u>   | <u>Construction<br/>in Progress</u> | <u>Commitments</u> |
| Electric                          | \$ 2,376                            | \$ 371             |
| Gas                               | 11,774                              | 671                |
| Water                             | 170,195                             | 16,085             |
| Wastewater                        | 31,264                              | 7,592              |
| Solid Waste                       | 2,694                               | 1,911              |
| Airport                           | 9,137                               | 886                |
| Convention Center                 | 312                                 | 4                  |
| Spring Training                   | 776                                 | 175                |
| Total                             | <u>\$ 228,528</u>                   | <u>\$ 27,695</u>   |

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
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**8. LONG-TERM OBLIGATIONS**

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

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

|  | Beginning<br>Balances | Additions         | Reductions          | Ending<br>Balances  | Amounts<br>Due Within<br>One Year |
|--|-----------------------|-------------------|---------------------|---------------------|-----------------------------------|
| <b>Governmental Activities:</b>                          |                       |                   |                     |                     |                                   |
| Bonds Payable:   |                       |                   |                     |                     |                                   |
| General Obligation Bonds                                 | \$ 374,443            | \$ 16,120         | \$ (25,044)         | \$ 365,519          | \$ 28,104                         |
| Highway User Revenue Bonds                               | 84,995                | -                 | (8,375)             | 76,620              | 8,715                             |
| Special Assessment Bonds<br>with Governmental Commitment | 1,340                 | -                 | (335)               | 1,005               | 335                               |
| Community Facility District                              | 19,172                | 10,625            | (984)               | 28,813              | 813                               |
| Total Bonds Payable                                      | <u>479,950</u>        | <u>26,745</u>     | <u>(34,738)</u>     | <u>471,957</u>      | <u>37,967</u>                     |
| Unamortized Premiums                                     | 16,015                | 1,063             | (2,263)             | 14,815              | -                                 |
| Compensated Absences                                     | 28,322                | 23,468            | (24,590)            | 27,200              | 3,774                             |
| Governmental Activities Total                            | <u>\$ 524,287</u>     | <u>\$ 51,276</u>  | <u>\$ (61,591)</u>  | <u>\$ 513,972</u>   | <u>\$ 41,741</u>                  |
| <b>Business-type Activities:</b>                         |                       |                   |                     |                     |                                   |
| Bonds Payable:   |                       |                   |                     |                     |                                   |
| Revenue Bonds  | \$ 1,161,755          | \$ 112,120        | \$ (46,520)         | \$ 1,227,355        | \$ 35,525                         |
| General Obligation Bonds                                 | 312                   | -                 | (76)                | 236                 | 46                                |
| Excise Tax Revenue Obligations                           | 94,060                | -                 | (45,035)            | 49,025              | -                                 |
| Total Bonds Payable                                      | <u>1,256,127</u>      | <u>112,120</u>    | <u>(91,631)</u>     | <u>1,276,616</u>    | <u>35,571</u>                     |
| Notes Payable  | 1,851                 | -                 | (137)               | 1,714               | 140                               |
| Unamortized Bond Premiums                                | 45,365                | 12,931            | (4,711)             | 53,585              | -                                 |
| Compensated Absences                                     | 4,223                 | 3,937             | (3,835)             | 4,325               | 641                               |
| Business-type Activities Total                           | <u>\$ 1,307,566</u>   | <u>\$ 128,988</u> | <u>\$ (100,314)</u> | <u>\$ 1,336,240</u> | <u>\$ 36,352</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, \$840,000 of internal service funds compensated absences are included in the above amounts.

For governmental activities, compensated absences are generally liquidated by the general fund.

CITY OF MESA, ARIZONA  
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**b. Bonds Payable**

At June 30, 2018, long-term bonds payable consisted of:

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

| <b><u>General Obligation Bonds</u></b>   | <b><u>Bonds Outstanding<br/>(In Thousands)</u></b> |
|--|--|
| \$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.      | \$ 1,400   |
| \$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. | 2,620  |
| \$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.   | 20,425   |
| \$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.  | 22,025   |
| \$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.  | 8,544  |
| \$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.   | 8,765  |



CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
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|  |                   |
|--|-------------------|
| \$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.                   | \$ 50,250         |
| \$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.                    | 28,675            |
| \$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.                        | 6,465             |
| \$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.               | 20,355            |
| \$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.                   | 41,455            |
| \$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.               | 46,840            |
| \$16,120,000 2018 general obligation serial bonds due in annual installments ranging from \$275,000 to \$8,795,000, plus semi-annual interest ranging from 3 percent to 4 percent through July 1, 2038.                        | <u>\$ 16,120</u>  |
| <b>Total General Obligation Bonds</b>  | <b>\$ 365,519</b> |

**Street and Highway User Revenue Bonds**

|  |        |
|--|--------|
| \$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. | \$ 650 |
| \$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 |

CITY OF MESA, ARIZONA  
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|   |                  |
|---|------------------|
| \$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.     | \$ 675           |
| \$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.                            | <u>\$ 17,555</u> |
| <b>Total Street and Highway User Revenue Bonds</b>  | <b>\$ 76,620</b> |

**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. | <u>\$ 1,005</u> |
|--|-----------------|

**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. | \$ 2,248 |
| \$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.                                 | 2,935    |

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

|   |          |
|---|----------|
| \$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.  | \$ 2,947 |
| \$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.  | 1,819    |
| \$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.                                      | 6,255    |
| \$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.       | 816      |
| \$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. | 987      |
| \$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.     | 494      |
| \$8,160,000 2017 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principle installments ranging from \$215,000 to \$510,000, plus semi-annual interest ranging from 2 percent to 5 percent through July 15, 2042.                                      | 7,850    |
| \$1,326,500 2017 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 7 Special Assessment Revenue Bonds, due in annual principle installments ranging from \$36,500 to \$85,000, plus semi-annual interest ranging from 2 percent to 4.5 percent through July 1, 2042.     | 1,327    |
| \$770,000 2018 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 8 Special Assessment Revenue Bonds, due in annual principle installments ranging from \$21,000 to \$49,000, plus semi-annual interest ranging from 2.5 percent to 4.5 percent through July 1, 2042.     | 767      |

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\$368,000 2018 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 9 Special Assessment Revenue Bonds, due in annual principle installments ranging from \$8,000 to \$24,000, plus semi-annual interest ranging from 2.85 percent to 4.75 percent through July 1, 2042. \$ 368

**Total Community Facilities District Bonds \$ 28,813**

**Total bonds payable recorded in governmental activities \$ 471,957**

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

**General Obligation Bonds**

\$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. 141

\$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. 95

**Total General Obligation Bonds \$ 236**

**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. 21,010

\$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. 7,595

CITY OF MESA, ARIZONA  
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|  |           |
|--|-----------|
| \$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.   | \$ 45,775 |
| \$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. | 54,005    |
| \$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.                    | 2,125     |
| \$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    |

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|   |                            |
|---|----------------------------|
| \$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.   | 96,940                     |
| \$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.                           | 75,435                     |
| \$112,120,000 2018 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$3,000,000 to \$12,825,000, plus semi-annual interest ranging from 3 percent to 5 percent through July 1, 2042. | <u>112,120</u>             |
| <b>Total Utility Systems Revenue Bonds</b>  | <b>\$ 1,227,355</b>        |
| <b><u>Excise Tax Revenue Obligations</u></b>  |                            |
| \$94,060,000 2013 excise tax revenue obligation, due in annual principal installments ranging from \$6,620,000 to \$10,785,000, plus semi-annual interest of 5.0 percent through July 1, 2032.  | \$ <u>49,025</u>           |
| <b>Total bonds payable recorded in business-type activities</b>   | <b>\$ <u>1,276,616</u></b> |

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The following tables summarize the City's debt service requirements to maturity for its long-term bonds payable at June 30, 2018 (in thousands). The deferred amounts on refundings are not included.

**Governmental Activities**

| <b>General Obligation Bonds</b> |                   |                   |                   | <b>Highway User Revenue Bonds</b> |                  |                  |                  |
|---------------------------------|-------------------|-------------------|-------------------|-----------------------------------|------------------|------------------|------------------|
| <b>Fiscal Year</b>              | <b>Principal</b>  | <b>Interest</b>   | <b>Total</b>      | <b>Fiscal Year</b>                | <b>Principal</b> | <b>Interest</b>  | <b>Total</b>     |
| 2019                            | \$ 28,104         | \$ 12,745         | \$ 40,849         | 2019                              | \$ 8,715         | \$ 3,663         | \$ 12,378        |
| 2020                            | 19,170            | 11,753            | 30,923            | 2020                              | 9,155            | 3,243            | 12,398           |
| 2021                            | 19,767            | 11,097            | 30,864            | 2021                              | 9,645            | 2,796            | 12,441           |
| 2022                            | 20,461            | 10,434            | 30,895            | 2022                              | 10,075           | 2,315            | 12,390           |
| 2023                            | 21,140            | 9,759             | 30,899            | 2023                              | 10,000           | 1,812            | 11,812           |
| 2024-28                         | 123,332           | 36,974            | 160,306           | 2024-28                           | 29,030           | 2,597            | 31,627           |
| 2029-33                         | 108,140           | 14,398            | 122,538           | 2029-33                           | -                | -                | -                |
| 2034-38                         | 25,405            | 1,780             | 27,185            | 2034-38                           | -                | -                | -                |
| <b>TOTALS</b>                   | <b>\$ 365,519</b> | <b>\$ 108,940</b> | <b>\$ 474,459</b> | <b>TOTALS</b>                     | <b>\$ 76,620</b> | <b>\$ 16,426</b> | <b>\$ 93,046</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>     |
| 2019                            | \$ 335           | \$ 48           | \$ 383          | 2019                                 | \$ 813           | \$ 1,302         | \$ 2,115         |
| 2020                            | 335              | 29              | 364             | 2020                                 | 846              | 1,276            | 2,122            |
| 2021                            | 335              | 10              | 345             | 2021                                 | 884              | 1,249            | 2,133            |
| 2022                            | -                | -               | -               | 2022                                 | 912              | 1,219            | 2,131            |
| 2023                            | -                | -               | -               | 2023                                 | 950              | 1,185            | 2,135            |
| 2024-28                         | -                | -               | -               | 2024-28                              | 5,366            | 5,324            | 10,690           |
| 2029-33                         | -                | -               | -               | 2029-33                              | 6,690            | 3,995            | 10,685           |
| 2034-38                         | -                | -               | -               | 2034-38                              | 8,485            | 2,240            | 10,725           |
| 2039-42                         | -                | -               | -               | 2039-42                              | 3,867            | 394              | 4,261            |
| <b>TOTALS</b>                   | <b>\$ 1,005</b>  | <b>\$ 87</b>    | <b>\$ 1,092</b> | <b>TOTALS</b>                        | <b>\$ 28,813</b> | <b>\$ 18,184</b> | <b>\$ 46,997</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>        |
| 2019                            | \$ 46            | \$ 7            | \$ 53         | 2019                 | \$ 35,525           | \$ 54,044         | \$ 89,569           |
| 2020                            | 40               | 6               | 46            | 2020                 | 33,425              | 51,975            | 85,400              |
| 2021                            | 43               | 5               | 48            | 2021                 | 36,700              | 50,429            | 87,129              |
| 2022                            | 44               | 3               | 47            | 2022                 | 41,165              | 48,674            | 89,839              |
| 2023                            | 5                | 2               | 7             | 2023                 | 41,935              | 46,657            | 88,592              |
| 2024-28                         | 53               | 6               | 59            | 2024-28              | 232,155             | 203,258           | 435,413             |
| 2029-33                         | 5                | -               | 5             | 2029-33              | 298,270             | 149,664           | 447,934             |
| 2034-38                         | -                | -               | -             | 2034-38              | 355,705             | 71,841            | 427,546             |
| 2039-42                         | -                | -               | -             | 2039-42              | 152,475             | 12,058            | 164,533             |
| <b>TOTALS</b>                   | <b>\$ 236</b>    | <b>\$ 29</b>    | <b>\$ 265</b> | <b>TOTALS</b>        | <b>\$ 1,227,355</b> | <b>\$ 688,600</b> | <b>\$ 1,915,955</b> |

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| <b>Excise Tax Revenue Obligations</b> |                  |                  |                  |
|---------------------------------------|------------------|------------------|------------------|
| <b>Fiscal Year</b>                    | <b>Principal</b> | <b>Interest</b>  | <b>Total</b>     |
| 2019                                  | \$ -             | \$ 2,451         | \$ 2,451         |
| 2020                                  | -                | 2,451            | 2,451            |
| 2021                                  | -                | 2,451            | 2,451            |
| 2022                                  | -                | 2,451            | 2,451            |
| 2023                                  | -                | 2,451            | 2,451            |
| 2024-28                               | 8,875            | 12,256           | 21,131           |
| 2029-33                               | 40,150           | 5,143            | 45,293           |
| <b>TOTALS</b>                         | <b>\$ 49,025</b> | <b>\$ 29,654</b> | <b>\$ 78,679</b> |

### **General Obligation Bonds**

The general obligation bonds are backed by the ultimate taxing power and general revenues of the City; however, \$236,418 of these bonds at June 30, 2018 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, 2018 is (in thousands):

|                 |                   |
|-----------------|-------------------|
| 6% Bonds        | \$ 182,210        |
| 20% Bonds       | <u>244,748</u>    |
| Total Available | <u>\$ 426,958</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



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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 \$1,092,435. Principal and interest paid for the current year and total assessments collected were \$403,005, and \$288,680, 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, 2018, total principal and interest outstanding for CFD general obligation bonds was \$27,741,500.

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, 2018, 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 \$19,255,050. Principal and interest paid for the current year and total assessments collected were \$913,353, and \$885,289 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, 2018, the amount provided in the Replacement and Extension Funds equaled \$29,665,942 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.

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The following table reflects the annual requirements to amortize all notes outstanding as of June 30, 2018 (in thousands):

| Fiscal Year   | Business-type Activities |                    |                 |
|---------------|--------------------------|--------------------|-----------------|
|               | Principal                | Interest<br>& Fees | Total           |
| 2019          | \$ 140                   | \$ 38              | \$ 178          |
| 2020          | 143                      | 35                 | 178             |
| 2021          | 146                      | 31                 | 177             |
| 2022          | 149                      | 28                 | 177             |
| 2023          | 153                      | 25                 | 178             |
| 2024-28       | 815                      | 73                 | 888             |
| 2029-33       | 168                      | 4                  | 172             |
| <b>TOTALS</b> | <b>\$ 1,714</b>          | <b>\$ 234</b>      | <b>\$ 1,948</b> |

d. **Short-term Debt**

The City had no short-term debt activity for the fiscal year ended June 30, 2018.

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 \$1.9 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 2042. Annual principal and interest payments on the bonds were 43.0 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1.9 billion. Principal and interest paid for the current year and total customer net revenues were \$82,093,317 and \$190,294,000 respectively.

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**Highway User Revenue Bonds**

The City has pledged future Highway User Taxes Revenue to repay \$188.2 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 31.5 percent of eligible revenues. The total principal and interest remaining to be paid on the bonds is \$93,045,975. Principal and interest paid for the current year and total highway user tax revenues were \$12,455,013 and \$39,476,838, respectively.

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

On April 26, 2018, the City called for the early redemption of \$15,165,000 in utility revenue bonds from existing resources of the City to reduce the City's Utility System Revenue Bond principal balance that is currently outstanding. This defeasance was funded with Utility Systems Impact fees of \$17,065,686 provided to a defeasance escrow agent for the purchase of United States Government securities, and Utility Systems Net Revenues of \$42,089 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 \$20,559,444. As a result, the liability for the defeased bonds has been removed from the debt of the City.

**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, 2018 as reflected below is not included in the City's financial statements (in thousands).

|  |                         |
|--|-------------------------|
| Utility System Revenue Bond Issue dated February 1, 2003             | \$ 1,000                |
| 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 June 28, 2006                | 10,055                  |
| Utility System Revenue Bond Issue dated May 30, 2007                 | 1,685                   |
| Utility System Revenue Bond Issue dated May 29, 2008                 | 3,975                   |
| Utility System Revenue Refunding Bond Issue dated September 25, 2014 | 5,530                   |
| General Obligation Bond Issue dated May 27, 2009                     | <u>35,875</u>           |
| Total Refunded and Defeased Bonds Outstanding                        | <u><b>\$ 64,745</b></u> |

CITY OF MESA, ARIZONA  
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**10. SELF-INSURANCE INTERNAL SERVICE FUND**

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

The Workers' Compensation Fund does not have a stop loss receivable at June 30, 2018. Over the past three fiscal years the Fund has received settlements in excess of insurance coverage of \$479,716 with \$150,030 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, 2018, 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, 2018. Over the past three fiscal years the Fund has received settlements in excess of insurance coverage of \$3,519,353 with \$270,667 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<br>& Public<br>Liability | Workers'<br>Compensation | Employee<br>Benefits | Total           |
|----------------------------------|-----------------------------------|--------------------------|----------------------|-----------------|
| 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           | 11,339                            | 23,246                   | 4,252                | 38,837          |
| Adjustments to Reserves-FY 17-18 | (1,587)                           | 216                      | 69,923               | 68,552          |
| Claim Payments-FY 17-18          | <u>(496)</u>                      | <u>245</u>               | <u>(70,109)</u>      | <u>(70,360)</u> |
| Unpaid Claims, 6/30/18           | <u>\$ 9,256</u>                   | <u>\$ 23,707</u>         | <u>\$ 4,066</u>      | <u>\$37,029</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.

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11. **COMMITMENTS AND CONTINGENT LIABILITIES**

a. **Pending Litigation**

The City is subject to a number of lawsuits, investigations, and other claims (some of which involve substantial amounts) that are incidental to the ordinary course of its operations, including those related to wrongful death and personal injury matters. Although the City Attorney does not currently possess sufficient information to reasonably estimate the amounts of the liabilities to be recorded upon the settlement of such claims and lawsuits, some claims could be significant to the City's operations. While the ultimate resolution of such lawsuits, investigations, and claims cannot be determined at this time, in the opinion of City management, based on the advice of the City Attorney, the resolution of these matters will not have a material adverse effect on the City's financial position.

b. **Sick Leave Benefits**

Sick leave benefits provided for ordinary sick pay are not vested with the employee. Fifty percent of unused benefits are payable only upon retirement of an employee. In accordance with the criteria, sick leave paid within 60 days of the year-end has been recorded as a liability in the governmental fund financial statements. Long-term liabilities of governmental funds are not shown on the fund financial statements. In the government-wide financial statements as well as the proprietary fund 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, 2018, is \$9,596,606.

12. **NET POSITION**

a. **Restricted Net Position**

The government-wide statement of net position reports \$128.7 million of restricted net position, of which \$55.0 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 and other postemployment benefit charges and pension expense. 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

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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.

**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, 2018 for these services are as follows (in thousands):

| Functions              | Operating<br>Revenues | Operating Expenses                  |                   | Operating<br>Income<br>(Loss) |
|------------------------|-----------------------|-------------------------------------|-------------------|-------------------------------|
|                        |                       | Depreciation<br>and<br>Amortization | Other             |                               |
| Electric               | \$ 31,425             | \$ 3,589                            | \$ 20,542         | \$ 7,294                      |
| Gas                    | 39,171                | 4,569                               | 22,757            | 11,845                        |
| Water                  | 147,667               | 26,433                              | 45,149            | 76,085                        |
| Wastewater             | 83,078                | 19,753                              | 48,392            | 14,933                        |
| Solid Waste            | 60,522                | 3,020                               | 34,729            | 22,773                        |
| Airport                | 3,983                 | 1,792                               | 3,516             | (1,325)                       |
| Golf Course            | 1,635                 | 138                                 | 1,820             | (323)                         |
| Convention Center      | 2,809                 | 312                                 | 4,169             | (1,672)                       |
| Hohokam /Fitch Complex | 51                    | 1,711                               | 1,463             | (3,123)                       |
| Cubs Stadium           | 238                   | 3,881                               | 1,989             | (5,632)                       |
| District Cooling       | 1,215                 | 420                                 | 761               | 34                            |
| Total                  | <u>\$ 371,794</u>     | <u>\$ 65,618</u>                    | <u>\$ 185,287</u> | <u>\$ 120,889</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.

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The City's investment in these Joint Ventures as of June 30, 2018, is as follows (in thousands):

|                                      | Governmental<br>Activities | Business-Type<br>Activities | Total             |
|--------------------------------------|----------------------------|-----------------------------|-------------------|
| Valley Metro Rail Inc.               | \$ 255,994                 | \$ -                        | \$ 255,994        |
| TOPAZ Regional Wireless Cooperative  | 6,067                      | -                           | 6,067             |
| Subregional Operating Group          | -                          | 86,631                      | 86,631            |
| Val Vista Water Treatment Plant      | -                          | 49,787                      | 49,787            |
| Greenfield Water Reclamation Plant   | -                          | 72,087                      | 72,087            |
| Joint Ventures Construction Deposits | -                          | 3,716                       | 3,716             |
| Total Investment in Joint Ventures   | <u>\$ 262,061</u>          | <u>\$ 212,221</u>           | <u>\$ 474,282</u> |

**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 \$1,399,637,191 has been spent on this project through the fiscal year ended June 30, 2018, of which the City's share and equity interest is \$255,993,664. 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 \$6,066,969 and is reflected in the governmental funds financial statements. Separate financial statements are not prepared.

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Total investment in the joint venture as of June 30, 2018, is (in thousands):

| <b>TOPAZ Regional Wireless Cooperative</b> |    |              |
|--|----|--------------|
| City of Mesa                               | \$ | 6,067        |
| Town of Gilbert                            |    | 1,412        |
| City of Apache Junction                    |    | 492          |
| Superstition Fire and Medical              |    | 162          |
| Town of Queen Creek                        |    | 111          |
| Rio Verde Fire District                    |    | 13           |
| Fort McDowell                              |    | 21           |
| Total Joint Venture                        | \$ | <u>8,278</u> |

**Wastewater**

*Subregional Operating Group*

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

The City of Phoenix acts as the lead agency in SROG and is responsible for the planning, budgeting, construction, operation and maintenance of the plant in addition to providing all management personnel and financing arrangements. The various cities participate in ownership of the plant and are charged for operating expenses based on gallons of flow. The different agencies participate in each facility at varying rates depending on their needs at the time each facility was constructed. The City's equity in the joint venture is \$86,630,964 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 \$72,086,878 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, 2018, is (in thousands):

| <b>Greenfield Water Reclamation Project</b> |    |                |
|---|----|----------------|
| Mesa's Share                                | \$ | 72,087         |
| Gilbert's Share                             |    | 60,739         |
| Queen Creek's Share                         |    | 24,575         |
| Total Joint Venture                         | \$ | <u>157,401</u> |



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**Water**

*Val Vista Water Treatment Plant*

The City also participates with the City of Phoenix in the Val Vista Water Treatment Plant and Transmission Line. The City of Phoenix is responsible for the planning, budgeting, construction, operation and maintenance of the plant. As lead agency, Phoenix provides all management personnel and financing arrangements. Phoenix and Mesa participate in ownership of the plant and are charged for operating expenses based on gallons of water treated. The City's investment in the joint venture is \$49,787,082 and is reflected in the proprietary funds financial statements.

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

**15. PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

All benefitted employees of the City are covered by one of three pension systems. The Arizona State Retirement System (ASRS) 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 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.

In addition, eligible employees are covered by other postemployment benefit plans. All sworn fire and police personnel participate in the Public Safety Personnel Retirement System (PSPRS) that is an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan. Eligible City employees also participate in the City's OPEB plan. Eligible City employees covered by Arizona State Retirement System also participate in the ASRS OPEB plan. The ASRS OPEB plan is not described below because of its relative insignificance to the financial statements.

At June 30, 2018, 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<br>of Activities       | Governmental<br>Activities | Business-Type<br>Activities | Total        |
|--|----------------------------|-----------------------------|--------------|
| Net Pension and OPEB Liabilities                               | \$ 1,399,889               | \$ 141,767                  | \$ 1,541,656 |
| Deferred Outflows of Resources related<br>to pensions and OPEB | 162,477                    | 9,168                       | 171,645      |
| Deferred Inflows of Resources related<br>to pensions and OPEB  | 67,124                     | 8,526                       | 75,650       |
| Pension and OPEB Expense                                       | 114,636                    | 5,910                       | 120,546      |

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**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:

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

\* With actuarially reduced benefits.

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

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**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, 2018, covered employees were required by state statute to contribute at the actuarially determined rate of 11.5% (11.34% pension plus 0.16% long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.5% (10.9% for retirement, 0.44% for the health insurance premium benefit, and 0.16% for long-term disability) of the active members' annual covered payroll. The City's contributions to the System for the year ending June 30, 2018 was \$17,649,613, 74.70% paid from governmental funds, 4.64% paid from internal service funds, and 20.66% paid from enterprise funds.

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, 2018 was 9.49% (9.26% retirement, 0.10% health, 0.13% long-term disability). The City's ACR contributions to the System for the year ending June 30, 2018 were \$104,653.

c. **Pension Liability**

At June 30, 2018, the City reported a liability of \$255,729,281 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017, reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

The City's proportion of the net pension liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The City's proportion measured as of June 30, 2017, was 1.64160%, which was a decrease of 0.0189% from its proportion measured as of June 30, 2016.

The net pension liability measured as of June 30, 2018 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 City's net pension liability as a result of these changes is not known.

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

For the year ended June 30, 2018, the City recognized pension expense for ASRS of \$8,082,437. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience                                  | \$ -                                 | \$ 7,668                            |
| Changes of assumptions  | 11,107                               | 7,647                               |
| Net difference between projected and actual earnings<br>on pension plan investments | 1,836                                | -                                   |
| Changes in proportion and differences between City<br>contributions                 | 1,360                                | 2,126                               |
| City contributions subsequent to the measurement date                               | 17,650                               | -                                   |
| Total   | <u>\$ 31,953</u>                     | <u>\$ 17,441</u>                    |

The \$17,649,613 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, 2019. 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 | \$ (10,089)         |
| 2019 | 9,893               |
| 2020 | 2,940               |
| 2021 | (5,882)             |
|      | <u>\$ (3,138)</u>   |

e. **Actuarial Assumptions**

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

|                             |                   |
|-----------------------------|-------------------|
| Actuarial Valuation Date    | June 30, 2016     |
| Actuarial Roll Forward Date | June 30, 2017     |
| Actuarial Cost Method       | Entry Age Normal  |
| Investment Rate of Return   | 8%                |
| Projected Salary Increases  | 3 - 6.75%         |
| Inflation                   | 3 - 3.25%         |
| Permanent Benefit Increase  | Included          |
| Mortality Rates             | 1994 GAM Scale BB |

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Actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.7% 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:

| Asset Class                        | Target<br>Allocation | Real Return<br>Arithmetic<br>Basis | Long-Term<br>Expected Real<br>Rate of Return |
|------------------------------------|----------------------|------------------------------------|--|
| Equity                             | 58%                  | 6.73%                              | 3.87%  |
| Fixed Income                       | 25%                  | 3.70%                              | 0.91%  |
| Commodities                        | 2%                   | 3.84%                              | 0.08%  |
| Real Estate                        | 10%                  | 4.25%                              | 0.42%  |
| Multi-asset class                  | 5%                   | 3.41%                              | 0.17%  |
| Total                              | 100%                 |                                    | 5.45%  |
| Inflation                          |                      |                                    | 3.25%  |
| Expected arithmetic nominal return |                      |                                    | 8.70%  |

f. **Discount Rate**

The discount rate used to measure the ASRS total pension liability was 8%, which is less than the long-term expected rate of return of 8.7%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

g. **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 %, 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 %) or 1 percentage point higher (9 %) than the current rate (in thousands):

|  | 1% Decrease<br>7% | Current<br>Discount Rate<br>8% | 1% Increase<br>9% |
|--|-------------------|--------------------------------|-------------------|
| City's proportionate share of<br>the net pension liability | \$ 328,233        | \$ 255,729                     | \$ 195,146        |

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h. **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**

All sworn fire and police personnel regularly assigned hazardous duty are eligible to participate in the Public Safety Personnel Retirement System ("PSPRS"). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plan and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan. The PSPRS is jointly administered by a nine-member board known as the Board of Trustees, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans.

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. This report is available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

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:

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|  | Initial Membership Date  |  |
|--|--|--|
|  | Before January 1, 2012   | On or after January 1, 2012 and before July 1, 2017              |
| <u>Retirement and Disability</u>                     |  |  |
| Years of service and age required to receive benefit | 20 years of service, any age<br>15 years of service, age 62  | 25 years of service or 15 years of credited service, age 52.5    |
| Final average salary is based on                     | Highest 36 consecutive months of last 20 years   | Highest 60 consecutive months of last 20 years or last 15 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%   | 1.5% to 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 inflation. 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.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents.

The PSPRS-Fire OPEB plan is not presented because of its relative insignificance to the financial statements.

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**Employees Covered by Benefit Terms**

At June 30, 2018, the following employees were covered by the agent plans' benefit terms:

|  | <u>PSPRS Fire</u> | <u>PSPRS Police</u> |               |
|--|-------------------|---------------------|---------------|
|  | <u>Pension</u>    | <u>Pension</u>      | <u>Health</u> |
| Inactive employees or beneficiaries currently receiving benefits | 240               | 537                 | 537           |
| Inactive employees entitled to but not yet receiving benefits    | 58                | 143                 | 55            |
| Active employees   | 376               | 756                 | 756           |
| Total  | <u>674</u>        | <u>1,436</u>        | <u>1,348</u>  |

c. **Contributions and annual OPEB Cost**

State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. 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. Contribution rates for the year ended June 30, 2018, are indicated below. Rates are a percentage of active members' annual covered payroll.

|                       | <u>Active Member</u> | <u>City</u>    | <u>City</u> |
|-----------------------|----------------------|----------------|-------------|
|                       | <u>Pension</u>       | <u>Pension</u> | <u>OPEB</u> |
| PSPRS - Fire          | 7.65% - 11.65%       | 43.67%         | 0.37%       |
| PSPRS - Police        | 7.65% - 11.65%       | 45.00%         | 1.17%       |
| PSPRS Tier 3 - Fire   | 10.59%               | 10.59%         | 0.25%       |
| PSPRS Tier 3 - Police | 10.02%               | 10.02%         | 0.21%       |

Also, statute required the City to contribute a legacy cost of pension unfunded liability at the actuarially determined rate expressed as a percent of annual covered payroll of 28.93% for City police employees who were PSPRS Tier 3 members, in addition to the City's required contributions to the PSPRS Tier 3 Risk Pool for these City police employees.

The City's contributions to the plans for the year ended June 30, 2018, were:

|                       | <u>Pension</u> | <u>OPEB</u> |
|-----------------------|----------------|-------------|
| PSPRS - Fire          | \$ 10,479,094  | \$ -        |
| PSPRS - Police        | 21,607,876     | 733,111     |
| PSPRS Tier 3 - Police | 118,307        | 38,484      |

A court decision resulted in refunds of excess member contributions to certain fire and police members. The City received a credit memo from PSPRS that equaled the amount of the refunds. The City used the credit memo to reduce its contribution to the plan for the year ended June 30, 2018.

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,



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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, 2018 was 28.93% for both fire and police. The City's ACR contributions for the year ending June 30, 2018 were \$0 for fire and \$46,544 for police.

d. **Liability**

At June 30, 2018, the City reported the following pension liabilities of \$193,863,669 and \$377,891,929 for fire and police, respectively. The City also reported an OPEB liability of \$8,457,302 for police.

The net liabilities were measured as of June 30, 2017, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 % to 7.4 %, decreasing the wage inflation from 4 % to 3.5 %, and updating mortality, withdrawal, disability, and retirement assumptions.

The total pension liabilities for PSPRS also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011.

The court decision will also affect the PSPRS net pension liabilities measured as of June 30, 2018, because of refunds of excess member contributions. The change in the City's PSPRS net pension liabilities as a result of the refunds is not known.

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

For the year ended June 30, 2018, the City recognized pension expense of \$24,251,275 and \$53,757,450 for fire and police, respectively. City also recognized OPEB expense of \$803,662 for police.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources (in thousands):

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| <b><u>PSPRS - Fire Pension</u></b>   |                                      |                                     |
| Differences between expected and actual experience                               | \$ -                                 | \$ 10,803                           |
| Changes in assumptions   | 30,119                               | -                                   |
| Net difference between projected and actual earnings on pension plan investments | 2,430                                | -                                   |
| City contributions subsequent to the measurement date                            | 10,479                               | -                                   |
| Total  | <u>\$ 43,028</u>                     | <u>\$ 10,803</u>                    |

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|  | Pension                        |                               | OPEB                           |                               |
|--|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
|  | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| <b>PSPRS - Police</b>  |                                |                               |                                |                               |
| Differences between expected and actual experience                       | \$ 302                         | \$ 7,729                      | \$ 261                         | \$ -                          |
| Changes in assumptions   | 49,357                         | -                             | -                              | 279                           |
| Net difference between projected and actual earnings on plan investments | 3,887                          | -                             | -                              | 334                           |
| City contributions subsequent to the measurement date                    | 21,726                         | -                             | 772                            | -                             |
| Total  | <u>\$ 75,272</u>               | <u>\$ 7,729</u>               | <u>\$ 1,033</u>                | <u>\$ 613</u>                 |

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in pension expense as follows (in thousands):

| Year Ended June 30, | PSPRS Fire Pension | PSPRS Police Pension | PSPRS Police OPEB |
|---------------------|--------------------|----------------------|-------------------|
| 2019                | \$ 4,677           | \$ 13,846            | (87)              |
| 2020                | 6,300              | 16,574               | (87)              |
| 2021                | 4,962              | 8,525                | (87)              |
| 2022                | 783                | 3,977                | (87)              |
| 2023                | 2,029              | 2,895                | (4)               |
| Thereafter          | 2,995              | -                    | -                 |
|                     | <u>\$ 21,746</u>   | <u>\$ 45,817</u>     | <u>\$ (352)</u>   |

f. **Actuarial Methods and Assumptions**

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

**Actuarial Assumptions:**

|   |  |
|---|--|
| Actuarial Valuation Date                  | June 30, 2017  |
| Actuarial Cost Method                     | Entry Age Normal   |
| Investment Rate of Return                 | 7.4% for contribution rates,<br>7.4% for liability   |
| Wage Inflation                            | 3.5%, N/A for OPEB   |
| Price Inflation                           | 2.5%, N/A for OPEB   |
| Assumed Future Permanent Benefit Increase | Included, N/A for OPEB   |
| Mortality Rates for Pension and OPEB      | RP-2014 mortality table using MP-2016 improvement scale adjustments to match current experience. |
| Healthcare cost trend rate                | N/A  |

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

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**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The long-term expected rate of return on PSPRS plan investments was determined to be 7.4 % using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class            | Target Allocation | Long-Term Expected Geometric Real Rate of Return |
|------------------------|-------------------|--|
| Short Term Investments | 2%                | 0.25%  |
| Absolute Return        | 2%                | 3.75%  |
| Risk Parity            | 4%                | 5.00%  |
| Fixed Income           | 5%                | 1.25%  |
| Real Assets            | 9%                | 4.52%  |
| GTAA                   | 10%               | 3.96%  |
| Real Estate            | 10%               | 3.75%  |
| Private Credit         | 12%               | 6.75%  |
| Credit Opportunities   | 16%               | 5.83%  |
| Non-U.S. Equity        | 14%               | 8.70%  |
| U.S. Equity            | 16%               | 7.60%  |
| Total                  | 100%              |  |

g. **Discount Rate**

A discount rate of 7.40% was used to measure the total pension/OPEB liability. This was a decrease of 0.10% from the discount rate used at June 30, 2016. 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 plans' 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 plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

h. **Changes in the Net Pension/OPEB Liability**

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

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

|  | Total Pension     | Plan                | Net Position      |
|--|-------------------|---------------------|-------------------|
| <b>Fire</b>  | <b>Liability</b>  | <b>Fiduciary</b>    | <b>Liability</b>  |
|  |                   | <b>Net Position</b> |                   |
| Balance at June 30, 2017   | \$ 347,180        | \$ 162,137          | \$ 185,043        |
| Changes for the Year:  |                   |                     |                   |
| Service Cost   | 7,724             | -                   | 7,724             |
| Interest on the Total Liability  | 25,687            | -                   | 25,687            |
| Changes of Benefit Terms   | 2,125             | -                   | 2,125             |
| Differences Between Expected &<br>Actual Experience in the<br>Measurement of the Liability | (2,670)           | -                   | (2,670)           |
| Changes of Assumptions / Other Inputs  | 12,613            | -                   | 12,613            |
| Contributions - Employer   | -                 | 13,558              | (13,558)          |
| Contributions - Employee   | -                 | 3,923               | (3,923)           |
| Net Investment Income  | -                 | 19,308              | (19,308)          |
| Benefit Payments, Including Refunds<br>of Employee Contributions                           | (17,095)          | (17,095)            | -                 |
| Administrative Expenses  | -                 | (174)               | 174               |
| Other Changes  | -                 | 43                  | (43)              |
| Net Changes  | 28,384            | 19,563              | 8,821             |
| Balances as of June 30, 2018   | <u>\$ 375,564</u> | <u>\$ 181,700</u>   | <u>\$ 193,864</u> |

|  | Total Pension     | Plan                | Net Position      | Total            | Plan                | Net OPEB         |
|--|-------------------|---------------------|-------------------|------------------|---------------------|------------------|
| <b>Police</b>  | <b>Liability</b>  | <b>Fiduciary</b>    | <b>Liability</b>  | <b>OPEB</b>      | <b>Fiduciary</b>    | <b>Liability</b> |
|  |                   | <b>Net Position</b> |                   | <b>Liability</b> | <b>Net Position</b> |                  |
| Balance at June 30, 2017   | \$ 642,638        | \$ 284,432          | \$ 358,206        | \$ 18,592        | \$ 9,946            | \$ 8,646         |
| Changes for the Year:  |                   |                     |                   |                  |                     |                  |
| Service Cost   | 15,841            | -                   | 15,841            | 213              | -                   | 213              |
| Interest on the Total Liability  | 47,572            | -                   | 47,572            | 1,356            | -                   | 1,356            |
| Changes of Benefit Terms   | 5,718             | -                   | 5,718             | 35               | -                   | 35               |
| Differences Between Expected &<br>Actual Experience in the<br>Measurement of the Liability | 365               | -                   | 365               | 312              | -                   | 312              |
| Changes of Assumptions / Other Inputs  | 19,037            | -                   | 19,037            | (335)            | -                   | (335)            |
| Contributions - Employer   | -                 | 26,819              | (26,819)          | -                | 639                 | (639)            |
| Contributions - Employee   | -                 | 7,693               | (7,693)           | -                | -                   | -                |
| Net Investment Income  | -                 | 34,221              | (34,221)          | -                | 1,141               | (1,141)          |
| Benefit Payments, Including Refunds<br>of Employee Contributions                           | (32,522)          | (32,522)            | -                 | (1,239)          | (1,239)             | -                |
| Administrative Expenses  | -                 | (306)               | 306               | -                | (10)                | 10               |
| Other Changes  | -                 | 420                 | (420)             | -                | -                   | -                |
| Net Changes  | 56,011            | 36,325              | 19,686            | 342              | 531                 | (189)            |
| Balances as of June 30, 2018   | <u>\$ 698,649</u> | <u>\$ 320,757</u>   | <u>\$ 377,892</u> | <u>\$ 18,934</u> | <u>\$ 10,477</u>    | <u>\$ 8,457</u>  |

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

|                              | 1% Decrease<br>6.40% | Current<br>Discount<br>Rate<br>7.40% | 1% Increase<br>8.40% |
|------------------------------|----------------------|--------------------------------------|----------------------|
| Fire Net Pension Liability   | \$ 244,101           | \$ 193,864                           | \$ 152,710           |
| Police Net Pension Liability | 476,633              | 377,892                              | 297,795              |
| Police OPEB Liability        | 10,549               | 8,457                                | 6,707                |

Regarding the sensitivity of the net OPEB liability to changes in the healthcare cost trend rates, note that trend rates are not applied in the valuation due to the nature of the benefit provided.

j. **Plan Fiduciary Net Position**

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

**City of Mesa OPEB:**

a. **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.

b. **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.

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.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**Employees Covered by Benefit Terms**

As of July 1, 2017 (Date of most recent valuation), membership consisted of:

|                  |                     |
|------------------|---------------------|
| Active Employees | 3,308               |
| Retirees         | 2,029               |
| Spouses          | <u>1,279</u>        |
| Total            | <u><u>6,616</u></u> |

c. **OPEB Liability**

The plan operates on a pay-as-you-go basis and thus has no assets. The total OPEB liability measured as of June 30, 2017 is \$705,713,533. The June 30, 2016 liability is based on a no gain/loss rollback of the June 30, 2017 valuation results.

The impact of changes from the June 30, 2016 results include the following:

- Change in the S&P Municipal Bond 20 Year High Grade Rate Index. The discount rate, based on this index, changed from 2.71% at June 30, 2016 to 3.13% at June 30, 2017. The impact on OPEB liability from this change was a decrease of \$46,955,496.

d. **OPEB Expense and Deferred Outflows/Inflows of Resources**

For the year ended June 30, 2018, the City recognized OPEB expense of \$33,650,778. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience                                  | \$ -                                 | \$ -                                |
| Changes of assumptions  | -                                    | 39,064                              |
| Net difference between projected and actual earnings<br>on pension plan investments |                                      | -                                   |
| City contributions subsequent to the measurement date                               | <u>20,358</u>                        | <u>-</u>                            |
| Total   | <u><u>\$ 20,358</u></u>              | <u><u>\$ 39,064</u></u>             |

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The amounts reported as deferred outflows of resources resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in pension expense as follows (in thousands):

|      | <u>Year Ended June 30,</u> |
|------|----------------------------|
| 2019 | \$ (7,892)                 |
| 2020 | (7,892)                    |
| 2021 | (7,892)                    |
| 2022 | (7,892)                    |
| 2023 | (7,496)                    |
|      | <u>\$ (39,064)</u>         |

e. **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:

**Actuarial Assumptions:**

|                               |   |
|-------------------------------|---|
| Actuarial Valuation Date      | June 30, 2017   |
| Measurement Date              | June 30, 2017   |
| Actuarial Cost Method         | Entry Age Normal  |
| Discount Rate                 | 3.13%   |
| Consumer Price Index          | 3.00%   |
| Projected Salary Increases    | 2.70 - 7.50%  |
| Mortality Rates               | Based on the rates used for the June 30, 2017 valuations of the ASRS Plan and the PSPRS Plan. |
| Health care cost trend rate:  |   |
| Medical, Drugs                | 4.50 -7.50%   |
| Dental, Mental Health, Vision | 4.50%   |

Actuarial assumptions used in the June 30, 2017 valuation were projected on an on-going plan basis. This assumption does not necessarily imply that an obligation to continue the plan actually exists.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

f. **Discount Rate**

The discount rate at the measurement date is 3.13%. Benefit payments are funded on a pay-as-you go basis. The discount rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2017.

g. **Changes in OPEB Liability**

The below table outlines the changes in OPEB Liability for the fiscal year ending June 30, 2018 (in thousands):

|  |                   |
|--|-------------------|
| OPEB Liability at Beginning of Year, as restated   | \$ 730,139        |
| Service Cost                                       | 21,431            |
| Interest   | 20,112            |
| Changes in Benefit Terms                           | -                 |
| Differences between Expected and Actual Experience | -                 |
| Changes in Assumptions                             | (46,955)          |
| Employer contributions *                           | (19,013)          |
| Net Change in Total OPEB Liability                 | (24,425)          |
| OPEB Liability at End of Year                      | <u>\$ 705,714</u> |

\* Because the City funds OPEB benefits on a “pay-as-you-go” basis, employer contributions are equal to benefit payments.

h. **Sensitivity of the City’s OPEB Liability to Changes in the Discount Rate and the Healthcare Cost Trend Rates**

The following table presents the City’s net OPEB liabilities calculated using the municipal bond rates and healthcare cost trend rates noted above, as well as what the City’s net OPEB liability would be if it were calculated using rate that is 1 percentage point lower or 1 percentage point higher than the current rate (in thousands):

|                |                    | Current<br>Municipal<br>Bond Rate |                    |
|----------------|--------------------|-----------------------------------|--------------------|
|                | <u>1% Decrease</u> |                                   | <u>1% Increase</u> |
| City OPEB Plan | \$ 829,496         | \$ 705,714                        | \$ 607,519         |

|                |                    | Current<br>Healthcare<br>Trend Rate |                    |
|----------------|--------------------|-------------------------------------|--------------------|
|                | <u>1% Decrease</u> |                                     | <u>1% Increase</u> |
| City OPEB Plan | \$ 602,799         | \$ 705,714                          | \$ 845,324         |



CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**16. RESTATEMENT OF BEGINNING NET POSITION**

For the fiscal year ending June 30, 2018, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was implemented. The implementation of the statement resulted in the City removing the previous GASB 45 liability and recording the GASB 75 liabilities. The City's government-wide net position, proprietary fund net position, and internal service fund net position as of June 30, 2017, have been restated as follows (in thousands):

|   | Governmental<br>Activities | Business-type<br>Activities | Governmental<br>Activities -<br>Internal Service * |
|---|----------------------------|-----------------------------|--|
| Net Position at 06/30/17,<br>as Previously Reported | \$ 363,708                 | \$ 518,804                  | \$ 9,958   |
| Removal of GASB 45 Liability                        | 431,158                    | 82,392                      | 11,115   |
| GASB Statement No. 75 adjustment                    | <u>(629,531)</u>           | <u>(89,602)</u>             | <u>(19,912)</u>                                    |
| Net Position at 07/01/17, as Restated               | <u>\$ 165,335</u>          | <u>\$ 511,594</u>           | <u>\$ 1,161</u>                                    |

\* Internal Service fund balances are reflected in the Governmental Activities balance.

**17. SUBSEQUENT EVENTS**

On November 8, 2018, the Eastmark Community Facility District issued 2018 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds in the amount of \$10,830,000. These bonds are due in annual principal installments ranging from \$240,000 to \$1,240,000, plus semi-annual interest ranging from 3.75 % to 5 % through July 15, 2043.

On November 15, 2018, the Eastmark Community Facility District issued 2018 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Special Assessment District 11 Special Assessment Bonds in the amount of \$969,000. These bonds are due in annual principal installments ranging from \$24,000 to \$295,000, plus semi-annual interest ranging from 3% to 5% through July 1, 2043.





# REQUIRED SUPPLEMENTARY INFORMATION

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT 2018



REED **SKATE PARK**

## 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, 2018

(in thousands)

**Arizona State Retirement System**

|   | Reporting Fiscal Year* |            |            |            |
|---|------------------------|------------|------------|------------|
|   | (Measurement Date)     |            |            |            |
|   | 2015                   | 2016       | 2017       | 2018       |
|   | (2014)                 | (2015)     | (2016)     | (2017)     |
| City's Proportion of the Net Pension Liability  | 1.6341%                | 1.6393%    | 1.6605%    | 1.6416%    |
| City's Proportionate Share of the Net Pension Liability   | \$ 241,792             | \$ 255,337 | \$ 268,013 | \$ 255,729 |
| City's Covered Payroll  | \$ 147,402             | \$ 151,154 | \$ 155,868 | \$ 158,958 |
| City's Proportionate Share of the Net Pension Liability<br>as a Percentage of its Covered Payroll | 164.04%                | 168.93%    | 171.95%    | 160.88%    |
| Plan Fiduciary Net Position as a Percentage of the<br>Total Pension Liability                     | 69.49%                 | 68.35%     | 67.06%     | 69.92%     |

See accompanying notes to pension plan schedules.

\*2014 through 2009 Information not available



## CITY OF MESA, ARIZONA

**EXHIBIT B-2**

## REQUIRED SUPPLEMENTARY INFORMATION

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

## AGENT PLANS

JUNE 30, 2018

(in thousands)

**Public Safety Personnel Retirement System - Fire**

|   | Reporting Fiscal Year * |                   |                   |                   |
|---|-------------------------|-------------------|-------------------|-------------------|
|   | (Measurement Date)      |                   |                   |                   |
|   | 2015<br>(2014)          | 2016<br>(2015)    | 2017<br>(2016)    | 2018<br>(2017)    |
| Total Pension Liability   |                         |                   |                   |                   |
| Service Cost  | \$ 6,281                | \$ 6,127          | \$ 6,439          | \$ 7,724          |
| Interest on the Total Pension Liability   | 20,708                  | 23,086            | 23,654            | 25,687            |
| Changes of Benefit Terms  | 4,044                   | -                 | 21,380            | 2,125             |
| Differences Between Expected and Actual Experience<br>in the Measurement of the Pension Liability | (6,961)                 | (3,518)           | (4,423)           | (2,670)           |
| Changes of Assumptions or Other Inputs  | 23,097                  | -                 | 11,970            | 12,613            |
| Benefit Payments, Including Refunds<br>of Employee Contributions                                  | (16,309)                | (17,323)          | (19,893)          | (17,095)          |
| Net Change in Total Pension Liability   | 30,860                  | 8,372             | 39,127            | 28,384            |
| Total Pension Liability - Beginning   | 268,821                 | 299,681           | 308,053           | 347,180           |
| Total Pension Liability - Ending (a)  | 299,681                 | 308,053           | 347,180           | 375,564           |
| Plan Fiduciary Net Position   |                         |                   |                   |                   |
| Contributions - Employer  | 9,157                   | 9,828             | 12,735            | 13,558            |
| Contributions - Employee  | 3,488                   | 3,847             | 4,396             | 3,923             |
| Net Investment Income   | 19,840                  | 5,878             | 954               | 19,308            |
| Benefit Payments, Including Refunds<br>of Employee Contributions                                  | (16,309)                | (17,323)          | (19,893)          | (17,095)          |
| Administrative Expense  | (160)                   | (144)             | (138)             | (174)             |
| Other Changes   | (113)                   | 45                | (12)              | 43                |
| Net Change in Plan Fiduciary Net Position   | 15,903                  | 2,131             | (1,958)           | 19,563            |
| Plan Fiduciary Net Position - Beginning   | 146,061                 | 161,964           | 164,095           | 162,137           |
| Plan Fiduciary Net Position - Ending (b)  | 161,964                 | 164,095           | 162,137           | 181,700           |
| City's Net Pension Liability - Ending (a) - (b)   | <u>\$ 137,717</u>       | <u>\$ 143,958</u> | <u>\$ 185,043</u> | <u>\$ 193,864</u> |
| Plan Fiduciary Net Position as a Percentage<br>of the Total Pension Liability                     | 54.05%                  | 53.27%            | 46.70%            | 48.38%            |
| City's Covered Payroll  | \$ 30,782               | \$ 31,661         | \$ 32,453         | \$ 32,941         |
| City's Net Pension Liability as a Percentage<br>of its Covered Payroll                            | 447.39%                 | 454.69%           | 570.18%           | 588.51%           |

See accompanying notes to pension plan schedules.

\*2014 through 2009 Information not available

## CITY OF MESA, ARIZONA

**EXHIBIT B-2 (continued)**

## REQUIRED SUPPLEMENTARY INFORMATION

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

## AGENT PLANS

JUNE 30, 2018

(in thousands)

**Public Safety Personnel Retirement System - Police Pension**

|   | Reporting Fiscal Year * |                   |                   |                   |
|---|-------------------------|-------------------|-------------------|-------------------|
|   | (Measurement Date)      |                   |                   |                   |
|   | 2015<br>(2014)          | 2016<br>(2015)    | 2017<br>(2016)    | 2018<br>(2017)    |
| Total Pension Liability   |                         |                   |                   |                   |
| Service Cost  | \$ 12,481               | \$ 12,216         | \$ 12,438         | \$ 15,841         |
| Interest on the Total Liability   | 36,514                  | 41,908            | 43,573            | 47,572            |
| Changes of Benefit Terms  | 8,728                   | -                 | 34,005            | 5,718             |
| Differences Between Expected and Actual Experience<br>in the Measurement of the Liability | (11,331)                | (2,173)           | (4,001)           | 365               |
| Changes of Assumptions or Other Inputs  | 51,228                  | -                 | 23,614            | 19,037            |
| Benefit Payments, Including Refunds<br>of Employee Contributions                          | (27,566)                | (29,998)          | (31,689)          | (32,522)          |
| Net Change in Total Pension Liability   | 70,054                  | 21,953            | 77,940            | 56,011            |
| Total Pension Liability - Beginning   | 472,691                 | 542,745           | 564,698           | 642,638           |
| Total Pension Liability - Ending (a)  | 542,745                 | 564,698           | 642,638           | 698,649           |
| Plan Fiduciary Net Position   |                         |                   |                   |                   |
| Contributions - Employer  | 17,443                  | 19,680            | 24,067            | 26,819            |
| Contributions - Employee  | 6,784                   | 7,613             | 8,157             | 7,693             |
| Net Investment Income   | 33,360                  | 10,065            | 1,667             | 34,221            |
| Benefit Payments, Including Refunds<br>of Employee Contributions                          | (27,566)                | (29,998)          | (31,689)          | (32,522)          |
| Administrative Expense  | (269)                   | (246)             | (240)             | (306)             |
| Other Changes   | 288                     | 28                | 382               | 420               |
| Net Change in Plan Fiduciary Net Position   | 30,040                  | 7,142             | 2,344             | 36,325            |
| Plan Fiduciary Net Position - Beginning   | 244,906                 | 274,946           | 282,088           | 284,432           |
| Plan Fiduciary Net Position - Ending (b)  | 274,946                 | 282,088           | 284,432           | 320,757           |
| City's Net Pension Liability - Ending (a) - (b)   | <u>\$ 267,799</u>       | <u>\$ 282,610</u> | <u>\$ 358,206</u> | <u>\$ 377,892</u> |
| Plan Fiduciary Net Position as a Percentage<br>of the Total Pension Liability             | 50.66%                  | 49.95%            | 44.26%            | 45.91%            |
| City's Covered Payroll  | \$ 59,688               | \$ 62,461         | \$ 61,211         | \$ 64,740         |
| City's Net Pension Liability as a Percentage<br>of its Covered Payroll                    | 448.66%                 | 452.46%           | 585.20%           | 583.70%           |

See accompanying notes to pension plan schedules.

\*2014 through 2009 Information not available

## CITY OF MESA, ARIZONA

**EXHIBIT B-2 (concluded)**

## REQUIRED SUPPLEMENTARY INFORMATION

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

## AGENT PLANS

JUNE 30, 2018

(in thousands)

**Public Safety Personnel Retirement System - Police OPEB**

|   | Reporting Fiscal Year<br>(Measurement Date) |
|---|---|
|   | <u>2018</u><br><u>(2017)</u>                |
| Total Liability   |   |
| Service Cost  | \$ 213                                      |
| Interest on the Total Liability   | 1,356                                       |
| Changes of Benefit Terms  | 35  |
| Differences Between Expected and Actual Experience<br>in the Measurement of the Liability | 312   |
| Changes of Assumptions or Other Inputs  | (335)                                       |
| Benefit Payments, Including Refunds<br>of Employee Contributions                          | <u>(1,239)</u>                              |
| Net Change in Total OPEB Liability  | 342   |
| Total OPEB Liability - Beginning  | <u>18,592</u>                               |
| Total OPEB Liability - Ending (a)   | <u>18,934</u>                               |
| Plan Fiduciary Net Position   |   |
| Contributions - Employer  | 639   |
| Contributions - Employee  | -   |
| Net Investment Income   | 1,141                                       |
| Benefit Payments, Including Refunds<br>of Employee Contributions                          | (1,239)                                     |
| Administrative Expense  | (10)  |
| Other Changes   | <u>-</u>                                    |
| Net Change in Plan Fiduciary Net Position   | 531   |
| Plan Fiduciary Net Position - Beginning   | <u>9,946</u>                                |
| Plan Fiduciary Net Position - Ending (b)  | <u>10,477</u>                               |
| City's Net OPEB Liability - Ending (a) - (b)  | <u><u>\$ 8,457</u></u>                      |
| Plan Fiduciary Net Position as a Percentage<br>of the Total OPEB Liability                | 55.33%                                      |
| City's Covered Payroll  | \$ 64,740                                   |
| City's Net OPEB Liability<br>as a Percentage of its Covered Payroll                       | 13.06%                                      |

\*2017 through 2009 Information not available



## CITY OF MESA, ARIZONA

**EXHIBIT B-3**

## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF CITY PENSION CONTRIBUTIONS

JUNE 30, 2018

(in thousands)

**Arizona State Retirement System**

|  | 2014        | 2015        | 2016        | 2017        | 2018        |
|--|-------------|-------------|-------------|-------------|-------------|
| Statutorily Required Contribution  | \$ 15,750   | \$ 16,146   | \$ 16,955   | \$ 17,423   | \$ 17,650   |
| City's Contribution in Relation to the Statutorily Required Contribution | 15,750      | 16,146      | 16,955      | 17,423      | 17,650      |
| City's Contribution Deficiency (Excess)                                  | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's Covered Payroll   | \$ 147,402  | \$ 151,154  | \$ 155,868  | \$ 158,958  | \$ 160,986  |
| City's Contributions as a Percentage of Covered Payroll                  | 10.68%      | 10.67%      | 10.88%      | 10.96%      | 10.96%      |

**Public Safety Personnel Retirement System - Fire Pension**

|  | 2014        | 2015        | 2016              | 2017        | 2018            |
|--|-------------|-------------|-------------------|-------------|-----------------|
| Actuarially Determined Contribution  | \$ 9,157    | \$ 9,827    | \$ 11,197         | \$ 13,490   | \$ 14,289       |
| City's Contribution in Relation to the Actuarially Determined Contribution | 9,157       | 9,827       | 12,735            | 13,490      | 10,479          |
| City's Contribution Deficiency (Excess) **                                 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (1,538)</u> | <u>\$ -</u> | <u>\$ 3,810</u> |
| City's Covered Payroll   | \$ 30,782   | \$ 31,661   | \$ 32,453         | \$ 32,941   | \$ 32,446       |
| City's Contributions as a Percentage of Covered Payroll                    | 29.75%      | 31.04%      | 39.24%            | 40.95%      | 32.30%          |

See accompanying notes to plan schedules.

\* 2013 through 2009 Information not available

\*\* Differences in 2018 are due to PSPRS credits utilized by the City

## CITY OF MESA, ARIZONA

**EXHIBIT B-3 (concluded)**

## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF CITY PENSION CONTRIBUTIONS

JUNE 30, 2018

(in thousands)

**Public Safety Personnel Retirement System - Police Pension**

|  | 2014        | 2015        | 2016              | 2017        | 2018            |
|--|-------------|-------------|-------------------|-------------|-----------------|
| Actuarially Determined Contribution  | \$ 17,443   | \$ 19,680   | \$ 21,697         | \$ 26,809   | \$ 29,048       |
| City's Contribution in Relation to the Actuarially Determined Contribution | 17,443      | 19,680      | 24,067            | 26,809      | 21,726          |
| City's Contribution Deficiency (Excess)**                                  | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (2,370)</u> | <u>\$ -</u> | <u>\$ 7,322</u> |
| City's Covered Payroll   | \$ 59,688   | \$ 62,461   | \$ 61,211         | \$ 64,740   | \$ 63,003       |
| City's Contributions as a Percentage of Covered Payroll                    | 29.22%      | 31.51%      | 39.32%            | 41.41%      | 34.48%          |

\*2013 through 2009 Information not available

\*\* Differences in 2018 are due to PSPRS credits utilized by the City

**Public Safety Personnel Retirement System - Police OPEB**

|  | 2017        | 2018        |
|--|-------------|-------------|
| Actuarially Determined Contribution  | \$ 641      | \$ 772      |
| City's Contribution in Relation to the Actuarially Determined Contribution | 641         | 772         |
| City's Contribution Deficiency (Excess)                                    | <u>\$ -</u> | <u>\$ -</u> |
| City's Covered Payroll   | \$ 64,740   | \$ 62,842   |
| City's Contributions as a Percentage of Covered Payroll                    | 0.99%       | 1.23%       |

See accompanying notes to plan schedules.

\*2016 through 2009 Information not available

CITY OF MESA, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO PENSION PLAN SCHEDULES  
JUNE 30, 2018  
(in thousands)

**Note 1 - Actuarially determined contribution rates**

Actuarially 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  | PSPRS members with initial membership date before July 1, 2017:<br>In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%.<br>In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.<br>PSPRS members with initial membership on or after July 1, 2017: 7% |
| 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)   |

**Note 2 - Factors that affect trends**

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes will increase the PSPRS required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date.

Also, the City refunded excess employee contributions to PSPRS. PSPRS allowed the City to reduce its actual employer contributions for the refund amounts. As a result, the City's pension contributions were less than the actuarially or statutorily determined contributions for 2018.

## CITY OF MESA, ARIZONA

**EXHIBIT B-4**

## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY

|   | 2018              |
|---|-------------------|
| Total Liability   |                   |
| Service Cost  | \$ 21,431         |
| Interest on the Total Liability   | 20,112            |
| Changes of Benefit Terms  | -                 |
| Differences Between Expected and Actual Experience<br>in the Measurement of the Liability | -                 |
| Changes of Assumptions or Other Inputs  | (46,955)          |
| Benefit Payments, Including Refunds<br>of Employee Contributions **                       | (19,013)          |
| Net Change in Total OPEB Liability  | (24,425)          |
| Total OPEB Liability - Beginning  | 730,139           |
| Total OPEB Liability - Ending (a)   | <u>\$ 705,714</u> |

\*\* Because the City funds OPEB benefits on a "pay-as-you-go" basis,  
employer contributions are equal to benefit payments.

\*2017 through 2009 Information not available

## CITY OF MESA, ARIZONA

**EXHIBIT B-5**

## REQUIRED SUPPLEMENTARY INFORMATION

## BUDGETARY COMPARISON SCHEDULE

## GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(in thousands)

|  | <b>Budgeted Amounts</b> |                  | <b>Actual -<br/>Budgetary<br/>Basis</b> | <b>Variance with<br/>Final Budget</b> |
|--|-------------------------|------------------|---|---------------------------------------|
|  | <b>Original</b>         | <b>Final</b>     |   |                                       |
| Revenues:  |                         |                  |   |                                       |
| Sales Taxes  | \$ 111,585              | \$ 111,585       | \$ 116,024                              | \$ 4,439                              |
| Occupancy Taxes  | 25                      | 25               | 25                                      | -                                     |
| Licenses and Permits   | 16,959                  | 16,959           | 20,469                                  | 3,510                                 |
| Intergovernmental  | 149,262                 | 149,262          | 138,876                                 | (10,386)                              |
| Charges for Services   | 22,917                  | 22,917           | 24,055                                  | 1,138                                 |
| Fines and Forfeitures  | 9,337                   | 9,337            | 8,298                                   | (1,039)                               |
| Investment Income  | 951                     | 951              | (622)                                   | (1,573)                               |
| Contributions  | -                       | -                | 75                                      | 75                                    |
| Miscellaneous Revenues                                       | 1,285                   | 1,285            | 1,738                                   | 453                                   |
| Total Revenues   | <u>312,321</u>          | <u>312,321</u>   | <u>308,938</u>                          | <u>(3,383)</u>                        |
| Expenditures:  |                         |                  |   |                                       |
| Current:   |                         |                  |   |                                       |
| General Government   | 96,846                  | 97,235           | 80,749                                  | 16,486                                |
| Public Safety  | 243,233                 | 242,375          | 235,173                                 | 7,202                                 |
| Community Environment  | 18,503                  | 18,523           | 15,560                                  | 2,963                                 |
| Cultural-Recreational  | 39,728                  | 39,886           | 38,393                                  | 1,493                                 |
| Capital Outlay   | 26,565                  | 26,809           | 13,261                                  | 13,548                                |
| Total Expenditures   | <u>424,875</u>          | <u>424,828</u>   | <u>383,136</u>                          | <u>41,692</u>                         |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (112,554)               | (112,507)        | (74,198)                                | 38,309                                |
| Other Financing Sources (Uses):                              |                         |                  |   |                                       |
| Transfers In   | 140,344                 | 140,344          | 120,095                                 | (20,249)                              |
| Transfers Out  | (43,749)                | (78,550)         | (26,629)                                | 51,921                                |
| Total Other Financing Sources (Uses)                         | <u>96,595</u>           | <u>61,794</u>    | <u>93,466</u>                           | <u>31,672</u>                         |
| Net Change in Fund Balances                                  | (15,959)                | (50,713)         | 19,268                                  | 69,981                                |
| Fund Balance - Beginning                                     | <u>113,627</u>          | <u>113,627</u>   | <u>130,813</u>                          | <u>17,186</u>                         |
| Fund Balance - Ending  | <u>\$ 97,668</u>        | <u>\$ 62,914</u> | <u>\$ 150,081</u>                       | <u>\$ 87,167</u>                      |

See accompanying note to budgetary comparison schedule.

CITY OF MESA, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO BUDGETARY COMPARISON SCHEDULE  
JUNE 30, 2018  
(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, 2018 on the “GAAP basis” to the “budget basis” as follows:

|  |    |                      |
|--|----|----------------------|
| Net Change in Fund Balance-Budget Basis -<br>Exhibit B-6 | \$ | 19,268               |
| Basis Differences:                                       |    |                      |
| Compensated Absences                                     |    | (145)                |
| Bad Debt   |    | (2,449)              |
| Payroll Accrual  |    | (356)                |
| Unavailable Revenue                                      |    | (1,201)              |
| Unrealized Gain on Investments                           |    | 831                  |
|  |    | <hr/>                |
| Net Change in Fund Balance-GAAP Basis -<br>Exhibit A-5   | \$ | <u><u>15,948</u></u> |







# COMBINING STATEMENTS

## COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018



EASTMARK PARK



## **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, 2018  
(in thousands)

|   | <b>Special Revenue Funds</b> |  |                                    |                                     |
|---|------------------------------|--|------------------------------------|-------------------------------------|
|   | <b>Cemetery</b>              | <b>Community<br/>Facilities<br/>District</b> | <b>Development<br/>Impact Fees</b> | <b>Environmental<br/>Compliance</b> |
| <b>ASSETS</b>   |                              |  |                                    |                                     |
| Pooled Cash and Investments   | \$ 7,197                     | \$ 115                                       | \$ 5,778                           | \$ 13,169                           |
| Accounts Receivable, Net  | 14                           | -  | -                                  | 2                                   |
| Accrued Interest Receivable   | 23                           | -  | 26                                 | 40                                  |
| Due from Other Governments  | -                            | -  | -                                  | -                                   |
| Prepaid Costs   | -                            | -  | -                                  | 1                                   |
| Restricted Assets:  |                              |  |                                    |                                     |
| Pooled Cash and Investments   | -                            | -  | -                                  | -                                   |
| Cash with Fiscal Agent  | -                            | -  | -                                  | -                                   |
| Accounts Receivable   | -                            | -  | -                                  | -                                   |
| Due from Other Governments  | -                            | -  | -                                  | -                                   |
| Total Assets  | <u>\$ 7,234</u>              | <u>\$ 115</u>                                | <u>\$ 5,804</u>                    | <u>\$ 13,212</u>                    |
| <b>LIABILITIES</b>  |                              |  |                                    |                                     |
| Accounts Payable and Accrued Liabilities                              | \$ -                         | \$ 2   | \$ -                               | \$ 496                              |
| Due to Other Funds  | -                            | -  | -                                  | -                                   |
| Customer and Defendant Deposits                                       | -                            | -  | -                                  | -                                   |
| Payable from Restricted Assets:                                       |                              |  |                                    |                                     |
| Accrued Interest Payable  | -                            | -  | -                                  | -                                   |
| Unearned Revenue  | -                            | 80   | -                                  | -                                   |
| Matured Bonds Payable   | -                            | -  | -                                  | -                                   |
| Total Liabilities   | <u>-</u>                     | <u>82</u>                                    | <u>-</u>                           | <u>496</u>                          |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                  |                              |  |                                    |                                     |
| Unavailable Revenue   | 1                            | -  | -                                  | -                                   |
| Total Deferred Inflows of Resources                                   | <u>1</u>                     | <u>-</u>                                     | <u>-</u>                           | <u>-</u>                            |
| <b>FUND BALANCES</b>  |                              |  |                                    |                                     |
| Nonspendable  | -                            | -  | -                                  | 1                                   |
| Restricted  | -                            | 33   | 5,804                              | -                                   |
| Committed   | 7,233                        | -  | -                                  | 12,715                              |
| Assigned  | -                            | -  | -                                  | -                                   |
| Unassigned  | -                            | -  | -                                  | -                                   |
| Total Fund Balances   | <u>7,233</u>                 | <u>33</u>                                    | <u>5,804</u>                       | <u>12,716</u>                       |
| Total Liabilities, Deferred Inflows of<br>Resources and Fund Balances | <u>\$ 7,234</u>              | <u>\$ 115</u>                                | <u>\$ 5,804</u>                    | <u>\$ 13,212</u>                    |

**EXHIBIT C-1**  
(Continued)

| Special Revenue Funds                |                            |                                    |                              |                                    |                        |                                      |
|--------------------------------------|----------------------------|------------------------------------|------------------------------|------------------------------------|------------------------|--------------------------------------|
| Grants<br>and<br>Special<br>Programs | Highway<br>User<br>Revenue | Mesa Arts<br>Center<br>Restoration | Mesa<br>Housing<br>Authority | Quality<br>of Life<br>Sales<br>Tax | Street<br>Sales<br>Tax | Total<br>Special<br>Revenue<br>Funds |
| \$ 7,544                             | \$ 11,327                  | \$ 1,055                           | \$ 944                       | \$ -                               | \$47,955               | \$ 95,084                            |
| 331                                  | -                          | -                                  | 286                          | -                                  | 1,118                  | 1,751                                |
| 21                                   | 34                         | 9                                  | -                            | -                                  | 154                    | 307                                  |
| 1,669                                | 3,600                      | -                                  | 1,155                        | 2,035                              | 2,441                  | 10,900                               |
| 8                                    | -                          | -                                  | -                            | -                                  | 35                     | 44                                   |
| -                                    | -                          | -                                  | -                            | -                                  | -                      | -                                    |
| -                                    | -                          | -                                  | -                            | -                                  | -                      | -                                    |
| -                                    | -                          | -                                  | -                            | -                                  | -                      | -                                    |
| -                                    | -                          | -                                  | -                            | -                                  | -                      | -                                    |
| <u>\$ 9,573</u>                      | <u>\$ 14,961</u>           | <u>\$ 1,064</u>                    | <u>\$ 2,385</u>              | <u>\$ 2,035</u>                    | <u>\$51,703</u>        | <u>\$108,086</u>                     |
| \$ 1,059                             | \$ 2,468                   | \$ 71                              | \$ 737                       | \$ -                               | \$ 2,940               | \$ 7,773                             |
| -                                    | -                          | -                                  | -                            | 1,262                              | -                      | 1,262                                |
| -                                    | -                          | -                                  | -                            | -                                  | 6,956                  | 6,956                                |
| -                                    | -                          | -                                  | -                            | -                                  | -                      | -                                    |
| 642                                  | -                          | 39                                 | 737                          | -                                  | -                      | 1,498                                |
| -                                    | -                          | -                                  | -                            | -                                  | -                      | -                                    |
| <u>1,701</u>                         | <u>2,468</u>               | <u>110</u>                         | <u>1,474</u>                 | <u>1,262</u>                       | <u>9,896</u>           | <u>17,489</u>                        |
| 29                                   | -                          | -                                  | -                            | -                                  | 305                    | 335                                  |
| <u>29</u>                            | <u>-</u>                   | <u>-</u>                           | <u>-</u>                     | <u>-</u>                           | <u>305</u>             | <u>335</u>                           |
| 8                                    | -                          | -                                  | -                            | -                                  | 35                     | 44                                   |
| 6,833                                | 12,493                     | -                                  | 911                          | 773                                | 41,467                 | 68,314                               |
| 1,156                                | -                          | 954                                | -                            | -                                  | -                      | 22,058                               |
| 22                                   | -                          | -                                  | -                            | -                                  | -                      | 22                                   |
| (176)                                | -                          | -                                  | -                            | -                                  | -                      | (176)                                |
| <u>7,843</u>                         | <u>12,493</u>              | <u>954</u>                         | <u>911</u>                   | <u>773</u>                         | <u>41,502</u>          | <u>90,262</u>                        |
| <u>\$ 9,573</u>                      | <u>\$ 14,961</u>           | <u>\$ 1,064</u>                    | <u>\$ 2,385</u>              | <u>\$ 2,035</u>                    | <u>\$51,703</u>        | <u>\$108,086</u>                     |

CITY OF MESA, ARIZONA  
**EXHIBIT C-1**  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018  
(in thousands)

|   | <b>Capital Projects Funds</b>                |   |                 |                          |                 | <b>Total<br/>Capital<br/>Projects<br/>Funds</b> |
|---|--|---|-----------------|--------------------------|-----------------|---|
|   | <b>Community<br/>Facilities<br/>District</b> | <b>General<br/>Capital<br/>Projects</b> | <b>Parks</b>    | <b>Public<br/>Safety</b> | <b>Streets</b>  |   |
| <b>ASSETS</b>   |  |   |                 |                          |                 |   |
| Pooled Cash and Investments   | \$ -   | \$20,417                                | \$ 3,881        | \$ 3,201                 | \$47,472        | \$74,971  |
| Accounts Receivable, Net  | -  | -                                       | -               | -                        | -               | -   |
| Accrued Interest Receivable   | -  | 29                                      | -               | -                        | 45              | 74  |
| Due from Other Governments  | -  | -                                       | -               | -                        | 4,492           | 4,492   |
| Prepaid Costs   | -  | 91                                      | -               | -                        | -               | 91  |
| Restricted Assets:  |  |   |                 |                          |                 |   |
| Pooled Cash and Investments   | -  | -                                       | -               | -                        | -               | -   |
| Cash with Fiscal Agent  | -  | -                                       | -               | -                        | -               | -   |
| Accounts Receivable   | -  | -                                       | -               | -                        | -               | -   |
| Due from Other Governments  | -  | -                                       | -               | -                        | -               | -   |
| Total Assets  | <u>\$ -</u>                                  | <u>\$20,537</u>                         | <u>\$ 3,881</u> | <u>\$ 3,201</u>          | <u>\$52,009</u> | <u>\$79,628</u>                                 |
| <b>LIABILITIES</b>  |  |   |                 |                          |                 |   |
| Accounts Payable and Accrued Liabilities                              | \$ -   | \$ 863                                  | \$ 938          | \$ 236                   | \$ 497          | \$ 2,534  |
| Due to Other Funds  | -  | -                                       | -               | -                        | -               | -   |
| Customer and Defendant Deposits                                       | -  | -                                       | -               | -                        | -               | -   |
| Payable from Restricted Assets:                                       |  |   |                 |                          |                 |   |
| Accrued Interest Payable  | -  | -                                       | -               | -                        | -               | -   |
| Unearned Revenue  | -  | -                                       | -               | -                        | -               | -   |
| Matured Bonds Payable   | -  | -                                       | -               | -                        | -               | -   |
| Total Liabilities   | <u>-</u>                                     | <u>863</u>                              | <u>938</u>      | <u>236</u>               | <u>497</u>      | <u>2,534</u>                                    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                  |  |   |                 |                          |                 |   |
| Unavailable Revenue   | -  | -                                       | -               | -                        | -               | -   |
| Total Deferred Inflows of Resources                                   | <u>-</u>                                     | <u>-</u>                                | <u>-</u>        | <u>-</u>                 | <u>-</u>        | <u>-</u>  |
| <b>FUND BALANCES</b>  |  |   |                 |                          |                 |   |
| Nonspendable  | -  | 91                                      | -               | -                        | -               | 91  |
| Restricted  | -  | -                                       | 2,943           | 2,965                    | 51,512          | 57,420  |
| Committed   | -  | 19,583                                  | -               | -                        | -               | 19,583  |
| Assigned  | -  | -                                       | -               | -                        | -               | -   |
| Unassigned  | -  | -                                       | -               | -                        | -               | -   |
| Total Fund Balances   | <u>-</u>                                     | <u>19,674</u>                           | <u>2,943</u>    | <u>2,965</u>             | <u>51,512</u>   | <u>77,094</u>                                   |
| Total Liabilities, Deferred Inflows of<br>Resources and Fund Balances | <u>\$ -</u>                                  | <u>\$20,537</u>                         | <u>\$ 3,881</u> | <u>\$ 3,201</u>          | <u>\$52,009</u> | <u>\$79,628</u>                                 |

**EXHIBIT C-1**  
(Concluded)

| Debt Service Funds                  |                                |  |                                     |                                | Total<br>Debt<br>Service<br>Funds | Total<br>Nonmajor<br>Governmental<br>Funds |
|-------------------------------------|--------------------------------|--|-------------------------------------|--------------------------------|-----------------------------------|--|
| Community<br>Facilities<br>District | General<br>Obligation<br>Bonds | Highway<br>Project<br>Advancement<br>Notes | Highway<br>User<br>Revenue<br>Bonds | Special<br>Assessment<br>Bonds |                                   |  |
| \$ -                                | \$ -                           | \$ -                                       | \$ -                                | \$ -                           | \$ -                              | \$ 170,055                                 |
| -                                   | -                              | -  | -                                   | -                              | -                                 | 1,751                                      |
| 4                                   | 11                             | -  | -                                   | -                              | 15                                | 396  |
| -                                   | -                              | -  | -                                   | -                              | -                                 | 15,392                                     |
| -                                   | -                              | -  | -                                   | -                              | -                                 | 135  |
| 2,295                               | 4,590                          | -  | -                                   | 116                            | 7,001                             | 7,001                                      |
| 645                                 | 31,591                         | -  | 10,415                              | -                              | 42,651                            | 42,651                                     |
| 11,808                              | -                              | -  | -                                   | 719                            | 12,527                            | 12,527                                     |
| 8                                   | 1,257                          | -  | -                                   | -                              | 1,265                             | 1,265                                      |
| <u>\$ 14,760</u>                    | <u>\$ 37,449</u>               | <u>\$ -</u>                                | <u>\$ 10,415</u>                    | <u>\$ 835</u>                  | <u>\$63,459</u>                   | <u>\$ 251,173</u>                          |
| \$ -                                | \$ -                           | \$ -                                       | \$ -                                | \$ -                           | \$ -                              | \$ 10,307                                  |
| -                                   | -                              | -  | -                                   | -                              | -                                 | 1,262                                      |
| -                                   | -                              | -  | -                                   | -                              | -                                 | 6,956                                      |
| 728                                 | 6,585                          | -  | 2,040                               | 29                             | 9,382                             | 9,382                                      |
| 15                                  | -                              | -  | -                                   | -                              | 15                                | 1,513                                      |
| 957                                 | 25,044                         | -  | 8,375                               | -                              | 34,376                            | 34,376                                     |
| <u>1,700</u>                        | <u>31,629</u>                  | <u>-</u>                                   | <u>10,415</u>                       | <u>29</u>                      | <u>43,773</u>                     | <u>63,796</u>                              |
| 11,803                              | 436                            | -  | -                                   | 719                            | 12,958                            | 13,293                                     |
| <u>11,803</u>                       | <u>436</u>                     | <u>-</u>                                   | <u>-</u>                            | <u>719</u>                     | <u>12,958</u>                     | <u>13,293</u>                              |
| -                                   | -                              | -  | -                                   | -                              | -                                 | 135  |
| 1,257                               | 5,384                          | -  | -                                   | 87                             | 6,728                             | 132,462                                    |
| -                                   | -                              | -  | -                                   | -                              | -                                 | 41,641                                     |
| -                                   | -                              | -  | -                                   | -                              | -                                 | 22   |
| -                                   | -                              | -  | -                                   | -                              | -                                 | (176)                                      |
| <u>1,257</u>                        | <u>5,384</u>                   | <u>-</u>                                   | <u>-</u>                            | <u>87</u>                      | <u>6,728</u>                      | <u>174,084</u>                             |
| <u>\$ 14,760</u>                    | <u>\$ 37,449</u>               | <u>\$ -</u>                                | <u>\$ 10,415</u>                    | <u>\$ 835</u>                  | <u>\$63,459</u>                   | <u>\$ 251,173</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, 2018

(in thousands)

|  | <b>Special Revenue Funds</b> |  |                                    |                                     |
|--|------------------------------|--|------------------------------------|-------------------------------------|
|  | <b>Cemetery</b>              | <b>Community<br/>Facilities<br/>District</b> | <b>Development<br/>Impact Fees</b> | <b>Environmental<br/>Compliance</b> |
| Revenues:  |                              |  |                                    |                                     |
| Sales Taxes  | \$ -                         | \$ -   | \$ -                               | \$ -                                |
| Property Taxes   | -                            | 108  | -                                  | -                                   |
| Occupancy Taxes  | -                            | -  | -                                  | -                                   |
| Special Assessments  | -                            | -  | -                                  | -                                   |
| Licenses and Permits   | -                            | -  | 3,758                              | -                                   |
| Intergovernmental  | -                            | -  | -                                  | 7                                   |
| Charges for Services   | 94                           | -  | -                                  | 15,780                              |
| Fines and Forfeitures  | -                            | -  | -                                  | -                                   |
| Investment Income  | 143                          | -  | 89                                 | 95                                  |
| Contributions  | -                            | 20   | -                                  | -                                   |
| Miscellaneous Revenues                                       | 9                            | 5  | -                                  | -                                   |
| Total Revenues   | <u>246</u>                   | <u>133</u>                                   | <u>3,847</u>                       | <u>15,882</u>                       |
| Expenditures:  |                              |  |                                    |                                     |
| Current:   |                              |  |                                    |                                     |
| General Government   | -                            | 116  | -                                  | 1,148                               |
| Public Safety  | -                            | -  | -                                  | 67                                  |
| Community Environment  | -                            | -  | -                                  | 4,606                               |
| Cultural-Recreational  | -                            | -  | -                                  | 6,551                               |
| Debt Service:  |                              |  |                                    |                                     |
| Principal Retirement   | -                            | -  | -                                  | -                                   |
| Interest on Bonds  | -                            | -  | -                                  | -                                   |
| Service Charges  | -                            | 2  | -                                  | -                                   |
| Cost of Issuance   | -                            | -  | -                                  | -                                   |
| Capital Outlay   | -                            | -  | 52                                 | 829                                 |
| Total Expenditures   | <u>-</u>                     | <u>118</u>                                   | <u>52</u>                          | <u>13,201</u>                       |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>246</u>                   | <u>15</u>                                    | <u>3,795</u>                       | <u>2,681</u>                        |
| Other Financing Sources (Uses):                              |                              |  |                                    |                                     |
| Transfers In   | -                            | -  | -                                  | -                                   |
| Transfers Out  | -                            | (5)  | (2,625)                            | -                                   |
| Face Amount of Bonds Issued                                  | -                            | -  | -                                  | -                                   |
| Premium on Issuance of Bonds (Net)                           | -                            | -  | -                                  | -                                   |
| Total Other Financing Sources (Uses)                         | <u>-</u>                     | <u>(5)</u>                                   | <u>(2,625)</u>                     | <u>-</u>                            |
| Net Change in Fund Balances                                  | 246                          | 10   | 1,170                              | 2,681                               |
| Fund Balances - Beginning                                    | <u>6,987</u>                 | <u>23</u>                                    | <u>4,634</u>                       | <u>10,035</u>                       |
| Fund Balances - Ending                                       | <u>\$ 7,233</u>              | <u>\$ 33</u>                                 | <u>\$ 5,804</u>                    | <u>\$ 12,716</u>                    |



**EXHIBIT C-2**  
(Continued)

| Special Revenue Funds                |                            |                                    |                              |                                    |                        |                                      |
|--------------------------------------|----------------------------|------------------------------------|------------------------------|------------------------------------|------------------------|--------------------------------------|
| Grants<br>and<br>Special<br>Programs | Highway<br>User<br>Revenue | Mesa Arts<br>Center<br>Restoration | Mesa<br>Housing<br>Authority | Quality<br>of Life<br>Sales<br>Tax | Street<br>Sales<br>Tax | Total<br>Special<br>Revenue<br>Funds |
| \$ -                                 | \$ -                       | \$ -                               | \$ -                         | \$24,097                           | \$28,903               | \$53,000                             |
| -                                    | -                          | -                                  | -                            | -                                  | -                      | 108                                  |
| 2,603                                | -                          | -                                  | -                            | -                                  | -                      | 2,603                                |
| -                                    | -                          | -                                  | -                            | -                                  | -                      | -                                    |
| 656                                  | -                          | -                                  | -                            | 107                                | 495                    | 5,016                                |
| 5,633                                | 39,477                     | -                                  | 22,134                       | -                                  | 321                    | 67,572                               |
| 7                                    | -                          | -                                  | -                            | -                                  | 308                    | 16,189                               |
| 1,068                                | -                          | 453                                | -                            | -                                  | -                      | 1,521                                |
| 54                                   | 83                         | 34                                 | 295                          | -                                  | 188                    | 981                                  |
| 86                                   | -                          | -                                  | -                            | -                                  | -                      | 106                                  |
| 2,285                                | 62                         | -                                  | -                            | -                                  | 891                    | 3,252                                |
| <u>12,392</u>                        | <u>39,622</u>              | <u>487</u>                         | <u>22,429</u>                | <u>24,204</u>                      | <u>31,106</u>          | <u>150,348</u>                       |
| 3,152                                | -                          | -                                  | 20                           | 356                                | 4,557                  | 9,349                                |
| 4,183                                | -                          | -                                  | -                            | 23,939                             | 368                    | 28,557                               |
| 163                                  | 15,477                     | -                                  | 18,953                       | -                                  | 18,500                 | 57,699                               |
| 1,234                                | -                          | -                                  | -                            | -                                  | -                      | 7,785                                |
| -                                    | -                          | -                                  | -                            | -                                  | -                      | -                                    |
| -                                    | -                          | -                                  | -                            | -                                  | -                      | -                                    |
| -                                    | -                          | -                                  | -                            | -                                  | -                      | 2                                    |
| -                                    | -                          | -                                  | -                            | -                                  | -                      | -                                    |
| 3,066                                | 6,811                      | 491                                | 3,236                        | -                                  | 8,163                  | 22,648                               |
| <u>11,798</u>                        | <u>22,288</u>              | <u>491</u>                         | <u>22,209</u>                | <u>24,295</u>                      | <u>31,588</u>          | <u>126,040</u>                       |
| 594                                  | 17,334                     | (4)                                | 220                          | (91)                               | (482)                  | 24,308                               |
| 10                                   | -                          | -                                  | -                            | -                                  | -                      | 10                                   |
| -                                    | (12,459)                   | -                                  | -                            | -                                  | -                      | (15,089)                             |
| -                                    | -                          | -                                  | -                            | -                                  | -                      | -                                    |
| -                                    | -                          | -                                  | -                            | -                                  | -                      | -                                    |
| <u>10</u>                            | <u>(12,459)</u>            | <u>-</u>                           | <u>-</u>                     | <u>-</u>                           | <u>-</u>               | <u>(15,079)</u>                      |
| 604                                  | 4,875                      | (4)                                | 220                          | (91)                               | (482)                  | 9,229                                |
| 7,239                                | 7,618                      | 958                                | 691                          | 864                                | 41,984                 | 81,033                               |
| <u>\$ 7,843</u>                      | <u>\$ 12,493</u>           | <u>\$ 954</u>                      | <u>\$ 911</u>                | <u>\$ 773</u>                      | <u>\$41,502</u>        | <u>\$90,262</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, 2018

(in thousands)

|  | <b>Capital Projects Funds</b>                |   |                 |                          |                 | <b>Total<br/>Capital<br/>Projects<br/>Funds</b> |
|--|--|---|-----------------|--------------------------|-----------------|---|
|  | <b>Community<br/>Facilities<br/>District</b> | <b>General<br/>Capital<br/>Projects</b> | <b>Parks</b>    | <b>Public<br/>Safety</b> | <b>Streets</b>  |   |
| Revenues:  |  |   |                 |                          |                 |   |
| Sales Taxes  | \$ -   | \$ -                                    | \$ -            | \$ -                     | \$ -            | \$ -  |
| Property Taxes   | -  | -                                       | -               | -                        | -               | -   |
| Occupancy Taxes  | -  | -                                       | -               | -                        | -               | -   |
| Special Assessments  | -  | -                                       | -               | -                        | -               | -   |
| Licenses and Permits   | -  | -                                       | -               | -                        | -               | -   |
| Intergovernmental  | -  | -                                       | -               | -                        | 11,262          | 11,262  |
| Charges for Services   | -  | -                                       | -               | -                        | -               | -   |
| Fines and Forfeitures  | -  | -                                       | -               | -                        | -               | -   |
| Investment Income  | -  | 37                                      | 79              | 75                       | 170             | 361   |
| Contributions  | 248  | -                                       | -               | -                        | -               | 248   |
| Miscellaneous Revenues                                       | -  | 150                                     | 4               | -                        | 373             | 527   |
| Total Revenues   | <u>248</u>                                   | <u>187</u>                              | <u>83</u>       | <u>75</u>                | <u>11,805</u>   | <u>12,398</u>                                   |
| Expenditures:  |  |   |                 |                          |                 |   |
| Current:   |  |   |                 |                          |                 |   |
| General Government   | -  | -                                       | -               | -                        | -               | -   |
| Public Safety  | -  | -                                       | -               | -                        | -               | -   |
| Community Environment  | -  | -                                       | -               | -                        | -               | -   |
| Cultural-Recreational  | -  | -                                       | -               | -                        | -               | -   |
| Debt Service:  |  |   |                 |                          |                 |   |
| Principal Retirement   | -  | -                                       | -               | -                        | -               | -   |
| Interest on Bonds  | -  | -                                       | -               | -                        | -               | -   |
| Service Charges  | -  | -                                       | -               | -                        | -               | -   |
| Cost of Issuance   | 870  | -                                       | 110             | -                        | 43              | 1,023   |
| Capital Outlay   | 10,360                                       | 13,192                                  | 11,437          | 1,767                    | 3,614           | 40,370  |
| Total Expenditures   | <u>11,230</u>                                | <u>13,192</u>                           | <u>11,547</u>   | <u>1,767</u>             | <u>3,657</u>    | <u>41,393</u>                                   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(10,982)</u>                              | <u>(13,005)</u>                         | <u>(11,464)</u> | <u>(1,692)</u>           | <u>8,148</u>    | <u>(28,995)</u>                                 |
| Other Financing Sources (Uses):                              |  |   |                 |                          |                 |   |
| Transfers In   | 5  | 26,556                                  | -               | -                        | 14,729          | 41,290  |
| Transfers Out  | (30)   | (6,000)                                 | -               | -                        | (3,731)         | (9,761)   |
| Face Amount of Bonds Issued                                  | 10,417                                       | -                                       | 11,590          | -                        | 4,530           | 26,537  |
| Premium on Issuance of Bonds (Net)                           | 590  | -                                       | 40              | -                        | 15              | 645   |
| Total Other Financing Sources (Uses)                         | <u>10,982</u>                                | <u>20,556</u>                           | <u>11,630</u>   | <u>-</u>                 | <u>15,543</u>   | <u>58,711</u>                                   |
| Net Change in Fund Balances                                  | -  | 7,551                                   | 166             | (1,692)                  | 23,691          | 29,716  |
| Fund Balances - Beginning                                    | -  | 12,123                                  | 2,777           | 4,657                    | 27,821          | 47,378  |
| Fund Balances - Ending                                       | <u>\$ -</u>                                  | <u>\$19,674</u>                         | <u>\$ 2,943</u> | <u>\$ 2,965</u>          | <u>\$51,512</u> | <u>\$77,094</u>                                 |

**EXHIBIT C-2**  
(Concluded)

| <b>Debt Service Funds</b>                    |   |  |   |   |   |  |
|--|---|--|---|---|---|--|
| <b>Community<br/>Facilities<br/>District</b> | <b>General<br/>Obligation<br/>Bonds</b> | <b>Highway<br/>Project<br/>Advancement<br/>Notes</b> | <b>Highway<br/>User<br/>Revenue<br/>Bonds</b> | <b>Special<br/>Assessment<br/>Bonds</b> | <b>Total Debt<br/>Service<br/>Funds</b> | <b>Total Nonmajor<br/>Governmental<br/>Funds</b> |
| \$ -   | \$ -                                    | \$ -   | \$ -  | \$ -                                    | \$ -                                    | \$ 53,000  |
| 1,383  | 34,125                                  | -  | -   | -                                       | 35,508                                  | 35,616   |
| -  | -                                       | -  | -   | -                                       | -                                       | 2,603  |
| 885  | -                                       | -  | -   | 289                                     | 1,174                                   | 1,174  |
| -  | -                                       | -  | -   | -                                       | -                                       | 5,016  |
| -  | 560                                     | 6,229  | -   | -                                       | 6,789                                   | 85,623   |
| -  | -                                       | -  | -   | -                                       | -                                       | 16,189   |
| -  | 760                                     | -  | -   | -                                       | 760                                     | 2,281  |
| 2  | 26                                      | 27   | -   | 3                                       | 58                                      | 1,400  |
| -  | -                                       | -  | -   | -                                       | -                                       | 354  |
| -  | -                                       | -  | -   | -                                       | -                                       | 3,779  |
| <u>2,270</u>                                 | <u>35,471</u>                           | <u>6,256</u>   | <u>-</u>                                      | <u>292</u>                              | <u>44,289</u>                           | <u>207,035</u>                                   |
| -  | -                                       | -  | -   | -                                       | -                                       | 9,349  |
| -  | -                                       | -  | -   | -                                       | -                                       | 28,557   |
| -  | -                                       | -  | -   | -                                       | -                                       | 57,699   |
| -  | -                                       | -  | -   | -                                       | -                                       | 7,785  |
| 984  | 25,044                                  | -  | 8,375   | 335                                     | 34,738                                  | 34,738   |
| 1,197  | 13,132                                  | -  | 4,080   | 68                                      | 18,477                                  | 18,477   |
| 2  | 6                                       | -  | 4   | -                                       | 12                                      | 14   |
| -  | -                                       | -  | -   | -                                       | -                                       | 1,023  |
| -  | -                                       | -  | -   | -                                       | -                                       | 63,018   |
| <u>2,183</u>                                 | <u>38,182</u>                           | <u>-</u>   | <u>12,459</u>                                 | <u>403</u>                              | <u>53,227</u>                           | <u>220,660</u>                                   |
| <u>87</u>                                    | <u>(2,711)</u>                          | <u>6,256</u>   | <u>(12,459)</u>                               | <u>(111)</u>                            | <u>(8,938)</u>                          | <u>(13,625)</u>                                  |
| 30   | 2,688                                   | -  | 12,459  | -                                       | 15,177                                  | 56,477   |
| -  | -                                       | (14,729)   | -   | -                                       | (14,729)                                | (39,579)   |
| 208  | -                                       | -  | -   | -                                       | 208                                     | 26,745   |
| -  | 418                                     | -  | -   | -                                       | 418                                     | 1,063  |
| <u>238</u>                                   | <u>3,106</u>                            | <u>(14,729)</u>                                      | <u>12,459</u>                                 | <u>-</u>                                | <u>1,074</u>                            | <u>44,706</u>                                    |
| 325  | 395                                     | (8,473)  | -   | (111)                                   | (7,864)                                 | 31,081   |
| <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>\$ 1,257</u>                              | <u>\$ 5,384</u>                         | <u>\$ -</u>  | <u>\$ -</u>                                   | <u>\$ 87</u>                            | <u>\$ 6,728</u>                         | <u>\$ 174,084</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, 2018  
(in thousands)

|  | Warehouse,<br>Maintenance<br>and Services | Property and<br>Public<br>Liability Self<br>Insurance | Workers'<br>Compensation<br>Self Insurance | Employee<br>Benefits<br>Self<br>Insurance | Total           |
|--|---|---|--|---|-----------------|
| <b>ASSETS</b>                                      |   |   |  |   |                 |
| Current Assets:                                    |   |   |  |   |                 |
| Pooled Cash and Investments                        | \$ 606                                    | \$ 9,717  | \$ 8,708                                   | \$ 50,155                                 | \$ 69,186       |
| Accounts Receivable                                | 569                                       | -   | -  | 23  | 592             |
| Accrued Premiums Receivable                        | -   | -   | -  | 173                                       | 173             |
| Accrued Interest Receivable                        | 5   | 44  | 24   | 161                                       | 234             |
| Inventory  | 6,079                                     | -   | -  | -   | 6,079           |
| Prepaid Costs                                      | 8   | 532   | 201  | 6   | 747             |
| Deposits   | -   | -   | -  | 69  | 69              |
| Total Current Assets                               | <u>7,267</u>                              | <u>10,293</u>   | <u>8,933</u>                               | <u>50,587</u>                             | <u>77,080</u>   |
| Noncurrent Assets:                                 |   |   |  |   |                 |
| Capital Assets, Not Being Depreciated              | 61  | -   | -  | -   | 61              |
| Capital Assets, Being Depreciated, Net             | 2,147                                     | -   | -  | 174                                       | 2,321           |
| Total Noncurrent Assets                            | <u>2,208</u>                              | <u>-</u>  | <u>-</u>                                   | <u>174</u>                                | <u>2,382</u>    |
| Total Assets                                       | <u>9,475</u>                              | <u>10,293</u>   | <u>8,933</u>                               | <u>50,761</u>                             | <u>79,462</u>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>              |   |   |  |   |                 |
| Pensions and OPEB                                  | 1,484                                     | 222   | 137  | 207                                       | 2,050           |
| Total Deferred Outflows of Resources               | <u>1,484</u>                              | <u>222</u>  | <u>137</u>                                 | <u>207</u>                                | <u>2,050</u>    |
| Total Assets and Deferred<br>Outflows of Resources | <u>10,959</u>                             | <u>10,515</u>   | <u>9,070</u>                               | <u>50,968</u>                             | <u>81,512</u>   |
| <b>LIABILITIES</b>                                 |   |   |  |   |                 |
| Current Liabilities                                |   |   |  |   |                 |
| Accounts Payable and Accrued Liabilities           | 787                                       | 2   | 48   | 1,253                                     | 2,090           |
| Claims Payable                                     | -   | 9,256   | 23,707                                     | 4,066                                     | 37,029          |
| Current Portion of Compensated Absences            | 95  | 10  | 4  | 35  | 144             |
| Total Current Liabilities                          | <u>882</u>                                | <u>9,268</u>  | <u>23,759</u>                              | <u>5,354</u>                              | <u>39,263</u>   |
| Long-Term Liabilities                              |   |   |  |   |                 |
| Compensated Absences                               | 557                                       | 66  | 16   | 57  | 696             |
| Net Pension and OPEB Liability                     | 22,735                                    | 3,406   | 2,183                                      | 3,289                                     | 31,613          |
| Total Long-Term Liabilities                        | <u>23,292</u>                             | <u>3,472</u>  | <u>2,199</u>                               | <u>3,346</u>                              | <u>32,309</u>   |
| Total Liabilities                                  | <u>24,174</u>                             | <u>12,740</u>   | <u>25,958</u>                              | <u>8,700</u>                              | <u>71,572</u>   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>               |   |   |  |   |                 |
| Pensions and OPEB                                  | 1,369                                     | 205   | 131  | 197                                       | 1,902           |
| Total Deferred Inflows of Resources                | <u>1,369</u>                              | <u>205</u>  | <u>131</u>                                 | <u>197</u>                                | <u>1,902</u>    |
| <b>NET POSITION</b>                                |   |   |  |   |                 |
| Net Investment in Capital Assets                   | 2,208                                     | -   | -  | 174                                       | 2,382           |
| Unrestricted                                       | (16,792)                                  | (2,430)   | (17,019)                                   | 41,897                                    | 5,656           |
| Total Net Position                                 | <u>\$ (14,584)</u>                        | <u>\$ (2,430)</u>                                     | <u>\$ (17,019)</u>                         | <u>\$ 42,071</u>                          | <u>\$ 8,038</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, 2018  
(in thousands)

|   | <b>Warehouse,<br/>Maintenance<br/>and Services</b> | <b>Property and<br/>Public<br/>Liability Self<br/>Insurance</b> | <b>Workers'<br/>Compensation<br/>Self Insurance</b> | <b>Employee<br/>Benefits<br/>Self<br/>Insurance</b> | <b>Total</b>    |
|---|--|---|---|---|-----------------|
| Operating Revenues:                         |  |   |   |   |                 |
| Charges For Services:                       |  |   |   |   |                 |
| Warehouse                                   | \$ 6,948   | \$ -  | \$ -  | \$ -  | \$ 6,948        |
| Fleet Support Services                      | 19,383   | -   | -   | -   | 19,383          |
| Printing and Graphics                       | 930  | -   | -   | -   | 930             |
| Self-Insurance Contributions:               |  |   |   |   |                 |
| Employee                                    | -  | -   | -   | 17,136  | 17,136          |
| City  | -  | 5,579   | 3,787   | 59,527  | 68,893          |
| State Retirement System                     | -  | -   | -   | 4,512   | 4,512           |
| Other                                       | -  | -   | 233   | 4,889   | 5,122           |
| Total Operating Revenues                    | <u>27,261</u>                                      | <u>5,579</u>  | <u>4,020</u>  | <u>86,064</u>                                       | <u>122,924</u>  |
| Operating Expenses:                         |  |   |   |   |                 |
| Warehouse, Maintenance & Services:          |  |   |   |   |                 |
| Warehouse                                   | 6,693  | -   | -   | -   | 6,693           |
| Fleet Support Services                      | 19,065   | -   | -   | -   | 19,065          |
| Printing and Graphics                       | 933  | -   | -   | -   | 933             |
| Self-Insurance:                             |  |   |   |   |                 |
| Administrative Costs                        | -  | 1,156   | 1,113   | 6,858   | 9,127           |
| Claims and Premiums Paid                    | -  | 2,407   | 4,438   | 74,033  | 80,878          |
| Total Operating Expenses                    | <u>26,691</u>                                      | <u>3,563</u>  | <u>5,551</u>  | <u>80,891</u>                                       | <u>116,696</u>  |
| Operating Income (Loss) Before Depreciation | 570  | 2,016   | (1,531)   | 5,173   | 6,228           |
| Depreciation                                | <u>(234)</u>                                       | <u>-</u>  | <u>-</u>  | <u>(134)</u>  | <u>(368)</u>    |
| Operating Income (Loss)                     | <u>336</u>   | <u>2,016</u>  | <u>(1,531)</u>                                      | <u>5,039</u>  | <u>5,860</u>    |
| Nonoperating Revenues (Expense):            |  |   |   |   |                 |
| Investment Income                           | 1  | 9   | 52  | 242   | 304             |
| Gain/(Loss) on Disposal of Capital Assets   | (20)   | -   | -   | -   | (20)            |
| Total Nonoperating Revenues (Expenses)      | <u>(19)</u>  | <u>9</u>  | <u>52</u>   | <u>242</u>  | <u>284</u>      |
| Income (Loss) Before Capital Contributions  | 317  | 2,025   | (1,479)   | 5,281   | 6,144           |
| Capital Contributions                       | <u>733</u>   | <u>-</u>  | <u>-</u>  | <u>-</u>  | <u>733</u>      |
| Change in Net Position                      | 1,050  | 2,025   | (1,479)   | 5,281   | 6,877           |
| Total Net Position - As Previously Reported | (9,856)  | (3,392)   | (14,580)  | 37,786  | 9,958           |
| Change in Accounting Principle              | <u>(5,778)</u>                                     | <u>(1,063)</u>  | <u>(960)</u>  | <u>(996)</u>  | <u>(8,797)</u>  |
| Total Net Position - Beginning              | <u>(15,634)</u>                                    | <u>(4,455)</u>  | <u>(15,540)</u>                                     | <u>36,790</u>                                       | <u>1,161</u>    |
| Total Net Position - Ending                 | <u>\$ (14,584)</u>                                 | <u>\$ (2,430)</u>   | <u>\$ (17,019)</u>                                  | <u>\$ 42,071</u>                                    | <u>\$ 8,038</u> |

CITY OF MESA, ARIZONA  
**EXHIBIT C-5**  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(in thousands)

|   | <b>Warehouse,<br/>Maintenance<br/>and Services</b> | <b>Property and<br/>Public<br/>Liability Self<br/>Insurance</b> | <b>Workers'<br/>Compensation<br/>Self Insurance</b> | <b>Employee<br/>Benefits<br/>Self<br/>Insurance</b> | <b>Total</b>     |
|---|--|---|---|---|------------------|
| Cash Flows from Operating Activities:   |  |   |   |   |                  |
| Cash Received from Users  | \$ 27,221  | \$ 5,580  | \$ 4,020  | \$ 86,044   | \$ 122,865       |
| Cash Payments to Suppliers  | (17,329)   | (5,509)   | (4,567)   | (81,403)  | (108,808)        |
| Cash Payments to Employees  | (9,701)  | (79)  | (465)   | (985)   | (11,230)         |
| Net Cash Provided by (Used For)   |  |   |   |   |                  |
| Operating Activities  | 191  | (8)   | (1,012)   | 3,656   | 2,827            |
| Cash Flows From Noncapital Financing Activities:  |  |   |   |   |                  |
| Operating Transfers-In From Other Funds   | -  | -   | -   | -   | -                |
| Net Cash Provided By (Used For)   |  |   |   |   |                  |
| Noncapital Financing Activities   | -  | -   | -   | -   | -                |
| Cash Flows from Capital and Related<br>Financing Activities:                                      |  |   |   |   |                  |
| Acquisition and Construction of Capital Assets  | (104)  | -   | -   | 7   | (97)             |
| Proceeds from the Sale of Capital Assets  | -  | -   | -   | -   | -                |
| Contributions   | -  | -   | -   | -   | -                |
| Net Cash Provided By (Used For) Capital<br>and Related Financing Activities                       | (104)  | -   | -   | 7   | (97)             |
| Cash Flows from Investing Activities:   |  |   |   |   |                  |
| Interest Received on Investments  | 1  | (11)  | 38  | 186   | 214              |
| Net Cash Provided by Investing Activities   | 1  | (11)  | 38  | 186   | 214              |
| Net Change in Cash and Cash Equivalents   | 88   | (19)  | (974)   | 3,849   | 2,944            |
| Pooled Cash and Investments at Beginning of Year  | 518  | 9,736   | 9,682   | 46,306  | 66,242           |
| Pooled Cash and Investments at End of Year  | <u>\$ 606</u>                                      | <u>\$ 9,717</u>   | <u>\$ 8,708</u>                                     | <u>\$ 50,155</u>                                    | <u>\$ 69,186</u> |
| Reconciliation of Operating Income (Loss)<br>to Net Cash Provided by Operating Activities:        |  |   |   |   |                  |
| Operating Income (Loss)   | \$ 336   | \$ 2,016  | \$ (1,531)  | \$ 5,039  | \$ 5,860         |
| Adjustments to Reconcile Operating Income (Loss)<br>to Net Cash Provided by Operating Activities: |  |   |   |   |                  |
| Depreciation  | 234  | -   | -   | 134   | 368              |
| Changes in Assets and Liabilities:  |  |   |   |   |                  |
| (Increase)/Decrease in Receivables  | (40)   | -   | -   | (20)  | (60)             |
| (Increase)/Decrease in Inventory  | (131)  | -   | -   | -   | (131)            |
| (Increase)/Decrease in Deposits and Prepaid Costs   | 11   | (8)   | 7   | 1   | 11               |
| (Decrease)/Increase in Accounts Payable   | (175)  | (1)   | (34)  | (1,401)   | (1,611)          |
| (Decrease)/Increase in Pension and OPEB Liability   | (522)  | (79)  | (49)  | (72)  | (722)            |
| Increase (Decrease) in Deferred Outflows  | 226  | 34  | 84  | 25  | 369              |
| Increase (Decrease) in Deferred Inflows   | 242  | 37  | 30  | 44  | 353              |
| (Decrease)/Increase in Other Accrued Expenses   | 10   | (2,007)   | 481   | (94)  | (1,610)          |
| Total Adjustments   | (145)  | (2,024)   | 519   | (1,383)   | (3,033)          |
| Net Cash Provided by (Used for) Operating Activities  | <u>\$ 191</u>                                      | <u>\$ (8)</u>   | <u>\$ (1,012)</u>                                   | <u>\$ 3,656</u>                                     | <u>\$ 2,827</u>  |
| Noncash Transactions Affecting Financial Position:  |  |   |   |   |                  |
| Contributions of Capital Assets   | \$ (733)   | \$ -  | \$ -  | \$ -  | \$ (733)         |
| Gain/(Loss) on Disposal of Capital Assets   | (20)   | -   | -   | -   | (20)             |

## **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, 2018

(in thousands)

|                             | <b>Balance<br/>July 1, 2017</b> | <b>Additions</b>  | <b>Deductions</b> | <b>Balance<br/>June 30, 2018</b> |
|-----------------------------|---------------------------------|-------------------|-------------------|----------------------------------|
| <b>PAYROLL AGENCY FUND</b>  |                                 |                   |                   |                                  |
| Assets:                     |                                 |                   |                   |                                  |
| Pooled Cash and Investments | \$ 8,257                        | \$ 803,639        | \$ 801,107        | \$ 10,789                        |
| Due from Others             | 33                              | 164               | 113               | 84                               |
| Total Assets                | <u>\$ 8,290</u>                 | <u>\$ 803,803</u> | <u>\$ 801,220</u> | <u>\$ 10,873</u>                 |
| Liabilities:                |                                 |                   |                   |                                  |
| Accounts Payable            | \$ 2,559                        | \$ 10,343         | \$ 12,879         | \$ 23                            |
| Accrued Payroll Payable     | 5,731                           | 599,142           | 594,023           | 10,850                           |
| Total Liabilities           | <u>\$ 8,290</u>                 | <u>\$ 609,485</u> | <u>\$ 606,902</u> | <u>\$ 10,873</u>                 |





# SUPPLEMENTAL INFORMATION

## COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018



DESERT TRAILS **PARK**

## CITY OF MESA, ARIZONA

**EXHIBIT D-1**

## SUPPLEMENTAL INFORMATION

## BUDGETARY COMPARISON SCHEDULE

## COMMUNITY FACILITIES DISTRICT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(in thousands)

|  | <b>Budgeted Amounts</b> |                 |                 |                                       |
|--|-------------------------|-----------------|-----------------|---------------------------------------|
|  | <b>Original</b>         | <b>Final</b>    | <b>Actual</b>   | <b>Variance with<br/>Final Budget</b> |
| Revenues:  |                         |                 |                 |                                       |
| Property Taxes   | \$ 111                  | \$ 111          | \$ 108          | \$ (3)                                |
| Contributions  | -                       | -               | 268             | 268                                   |
| Miscellaneous Revenues                                       | 137                     | 137             | 5               | (132)                                 |
| Total Revenues   | <u>248</u>              | <u>248</u>      | <u>381</u>      | <u>133</u>                            |
| Expenditures:  |                         |                 |                 |                                       |
| Current:   |                         |                 |                 |                                       |
| General Government   | 4,066                   | 2,943           | 116             | 2,827                                 |
| Service Charges  | -                       | 2               | 2               | -                                     |
| Cost of Issuance   | 750                     | 880             | 870             | 10                                    |
| Capital Outlay   | 10,432                  | 11,283          | 10,360          | 923                                   |
| Total Expenditures   | <u>15,248</u>           | <u>15,108</u>   | <u>11,348</u>   | <u>3,760</u>                          |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(15,000)</u>         | <u>(14,860)</u> | <u>(10,967)</u> | <u>3,893</u>                          |
| Other Financing Uses:  |                         |                 |                 |                                       |
| Transfers In   | -                       | -               | 5               | 5                                     |
| Transfers Out  | -                       | -               | (35)            | (35)                                  |
| Face Amount of Bonds Issued                                  | 15,000                  | 15,000          | 10,417          | 4,583                                 |
| Premium on Issuance of Bonds                                 | -                       | -               | 590             | (590)                                 |
| Total Other Financing Uses                                   | <u>15,000</u>           | <u>15,000</u>   | <u>10,977</u>   | <u>3,963</u>                          |
| Net Change in Fund Balances                                  | -                       | 140             | 10              | (130)                                 |
| Fund Balance - Beginning                                     | <u>371</u>              | <u>76</u>       | <u>23</u>       | <u>(53)</u>                           |
| Fund Balance - Ending  | <u>\$ 371</u>           | <u>\$ 216</u>   | <u>\$ 33</u>    | <u>\$ (183)</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, 2018

(in thousands)

|  | <b>Budgeted Amounts</b> |                 |                  |                                       |
|--|-------------------------|-----------------|------------------|---------------------------------------|
|  | <b>Original</b>         | <b>Final</b>    | <b>Actual</b>    | <b>Variance with<br/>Final Budget</b> |
| Revenues:  |                         |                 |                  |                                       |
| Intergovernmental  | -                       | -               | 7                | 7                                     |
| Charges for Services   | \$ 15,617               | \$ 15,617       | \$ 15,780        | \$ 163                                |
| Investment Income  | 45                      | 45              | 95               | 50                                    |
| Total Revenues   | <u>15,662</u>           | <u>15,662</u>   | <u>15,882</u>    | <u>220</u>                            |
| Expenditures:  |                         |                 |                  |                                       |
| Current:   |                         |                 |                  |                                       |
| General Government   | 1,354                   | 1,384           | 1,148            | 236                                   |
| Public Safety  | 64                      | 67              | 67               | -                                     |
| Community Environment  | 6,960                   | 5,819           | 4,606            | 1,213                                 |
| Cultural-Recreational  | 6,871                   | 6,871           | 6,551            | 320                                   |
| Capital Outlay   | 5,184                   | 6,844           | 829              | 6,015                                 |
| Total Expenditures   | <u>20,433</u>           | <u>20,985</u>   | <u>13,201</u>    | <u>7,784</u>                          |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(4,771)</u>          | <u>(5,323)</u>  | <u>2,681</u>     | <u>8,004</u>                          |
| Net Change in Fund Balances                                  | (4,771)                 | (5,323)         | 2,681            | 8,004                                 |
| Fund Balances - Beginning                                    | <u>10,080</u>           | <u>10,127</u>   | <u>10,035</u>    | <u>(92)</u>                           |
| Fund Balance - Ending  | <u>\$ 5,309</u>         | <u>\$ 4,804</u> | <u>\$ 12,716</u> | <u>\$ 7,912</u>                       |

## CITY OF MESA, ARIZONA

**EXHIBIT D-3**

## SUPPLEMENTAL INFORMATION

## BUDGETARY COMPARISON SCHEDULE

## GRANTS AND SPECIAL PROGRAMS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(in thousands)

|  | <b>Budgeted Amounts</b> |                 |                 |                                       |
|--|-------------------------|-----------------|-----------------|---------------------------------------|
|  | <b>Original</b>         | <b>Final</b>    | <b>Actual</b>   | <b>Variance with<br/>Final Budget</b> |
| Revenues:  |                         |                 |                 |                                       |
| Occupancy Taxes  | \$ 2,348                | \$ 2,348        | \$ 2,603        | \$ 255                                |
| Licenses and Permits   | 429                     | 429             | 656             | 227                                   |
| Intergovernmental  | 15,973                  | 15,973          | 5,633           | (10,340)                              |
| Charges for Services   | -                       | -               | 7               | 7                                     |
| Fines and Forfeitures  | 1,057                   | 1,057           | 1,068           | 11                                    |
| Investment Income  | -                       | -               | 54              | 54                                    |
| Contributions  | 352                     | 352             | 86              | (266)                                 |
| Miscellaneous Revenues                                       | 1,945                   | 1,945           | 2,285           | 340                                   |
| Total Revenues   | <u>22,104</u>           | <u>22,104</u>   | <u>12,392</u>   | <u>(9,712)</u>                        |
| Expenditures:  |                         |                 |                 |                                       |
| Current:   |                         |                 |                 |                                       |
| General Government   | 3,108                   | 3,638           | 3,152           | 486                                   |
| Public Safety  | 13,027                  | 12,683          | 4,183           | 8,500                                 |
| Community Environment  | 491                     | 491             | 163             | 328                                   |
| Cultural-Recreational  | 1,326                   | 1,829           | 1,234           | 595                                   |
| Capital Outlay   | 7,300                   | 8,357           | 3,066           | 5,291                                 |
| Total Expenditures   | <u>25,252</u>           | <u>26,998</u>   | <u>11,798</u>   | <u>15,200</u>                         |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (3,148)                 | (4,894)         | 594             | 5,488                                 |
| Other Financing Sources (Uses):                              |                         |                 |                 |                                       |
| Transfers In   | -                       | -               | 10              | 10                                    |
| Total Other Financing Uses                                   | <u>-</u>                | <u>-</u>        | <u>10</u>       | <u>10</u>                             |
| Net Change in Fund Balances                                  | (3,148)                 | (4,894)         | 604             | 5,498                                 |
| Fund Balances - Beginning                                    | <u>6,226</u>            | <u>7,428</u>    | <u>7,239</u>    | <u>(189)</u>                          |
| Fund Balance - Ending  | <u>\$ 3,078</u>         | <u>\$ 2,534</u> | <u>\$ 7,843</u> | <u>\$ 5,309</u>                       |

## CITY OF MESA, ARIZONA

**EXHIBIT D-4**

## SUPPLEMENTAL INFORMATION

## BUDGETARY COMPARISON SCHEDULE

## HIGHWAY USER REVENUE

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(in thousands)

|  | <b>Budgeted Amounts</b> |                  |                  |                                       |
|--|-------------------------|------------------|------------------|---------------------------------------|
|  | <b>Original</b>         | <b>Final</b>     | <b>Actual</b>    | <b>Variance with<br/>Final Budget</b> |
| Revenues:  |                         |                  |                  |                                       |
| Intergovernmental  | \$ 39,498               | \$ 39,498        | \$ 39,477        | \$ (21)                               |
| Investment Income  | 163                     | 163              | 83               | (80)                                  |
| Miscellaneous Revenues                                       | -                       | -                | 62               | 62                                    |
| Total Revenues   | <u>39,661</u>           | <u>39,661</u>    | <u>39,622</u>    | <u>(39)</u>                           |
| Expenditures:  |                         |                  |                  |                                       |
| Current:   |                         |                  |                  |                                       |
| Community Environment  | 15,819                  | 15,866           | 15,477           | 389                                   |
| Capital Outlay   | <u>18,971</u>           | <u>18,971</u>    | <u>6,811</u>     | <u>12,160</u>                         |
| Total Expenditures   | <u>34,790</u>           | <u>34,837</u>    | <u>22,288</u>    | <u>12,549</u>                         |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>4,871</u>            | <u>4,824</u>     | <u>17,334</u>    | <u>12,510</u>                         |
| Other Financing Uses:  |                         |                  |                  |                                       |
| Transfers Out  | <u>(12,455)</u>         | <u>(12,460)</u>  | <u>(12,459)</u>  | <u>1</u>                              |
| Total Other Financing Uses                                   | <u>(12,455)</u>         | <u>(12,460)</u>  | <u>(12,459)</u>  | <u>1</u>                              |
| Net Change in Fund Balances                                  | (7,584)                 | (7,636)          | 4,875            | 12,511                                |
| Fund Balances - Beginning                                    | <u>23,762</u>           | <u>17,730</u>    | <u>7,618</u>     | <u>(10,112)</u>                       |
| Fund Balance - Ending  | <u>\$ 16,178</u>        | <u>\$ 10,094</u> | <u>\$ 12,493</u> | <u>\$ 2,399</u>                       |

## CITY OF MESA, ARIZONA

**EXHIBIT D-5**

## SUPPLEMENTAL INFORMATION

## BUDGETARY COMPARISON SCHEDULE

## MESA HOUSING AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(in thousands)

|  | <b>Budgeted Amounts</b> |                 |               |                                       |
|--|-------------------------|-----------------|---------------|---------------------------------------|
|  | <b>Original</b>         | <b>Final</b>    | <b>Actual</b> | <b>Variance with<br/>Final Budget</b> |
| Revenues:  |                         |                 |               |                                       |
| Intergovernmental  | \$ 32,263               | \$ 32,263       | \$ 22,134     | \$ (10,129)                           |
| Investment Income  | 93                      | 93              | 295           | 202                                   |
| Total Revenues   | <u>32,356</u>           | <u>32,356</u>   | <u>22,429</u> | <u>(9,927)</u>                        |
| Expenditures:  |                         |                 |               |                                       |
| Current:   |                         |                 |               |                                       |
| General Government   | 25                      | 25              | 20            | 5                                     |
| Community Environment  | 28,269                  | 27,869          | 18,953        | 8,916                                 |
| Capital Outlay   | <u>4,062</u>            | <u>4,462</u>    | <u>3,236</u>  | <u>1,226</u>                          |
| Total Expenditures   | <u>32,356</u>           | <u>32,356</u>   | <u>22,209</u> | <u>10,147</u>                         |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>-</u>                | <u>-</u>        | <u>220</u>    | <u>220</u>                            |
| Net Change in Fund Balances                                  | -                       | -               | 220           | 220                                   |
| Fund Balances - Beginning                                    | <u>1,069</u>            | <u>1,060</u>    | <u>691</u>    | <u>(369)</u>                          |
| Fund Balance - Ending  | <u>\$ 1,069</u>         | <u>\$ 1,060</u> | <u>\$ 911</u> | <u>\$ (149)</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, 2018

(in thousands)

|  | <b>Budgeted Amounts</b> |                 |               |                                       |
|--|-------------------------|-----------------|---------------|---------------------------------------|
|  | <b>Original</b>         | <b>Final</b>    | <b>Actual</b> | <b>Variance with<br/>Final Budget</b> |
| Revenues:  |                         |                 |               |                                       |
| Sales Taxes  | \$ 23,247               | \$ 23,247       | \$ 24,097     | \$ 850                                |
| Licenses and Permits   | -                       | -               | 107           | 107                                   |
| Investment Income  | 7                       | 7               | -             | (7)                                   |
| Total Revenues   | <u>23,254</u>           | <u>23,254</u>   | <u>24,204</u> | <u>950</u>                            |
| Expenditures:  |                         |                 |               |                                       |
| Current:   |                         |                 |               |                                       |
| General Government   | 382                     | 382             | 356           | 26                                    |
| Public Safety  | <u>23,254</u>           | <u>24,294</u>   | <u>23,939</u> | <u>355</u>                            |
| Total Expenditures   | <u>23,636</u>           | <u>24,676</u>   | <u>24,295</u> | <u>381</u>                            |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(382)</u>            | <u>(1,422)</u>  | <u>(91)</u>   | <u>1,331</u>                          |
| Net Change in Fund Balances                                  | (382)                   | (1,422)         | (91)          | 1,331                                 |
| Fund Balances - Beginning                                    | <u>795</u>              | <u>868</u>      | <u>864</u>    | <u>(4)</u>                            |
| Fund Balance - Ending  | <u>\$ 413</u>           | <u>\$ (554)</u> | <u>\$ 773</u> | <u>\$ 1,327</u>                       |

## CITY OF MESA, ARIZONA

**EXHIBIT D-7**

## SUPPLEMENTAL INFORMATION

## BUDGETARY COMPARISON SCHEDULE

## STREET SALES TAX

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(in thousands)

|  | <b>Budgeted Amounts</b> |                 |                  |                                       |
|--|-------------------------|-----------------|------------------|---------------------------------------|
|  | <b>Original</b>         | <b>Final</b>    | <b>Actual</b>    | <b>Variance with<br/>Final Budget</b> |
| Revenues:  |                         |                 |                  |                                       |
| Sales Taxes  | \$ 27,896               | \$ 27,896       | \$ 28,903        | \$ 1,007                              |
| Licenses and Permits   | 92                      | 92              | 495              | 403                                   |
| Intergovernmental  | -                       | -               | 321              | 321                                   |
| Charges for Services   | 438                     | 438             | 308              | (130)                                 |
| Investment Income  | 20                      | 20              | 188              | 168                                   |
| Miscellaneous Revenues                                       | 350                     | 350             | 891              | 541                                   |
| Total Revenues   | <u>28,796</u>           | <u>28,796</u>   | <u>31,106</u>    | <u>2,310</u>                          |
| Expenditures:  |                         |                 |                  |                                       |
| Current:   |                         |                 |                  |                                       |
| General Government   | 3,045                   | 3,051           | 4,557            | (1,506)                               |
| Public Safety  | 360                     | 369             | 368              | 1                                     |
| Community Environment  | 25,720                  | 24,146          | 18,500           | 5,646                                 |
| Capital Outlay   | 21,574                  | 24,320          | 8,163            | 16,157                                |
| Total Expenditures   | <u>50,699</u>           | <u>51,886</u>   | <u>31,588</u>    | <u>20,298</u>                         |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(21,903)</u>         | <u>(23,090)</u> | <u>(482)</u>     | <u>22,608</u>                         |
| Net Change in Fund Balances                                  | (21,903)                | (23,090)        | (482)            | 22,608                                |
| Fund Balances - Beginning                                    | <u>29,067</u>           | <u>32,740</u>   | <u>41,984</u>    | <u>9,244</u>                          |
| Fund Balance - Ending  | <u>\$ 7,164</u>         | <u>\$ 9,650</u> | <u>\$ 41,502</u> | <u>\$ 31,852</u>                      |

## CITY OF MESA, ARIZONA

**EXHIBIT D-8**

## SUPPLEMENTAL INFORMATION

## BUDGETARY COMPARISON SCHEDULE

## GENERAL CAPITAL PROJECTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(in thousands)

|  | <b>Budgeted Amounts</b> |              |               |                                       |
|--|-------------------------|--------------|---------------|---------------------------------------|
|  | <b>Original</b>         | <b>Final</b> | <b>Actual</b> | <b>Variance with<br/>Final Budget</b> |
| Revenues:  |                         |              |               |                                       |
| Investment Income  | -                       | -            | 37            | 37                                    |
| Miscellaneous Revenues                                       | 223                     | 223          | 150           | (73)                                  |
| Total Revenues   | 223                     | 223          | 187           | (36)                                  |
| Expenditures:  |                         |              |               |                                       |
| Current:   |                         |              |               |                                       |
| General Government   | 81                      | 491          | -             | 491                                   |
| Public Safety  | (16)                    | -            | -             | -                                     |
| Community Environment  | 74                      | (100)        | -             | (100)                                 |
| Cultural-Recreational  | -                       | (30)         | -             | (30)                                  |
| Capital Outlay   | 27,206                  | 33,112       | 13,192        | 19,920                                |
| Total Expenditures   | 27,345                  | 33,473       | 13,192        | 20,281                                |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (27,122)                | (33,250)     | (13,005)      | 20,245                                |
| Other Financing Sources (Uses):                              |                         |              |               |                                       |
| Transfers In   | 13,836                  | 13,836       | 26,556        | (12,720)                              |
| Transfers Out  | -                       | 7,260        | (6,000)       | 13,260                                |
| Total Other Financing Uses                                   | 13,836                  | 21,096       | 20,556        | 540                                   |
| Net Change in Fund Balances                                  | (13,286)                | (12,154)     | 7,551         | 19,705                                |
| Fund Balances - Beginning                                    | 15,013                  | 12,177       | 12,123        | (54)                                  |
| Fund Balance - Ending  | \$ 1,727                | \$ 23        | \$ 19,674     | \$ 19,651                             |

## CITY OF MESA, ARIZONA

**EXHIBIT D-9**

## SUPPLEMENTAL INFORMATION

## BUDGETARY COMPARISON SCHEDULE

## STREETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(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  | \$ 4,685                | \$ 4,685         | \$ 11,262        | \$ 6,577             |
| Investment Income  | -                       | -                | 170              | 170                  |
| Miscellaneous Revenues                                       | -                       | -                | 373              | 373                  |
| Total Revenues   | <u>4,685</u>            | <u>4,685</u>     | <u>11,805</u>    | <u>7,120</u>         |
| Expenditures:  |                         |                  |                  |                      |
| Cost of Issuance   | 294                     | 294              | 43               | 251                  |
| Capital Outlay   | <u>36,182</u>           | <u>36,182</u>    | <u>3,614</u>     | <u>32,568</u>        |
| Total Expenditures   | <u>36,476</u>           | <u>36,476</u>    | <u>3,657</u>     | <u>32,819</u>        |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(31,791)</u>         | <u>(31,791)</u>  | <u>8,148</u>     | <u>39,939</u>        |
| Other Financing Sources (Uses):                              |                         |                  |                  |                      |
| Transfers In   | -                       | -                | 14,729           | (14,729)             |
| Transfers Out  | -                       | (3,731)          | (3,731)          | -                    |
| Face Amount of Bonds Issued                                  | 17,667                  | 23,713           | 4,530            | 19,183               |
| Premium on Issuance of Bonds (Net)                           | -                       | -                | 15               | (15)                 |
| Total Other Financing Uses                                   | <u>17,667</u>           | <u>19,982</u>    | <u>15,543</u>    | <u>4,439</u>         |
| Net Change in Fund Balances                                  | (14,124)                | (11,809)         | 23,691           | 35,500               |
| Fund Balances - Beginning                                    | <u>31,253</u>           | <u>28,145</u>    | <u>27,821</u>    | <u>(324)</u>         |
| Fund Balance - Ending  | <u>\$ 17,129</u>        | <u>\$ 16,336</u> | <u>\$ 51,512</u> | <u>\$ 35,176</u>     |





# STATISTICAL SECTION

## COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018



RED MOUNTAIN **PARK**



## STATISTICAL SECTION

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

| <b>Contents</b>  | <b>Page</b> |
|--|-------------|
| <b>Financial Trends</b><br>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.   | 125         |
| <b>Revenue Capacity</b><br>These schedules contain information to help readers assess the City's most significant local revenue source, the sales tax.   | 137         |
| <b>Debt Capacity</b><br>These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.                             | 140         |
| <b>Demographic and Economic Information</b><br>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.                                    | 148         |
| <b>Operating Information</b><br>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs. | 150         |

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>2008-09</b>      | <b>2009-10</b>      | <b>2010-11</b>      | <b>2011-12</b>      |
|--|---------------------|---------------------|---------------------|---------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>             |                     |                     |                     |                     |
| Net Investment in Capital Assets           | \$ 791,523          | \$ 844,777          | \$ 872,302          | \$ 913,702          |
| Restricted                                 | 92,533              | 86,955              | 39,296              | 41,257              |
| Unrestricted                               | 91,363              | 3,651               | (6,376)             | (96,986)            |
| Total Governmental Activities Net Position | <u>\$ 975,419</u>   | <u>\$ 935,383</u>   | <u>\$ 905,222</u>   | <u>\$ 857,973</u>   |
| <b>BUSINESS-TYPE ACTIVITIES</b>            |                     |                     |                     |                     |
| Net Investment in Capital Assets           | \$ 413,944          | \$ 434,814          | \$ 430,436          | \$ 412,016          |
| Restricted                                 | 82,697              | 47,011              | 55,873              | 69,739              |
| Unrestricted                               | 278,892             | 271,706             | 258,131             | 254,189             |
| Total Business-type Activities             | <u>\$ 775,533</u>   | <u>\$ 753,531</u>   | <u>\$ 744,440</u>   | <u>\$ 735,944</u>   |
| <b>PRIMARY GOVERNMENT</b>                  |                     |                     |                     |                     |
| Net Investment in Capital Assets           | \$ 1,205,467        | \$ 1,279,591        | \$ 1,302,738        | \$ 1,325,718        |
| Restricted                                 | 175,230             | 133,966             | 95,169              | 110,996             |
| Unrestricted                               | 370,255             | 275,357             | 251,755             | 157,203             |
| Total Primary Government                   | <u>\$ 1,750,952</u> | <u>\$ 1,688,914</u> | <u>\$ 1,649,662</u> | <u>\$ 1,593,917</u> |



**TABLE I**  
(Concluded)

| <b>2012-13</b>      | <b>2013-14</b>      | <b>2014-15</b>    | <b>2015-16</b>    | <b>2016-17</b>    | <b>2017-18</b>    |
|---------------------|---------------------|-------------------|-------------------|-------------------|-------------------|
| \$ 902,397          | \$ 866,332          | \$ 932,660        | \$ 965,148        | \$ 986,354        | \$ 1,019,888      |
| 56,719              | 60,555              | 72,170            | 81,941            | 88,721            | 88,305            |
| (184,355)           | (120,803)           | (666,758)         | (666,986)         | (711,367)         | (858,392)         |
| <u>\$ 774,761</u>   | <u>\$ 806,084</u>   | <u>\$ 338,072</u> | <u>\$ 380,103</u> | <u>\$ 363,708</u> | <u>\$ 249,801</u> |
| <br>                |                     |                   |                   |                   |                   |
| \$ 346,352          | \$ 393,720          | \$ 327,743        | \$ 302,521        | \$ 247,598        | \$ 266,012        |
| 37,795              | 43,023              | 47,576            | 49,139            | 43,046            | 40,440            |
| 271,619             | 178,702             | 160,934           | 158,756           | 228,160           | 199,531           |
| <u>\$ 655,766</u>   | <u>\$ 615,445</u>   | <u>\$ 536,253</u> | <u>\$ 510,416</u> | <u>\$ 518,804</u> | <u>\$ 505,983</u> |
| <br>                |                     |                   |                   |                   |                   |
| \$ 1,248,749        | \$ 1,260,052        | \$ 1,260,403      | \$ 1,267,669      | \$ 1,233,952      | \$ 1,285,900      |
| 94,514              | 103,578             | 119,746           | 131,080           | 131,767           | 128,745           |
| 87,264              | 57,899              | (505,824)         | (508,230)         | (483,207)         | (658,861)         |
| <u>\$ 1,430,527</u> | <u>\$ 1,421,529</u> | <u>\$ 874,325</u> | <u>\$ 890,519</u> | <u>\$ 882,512</u> | <u>\$ 755,784</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>2008-09</u></b>    | <b><u>2009-10</u></b>    | <b><u>2010-11</u></b>    | <b><u>2011-12</u></b>    | <b><u>2012-13</u></b>    |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <b>GOVERNMENTAL ACTIVITIES:</b>         |                          |                          |                          |                          |                          |
| General Government                      | \$ 54,226                | \$ 54,863                | \$ 59,552                | \$ 57,472                | \$ 105,410               |
| Public Safety                           | 290,928                  | 288,929                  | 273,320                  | 287,918                  | 287,451                  |
| Community Environment                   | 121,736                  | 104,096                  | 106,434                  | 97,593                   | 129,164                  |
| Cultural-Recreational                   | 67,039                   | 54,010                   | 54,550                   | 57,171                   | 61,717                   |
| Interest on Long-term Debt              | 18,659                   | 20,013                   | 21,078                   | 21,631                   | 23,443                   |
| Total Governmental Activities Expenses  | <u>552,588</u>           | <u>521,911</u>           | <u>514,934</u>           | <u>521,785</u>           | <u>607,185</u>           |
| <b>BUSINESS-TYPE ACTIVITIES:</b>        |                          |                          |                          |                          |                          |
| Electric                                | 27,634                   | 27,106                   | 26,817                   | 29,751                   | 28,897                   |
| Gas                                     | 35,992                   | 35,466                   | 36,020                   | 34,275                   | 35,653                   |
| Water                                   | 68,956                   | 80,915                   | 82,378                   | 74,162                   | 103,432                  |
| Wastewater                              | 80,349                   | 70,228                   | 63,613                   | 68,540                   | 91,739                   |
| Solid Waste                             | 31,953                   | 31,504                   | 31,462                   | 32,485                   | 33,694                   |
| Airport                                 | 3,703                    | 3,944                    | 3,972                    | 3,737                    | 4,300                    |
| Golf Course                             | 3,083                    | 2,715                    | 2,679                    | 2,589                    | 3,353                    |
| Convention Center                       | 4,558                    | 4,158                    | 3,849                    | 3,486                    | 3,946                    |
| Hohokam Stadium/Fitch Complex           | -                        | 7,408                    | 8,324                    | 8,525                    | 9,094                    |
| Cubs Stadium                            | -                        | -                        | 15                       | 54                       | -                        |
| District Cooling                        | 976                      | 1,000                    | 965                      | 974                      | 1,081                    |
| Interest on Long-term Debt              | -                        | -                        | -                        | -                        | 3,653                    |
| Total Business-type Activities Expenses | <u>257,204</u>           | <u>264,444</u>           | <u>260,094</u>           | <u>258,578</u>           | <u>318,842</u>           |
| Total Primary Government Expenses       | <u><u>\$ 809,792</u></u> | <u><u>\$ 786,355</u></u> | <u><u>\$ 775,028</u></u> | <u><u>\$ 780,363</u></u> | <u><u>\$ 926,027</u></u> |

**TABLE II**  
(Continued)

| <u>2013-14</u>    | <u>2014-15</u>    | <u>2015-16</u>    | <u>2016-17</u>    | <u>2017-18</u>    |
|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ 103,819        | \$ 102,396        | \$ 96,860         | \$ 101,301        | \$ 105,140        |
| 277,614           | 302,633           | 305,376           | 379,505           | 334,905           |
| 125,700           | 101,531           | 117,120           | 104,173           | 113,916           |
| 49,275            | 52,430            | 54,967            | 55,739            | 54,828            |
| 24,431            | 23,939            | 20,424            | 19,279            | 19,514            |
| <u>580,839</u>    | <u>582,929</u>    | <u>594,747</u>    | <u>659,997</u>    | <u>628,303</u>    |
| 30,044            | 28,495            | 27,647            | 26,561            | 25,573            |
| 35,020            | 32,104            | 31,549            | 37,109            | 31,636            |
| 93,871            | 101,863           | 95,574            | 95,608            | 101,005           |
| 65,637            | 71,161            | 73,877            | 71,782            | 74,157            |
| 32,908            | 36,979            | 36,586            | 37,911            | 37,988            |
| 4,343             | 2,863             | 4,865             | 5,125             | 5,308             |
| 2,555             | 2,210             | 2,575             | 2,028             | 1,965             |
| 3,060             | 3,715             | 4,252             | 4,711             | 4,481             |
| 2,879             | 1,200             | 2,913             | 3,687             | 3,174             |
| 6,201             | 8,581             | 5,271             | 6,042             | 5,870             |
| 1,153             | 885               | 1,182             | 1,268             | 1,181             |
| <u>-</u>          | <u>4,124</u>      | <u>-</u>          | <u>-</u>          | <u>-</u>          |
| <u>277,671</u>    | <u>294,180</u>    | <u>286,291</u>    | <u>291,832</u>    | <u>292,338</u>    |
| <u>\$ 858,510</u> | <u>\$ 877,109</u> | <u>\$ 881,038</u> | <u>\$ 951,829</u> | <u>\$ 920,641</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>2008-09</b>      | <b>2009-10</b>      | <b>2010-11</b>      | <b>2011-12</b>      |
|---|---------------------|---------------------|---------------------|---------------------|
| <b>GOVERNMENTAL ACTIVITIES:</b>                 |                     |                     |                     |                     |
| Charges for services:                           |                     |                     |                     |                     |
| Licenses and Permits                            | \$ 13,426           | \$ 11,824           | \$ 12,577           | \$ 13,359           |
| Charges for Services                            | 24,740              | 20,419              | 20,304              | 25,779              |
| Fines and Forfeitures                           | 10,215              | 10,135              | 11,820              | 11,294              |
| Other activities                                | 78                  | 9                   | 8                   | 18                  |
| Operating Grants and Contributions              | 63,055              | 72,812              | 65,284              | 60,355              |
| Capital Grants and Contributions                | 35,436              | 30,343              | 31,461              | 23,503              |
| Total Governmental Activities Program Revenues  | <u>146,950</u>      | <u>145,542</u>      | <u>141,454</u>      | <u>134,308</u>      |
| <b>BUSINESS-TYPE ACTIVITIES:</b>                |                     |                     |                     |                     |
| Charges for services:                           |                     |                     |                     |                     |
| Electric  | 35,313              | 33,079              | 33,138              | 34,625              |
| Gas   | 41,708              | 38,924              | 41,370              | 39,139              |
| Water   | 95,995              | 98,806              | 102,215             | 113,418             |
| Wastewater                                      | 54,720              | 57,699              | 59,659              | 64,544              |
| Solid Waste                                     | 46,762              | 46,685              | 47,538              | 47,631              |
| Airport   | 2,959               | 3,125               | 3,318               | 3,271               |
| Golf Course                                     | 2,310               | 2,265               | 2,250               | 2,169               |
| Convention Center                               | 2,687               | 1,971               | 2,826               | 2,122               |
| Hohokam Stadium/Fitch Complex                   | -                   | 5,837               | 6,161               | 6,074               |
| Cubs Stadium                                    | -                   | -                   | 52                  | 825                 |
| District Cooling                                | 834                 | 984                 | 945                 | 1,092               |
| Economic Investment                             | -                   | -                   | -                   | -                   |
| Operating Grants and Contributions              | 101                 | 210                 | 25                  | 2,126               |
| Capital Grants and Contributions                | 31,222              | 17,782              | 10,774              | 15,814              |
| Total Business-type Activities Program Revenues | <u>314,611</u>      | <u>307,367</u>      | <u>310,271</u>      | <u>332,850</u>      |
| Total Primary Government Program Revenues       | <u>\$ 461,561</u>   | <u>\$ 452,909</u>   | <u>\$ 451,725</u>   | <u>\$ 467,158</u>   |
| <b>NET (EXPENSE)/REVENUE</b>                    |                     |                     |                     |                     |
| Governmental Activities                         | \$ (405,638)        | \$ (376,369)        | \$ (373,480)        | \$ (387,477)        |
| Business-type Activities                        | <u>57,407</u>       | <u>42,923</u>       | <u>50,177</u>       | <u>74,272</u>       |
| Total Primary Government Net Expense            | <u>\$ (348,231)</u> | <u>\$ (333,446)</u> | <u>\$ (323,303)</u> | <u>\$ (313,205)</u> |

**TABLE II**  
(Continued)

| <u>2012-13</u>      | <u>2013-14</u>      | <u>2014-15</u>      | <u>2015-16</u>      | <u>2016-17</u>      | <u>2017-18</u>      |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 17,693           | \$ 18,797           | \$ 20,892           | \$ 23,254           | \$ 23,152           | \$ 25,119           |
| 27,675              | 32,106              | 36,260              | 38,178              | 38,348              | 40,222              |
| 9,885               | 9,890               | 10,505              | 11,049              | 9,873               | 10,436              |
| 2,945               | 400                 | 5,741               | 9,385               | 1,330               | 2,979               |
| 55,312              | 29,514              | 26,418              | 26,361              | 26,955              | 34,446              |
| 25,049              | 20,714              | 75,907              | 35,925              | 24,451              | 23,618              |
| <u>138,559</u>      | <u>111,421</u>      | <u>175,723</u>      | <u>144,152</u>      | <u>124,109</u>      | <u>136,820</u>      |
| 31,075              | 31,198              | 33,601              | 32,254              | 33,534              | 31,425              |
| 39,125              | 38,600              | 39,422              | 38,962              | 39,752              | 39,171              |
| 111,933             | 112,003             | 121,205             | 130,674             | 138,335             | 147,667             |
| 64,413              | 66,457              | 77,172              | 79,523              | 79,056              | 83,078              |
| 47,369              | 47,452              | 52,748              | 55,354              | 58,117              | 60,522              |
| 3,484               | 3,813               | 3,454               | 3,623               | 3,846               | 3,983               |
| 1,472               | 1,622               | 1,737               | 1,645               | 1,545               | 1,635               |
| 2,597               | 2,057               | 2,475               | 2,798               | 3,299               | 2,809               |
| 5,496               | 36                  | 2                   | 63                  | 54                  | 51                  |
| -                   | 174                 | 202                 | 201                 | 291                 | 238                 |
| 975                 | 1,142               | 1,274               | 1,234               | 1,231               | 1,215               |
| 148                 | -                   | -                   | -                   | -                   | -                   |
| 9,401               | 9,056               | 157                 | 267                 | 158                 | 2,406               |
| 7,997               | 17,331              | 18,107              | 16,929              | 28,711              | 23,474              |
| <u>325,485</u>      | <u>330,941</u>      | <u>351,556</u>      | <u>363,527</u>      | <u>387,929</u>      | <u>397,674</u>      |
| <u>\$ 464,044</u>   | <u>\$ 442,362</u>   | <u>\$ 527,279</u>   | <u>\$ 507,679</u>   | <u>\$ 512,038</u>   | <u>\$ 534,494</u>   |
| \$ (468,626)        | \$ (469,418)        | \$ (407,206)        | \$ (450,595)        | \$ (535,888)        | \$ (491,483)        |
| 6,643               | 53,270              | 57,376              | 77,236              | 96,097              | 105,336             |
| <u>\$ (461,983)</u> | <u>\$ (416,148)</u> | <u>\$ (349,830)</u> | <u>\$ (373,359)</u> | <u>\$ (439,791)</u> | <u>\$ (386,147)</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>2008-09</u>     | <u>2009-10</u>     | <u>2010-11</u>     | <u>2011-12</u>     |
|---|--------------------|--------------------|--------------------|--------------------|
| GOVERNMENTAL ACTIVITIES:                          |                    |                    |                    |                    |
| Sales Taxes                                       | \$ 126,520         | \$ 121,557         | \$ 121,046         | \$ 126,644         |
| Property Taxes                                    | -                  | 14,318             | 14,244             | 14,234             |
| Occupancy Taxes                                   | 1,808              | 1,581              | 2,148              | 2,019              |
| Unrestricted Intergovernmental Revenues           | 117,543            | 104,580            | 92,613             | 86,103             |
| Contributions Not Restricted to Specific Programs | 14,741             | 14,757             | 15,610             | 17,171             |
| Investment Income                                 | 1,896              | 261                | 617                | 1,503              |
| Miscellaneous                                     | 15,849             | 13,846             | 7,060              | 8,939              |
| Gain (Loss) on Sale of Capital Assets             |                    |                    | -                  | -                  |
| Transfers   | 96,599             | 65,433             | 83,334             | 83,615             |
| Total Governmental Activities                     | <u>374,956</u>     | <u>336,333</u>     | <u>336,672</u>     | <u>340,228</u>     |
| BUSINESS-TYPE ACTIVITIES:                         |                    |                    |                    |                    |
| Occupancy Taxes                                   | -                  | -                  | -                  | -                  |
| Investment Income                                 | 1,894              | 508                | 839                | 850                |
| Gain (Loss) on Sale of Capital Assets             | -                  | -                  | -                  | -                  |
| Miscellaneous                                     | 407                | -                  | -                  | -                  |
| Transfers   | (96,599)           | (65,433)           | (83,334)           | (83,615)           |
| Total Business-type Activities                    | <u>(94,298)</u>    | <u>(64,925)</u>    | <u>(82,495)</u>    | <u>(82,765)</u>    |
| Total Primary Government                          | <u>\$ 280,658</u>  | <u>\$ 271,408</u>  | <u>\$ 254,177</u>  | <u>\$ 257,463</u>  |
| <b>Change in Net Position</b>                     |                    |                    |                    |                    |
| Governmental Activities                           | \$ (30,682)        | \$ (40,036)        | \$ (36,808)        | \$ (47,249)        |
| Business-type Activities                          | <u>(36,891)</u>    | <u>(22,002)</u>    | <u>(32,318)</u>    | <u>(8,493)</u>     |
| Total Primary Government                          | <u>\$ (67,573)</u> | <u>\$ (62,038)</u> | <u>\$ (69,126)</u> | <u>\$ (55,742)</u> |

**TABLE II**  
(Concluded)

| <u>2012-13</u>      | <u>2013-14</u>    | <u>2014-15</u>    | <u>2015-16</u>    | <u>2016-17</u>    | <u>2017-18</u>    |
|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ 137,280          | \$ 140,567        | \$ 146,337        | \$ 151,826        | \$ 159,735        | \$ 169,024        |
| 14,354              | 22,549            | 33,241            | 33,825            | 34,684            | 35,571            |
| 1,903               | 1,919             | 2,081             | 2,331             | 2,536             | 2,628             |
| 104,462             | 135,075           | 145,266           | 149,350           | 158,916           | 167,540           |
| 49,569              | 88,646            | 47,761            | 44,928            | 46,817            | 80,312            |
| 1,692               | 966               | 1,786             | 2,210             | 448               | 1,912             |
| 7,424               | 5,550             | 7,844             | 6,008             | 11,161            | 5,418             |
| -                   | -                 | -                 | -                 | (1,411)           | (2,462)           |
| 83,615              | 109,520           | 94,427            | 102,148           | 106,607           | 116,006           |
| 400,299             | 504,792           | 478,743           | 492,626           | 519,493           | 575,949           |
| 825                 | 851               | 999               | 1,161             | 1,085             | 1,192             |
| 860                 | 1,453             | 1,141             | 3,020             | 983               | 1,691             |
| -                   | 18,697            | 5,157             | (6,145)           | 16,364            | 261               |
| -                   | 288               | 233               | 1,039             | 466               | 1,915             |
| (83,615)            | (109,520)         | (94,427)          | (102,148)         | (106,607)         | (116,006)         |
| (81,930)            | (88,231)          | (86,897)          | (103,073)         | (87,709)          | (110,947)         |
| <u>\$ 318,369</u>   | <u>\$ 416,561</u> | <u>\$ 391,846</u> | <u>\$ 389,553</u> | <u>\$ 431,784</u> | <u>\$ 465,002</u> |
| \$ (68,327)         | \$ 35,374         | \$ 71,537         | \$ 42,031         | \$ (16,395)       | \$ 84,466         |
| (75,287)            | (34,961)          | (29,521)          | (25,837)          | 8,388             | (5,611)           |
| <u>\$ (143,614)</u> | <u>\$ 413</u>     | <u>\$ 42,016</u>  | <u>\$ 16,194</u>  | <u>\$ (8,007)</u> | <u>\$ 78,855</u>  |

## CITY OF MESA, ARIZONA

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

(modified accrual basis of accounting)

(in thousands)

|                                     | <b>2008-09</b>    | <b>2009-10</b>    | <b>2010-11</b>    | <b>2011-12</b>    |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
| <b>GENERAL FUND</b>                 |                   |                   |                   |                   |
| Reserved (1)(2)                     | \$ 51,862         | \$ 4,048          | \$ -              | \$ -              |
| Unreserved                          | 74,711            | 92,187            | -                 | -                 |
| Nonspendable                        | -                 | -                 | 405               | 754               |
| Restricted                          | -                 | -                 | 1,992             | 2,012             |
| Committed                           | -                 | -                 | 4,898             | 4,992             |
| Assigned                            | -                 | -                 | -                 | -                 |
| Unassigned                          | -                 | -                 | 93,875            | 78,035            |
| Total General Fund                  | <u>\$ 126,573</u> | <u>\$ 96,235</u>  | <u>\$ 101,170</u> | <u>\$ 85,793</u>  |
| <b>ALL OTHER GOVERNMENTAL FUNDS</b> |                   |                   |                   |                   |
| Reserved                            | \$ 17,013         | \$ 53,674         | \$ -              | \$ -              |
| Unreserved, Reported in:            |                   |                   |                   |                   |
| Special Revenue Funds               | 24,816            | 31,871            | -                 | -                 |
| Capital Project Funds               | 28,442            | 15,724            | -                 | -                 |
| Nonspendable                        | -                 | -                 | 2,906             | 84                |
| Restricted (3)(4)                   | -                 | -                 | 112,538           | 211,279           |
| Committed                           | -                 | -                 | 19,166            | 16,360            |
| Assigned                            | -                 | -                 | -                 | -                 |
| Unassigned                          | -                 | -                 | -                 | (1)               |
| Total All Other Governmental Funds  | <u>\$ 70,271</u>  | <u>\$ 101,269</u> | <u>\$ 134,610</u> | <u>\$ 227,722</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>2012-13</b>    | <b>2013-14</b>    | <b>2014-15</b>    | <b>2015-16</b>    | <b>2016-17</b>    | <b>2017-18</b>    |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              |
| -                 | -                 | -                 | -                 | -                 | -                 |
| 1,724             | 2,956             | 3,490             | 4,035             | 2,145             | 2,304             |
| 284               | 188               | 184               | 184               | 146               | -                 |
| 1,185             | 1,484             | 126               | 227               | 528               | 10,377            |
| -                 | -                 | -                 | 10,703            | 19,367            | 28,346            |
| 50,426            | 72,683            | 74,145            | 79,657            | 92,240            | 89,347            |
| <u>\$ 53,619</u>  | <u>\$ 77,311</u>  | <u>\$ 77,945</u>  | <u>\$ 94,806</u>  | <u>\$ 114,426</u> | <u>\$ 130,374</u> |
| \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              |
| -                 | -                 | -                 | -                 | -                 | -                 |
| -                 | -                 | -                 | -                 | -                 | -                 |
| 55                | 23                | 138               | 77                | 37                | 135               |
| 243,831           | 190,609           | 172,316           | 95,701            | 112,105           | 132,462           |
| 23,005            | 21,379            | 30,092            | 28,580            | 30,928            | 41,641            |
| -                 | -                 | -                 | 6                 | 2                 | 22                |
| (1,177)           | (675)             | (31)              | (155)             | (69)              | (176)             |
| <u>\$ 265,714</u> | <u>\$ 211,336</u> | <u>\$ 202,515</u> | <u>\$ 124,209</u> | <u>\$ 143,003</u> | <u>\$ 174,084</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>2008-09</b>   | <b>2009-10</b>   | <b>2010-11</b>   | <b>2011-12</b>   |
|--|------------------|------------------|------------------|------------------|
| <b>REVENUES</b>  |                  |                  |                  |                  |
| Sales Taxes (1)(2)   | \$ 126,520       | \$ 121,557       | \$ 121,046       | \$ 126,644       |
| Property Taxes   | -                | 13,886           | 14,274           | 14,323           |
| Occupancy Taxes  | 1,808            | 1,581            | 2,148            | 2,019            |
| Special Assessments  | 806              | 923              | 1,069            | 996              |
| Licenses and Permits                                       | 13,426           | 11,824           | 12,577           | 13,359           |
| Intergovernmental  | 191,085          | 190,731          | 174,781          | 168,433          |
| Charges for Services                                       | 24,343           | 20,419           | 20,304           | 25,779           |
| Fines and Forfeitures                                      | 10,215           | 10,135           | 11,820           | 11,294           |
| Investment Income  | 2,018            | 191              | 587              | 1,284            |
| Contributions  | -                | -                | -                | -                |
| Miscellaneous  | 14,755           | 13,675           | 7,417            | 7,573            |
| Total Revenues   | <u>384,976</u>   | <u>384,922</u>   | <u>366,023</u>   | <u>371,704</u>   |
| <b>EXPENDITURES</b>  |                  |                  |                  |                  |
| Current  |                  |                  |                  |                  |
| General Government   | 36,507           | 40,113           | 38,843           | 41,083           |
| Public Safety  | 230,864          | 216,026          | 215,166          | 226,429          |
| Community Environment                                      | 72,647           | 72,081           | 68,463           | 64,404           |
| Cultural-Recreational                                      | 53,171           | 40,150           | 42,191           | 43,904           |
| Debt Service   |                  |                  |                  |                  |
| Principal  | 36,906           | 34,846           | 31,690           | 25,513           |
| Interest   | 18,845           | 21,186           | 21,211           | 22,643           |
| Service Charges  | 28               | 9                | 10               | 8                |
| Cost of Issuance   | -                | 539              | 29               | 870              |
| Capital Outlay   | 77,899           | 82,530           | 60,173           | 66,951           |
| Total Expenditures   | <u>526,867</u>   | <u>507,480</u>   | <u>477,776</u>   | <u>491,805</u>   |
| Excess of Revenues Under Expenditures                      | <u>(141,891)</u> | <u>(122,558)</u> | <u>(111,753)</u> | <u>(120,101)</u> |
| <b>OTHER FINANCING SOURCES (USES)</b>                      |                  |                  |                  |                  |
| Transfers In   | 155,697          | 149,437          | 128,065          | 121,459          |
| Transfers Out  | (59,106)         | (66,654)         | (44,418)         | (38,136)         |
| Face Amount of Bonds Issued                                | 61,830           | 30,865           | 29,320           | 27,290           |
| Face Amount of Notes Issued                                | -                | 45,000           | -                | 77,835           |
| Premium on Issuance of Bonds (Net)                         | 437              | 402              | 360              | 8,027            |
| Premium on Issuance of Notes                               | -                | 869              | -                | 8,250            |
| Proceeds from Capital Leases                               | -                | -                | -                | -                |
| Issuance of Refunding Bonds                                | -                | -                | -                | 67,238           |
| Payment to Refunding Bond Agent                            | -                | -                | -                | (74,127)         |
| Total Other Financing Sources (Uses)                       | <u>158,858</u>   | <u>159,919</u>   | <u>113,327</u>   | <u>197,836</u>   |
| Net Change in Fund Balances                                | <u>\$ 16,967</u> | <u>\$ 37,361</u> | <u>\$ 1,574</u>  | <u>\$ 77,735</u> |
| Debt Service as a percentage of<br>Noncapital Expenditures | 12.42%           | 13.19%           | 12.67%           | 11.34%           |

(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>2012-13</b>   | <b>2013-14</b>     | <b>2014-15</b>    | <b>2015-16</b>     | <b>2016-17</b>   | <b>2017-18</b>   |
|------------------|--------------------|-------------------|--------------------|------------------|------------------|
| \$ 137,280       | \$ 140,567         | \$ 146,337        | \$ 151,826         | \$ 159,735       | \$ 169,024       |
| 14,404           | 22,500             | 34,022            | 34,765             | 34,675           | 35,616           |
| 1,903            | 1,919              | 2,081             | 2,331              | 2,536            | 2,628            |
| 897              | 1,062              | 1,264             | 1,433              | 2,125            | 1,174            |
| 17,693           | 18,797             | 20,892            | 23,254             | 23,152           | 25,119           |
| 184,823          | 185,303            | 185,529           | 191,360            | 200,820          | 223,800          |
| 27,675           | 32,106             | 36,260            | 38,178             | 38,348           | 40,222           |
| 9,885            | 9,890              | 10,505            | 11,049             | 9,873            | 10,436           |
| 1,501            | 589                | 1,793             | 1,483              | 331              | 1,608            |
| 2,264            | 1,212              | 1,344             | 961                | 360              | 429              |
| 5,940            | 4,524              | 6,587             | 3,994              | 4,348            | 5,547            |
| <u>404,265</u>   | <u>418,469</u>     | <u>446,614</u>    | <u>460,634</u>     | <u>476,303</u>   | <u>515,603</u>   |
| 74,596           | 75,077             | 81,066            | 79,448             | 86,360           | 90,209           |
| 226,677          | 231,364            | 243,570           | 254,528            | 261,892          | 266,459          |
| 55,197           | 56,573             | 60,512            | 65,559             | 68,403           | 73,404           |
| 37,787           | 38,788             | 40,365            | 43,651             | 43,744           | 46,143           |
| 31,519           | 71,015             | 28,367            | 107,383            | 32,587           | 34,738           |
| 23,433           | 23,704             | 23,269            | 18,905             | 17,994           | 18,477           |
| 10               | -                  | 13                | 14                 | 15               | 14               |
| 1,448            | 727                | 657               | 1,505              | 1,271            | 1,023            |
| 91,537           | 102,657            | 74,150            | 91,784             | 82,062           | 76,279           |
| <u>542,204</u>   | <u>599,905</u>     | <u>551,969</u>    | <u>662,777</u>     | <u>594,328</u>   | <u>606,746</u>   |
| <u>(137,939)</u> | <u>(181,436)</u>   | <u>(105,355)</u>  | <u>(202,143)</u>   | <u>(118,025)</u> | <u>(91,143)</u>  |
| 147,818          | 141,909            | 123,044           | 122,572            | 139,516          | 176,572          |
| (64,203)         | (32,389)           | (45,324)          | (24,298)           | (31,931)         | (66,208)         |
| 62,672           | 40,800             | 18,999            | 46,530             | 47,682           | 26,745           |
| -                | -                  | -                 | -                  | -                | -                |
| 3,681            | 430                | 2,952             | 2,283              | 4,613            | 1,063            |
| -                | -                  | -                 | -                  | -                | -                |
| -                | -                  | -                 | -                  | -                | -                |
| 17,415           | -                  | 17,555            | 43,304             | 47,450           | -                |
| (19,889)         | -                  | (20,058)          | (49,693)           | (50,891)         | -                |
| <u>147,494</u>   | <u>150,750</u>     | <u>97,168</u>     | <u>140,698</u>     | <u>156,439</u>   | <u>138,172</u>   |
| <u>\$ 9,555</u>  | <u>\$ (30,686)</u> | <u>\$ (8,187)</u> | <u>\$ (61,445)</u> | <u>\$ 38,414</u> | <u>\$ 47,029</u> |
| 12.20%           | 19.05%             | 10.81%            | 22.12%             | 9.88%            | 10.03%           |

## CITY OF MESA, ARIZONA

**TABLE V**

## SALES TAX COLLECTIONS BY CATEGORY

## LAST TEN FISCAL YEARS

(in thousands)

|                        | <u>2008-09</u>    | <u>2009-10</u>    | <u>2010-11</u>    | <u>2011-12</u>    | <u>2012-13</u>    |
|------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Utilities              | \$ 9,654          | \$ 9,757          | \$ 11,104         | \$ 11,878         | \$ 12,549         |
| Communications         | 3,749             | 3,809             | 4,456             | 4,483             | 4,651             |
| Publishing             | 1,402             | 1,102             | 999               | 934               | 866               |
| Printing & Advertising | 280               | 175               | 342               | 336               | 434               |
| Contracting            | 15,263            | 10,913            | 8,388             | 9,962             | 12,402            |
| Retail Sales           | 63,230            | 63,469            | 60,266            | 62,191            | 66,789            |
| Restaurants & Bars     | 10,956            | 10,948            | 11,165            | 11,864            | 12,577            |
| Amusements             | 1,363             | 1,176             | 1,433             | 1,434             | 1,432             |
| Rentals                | 20,514            | 20,123            | 22,219            | 22,968            | 24,847            |
| Miscellaneous          | 107               | 84                | 674               | 595               | 732               |
| Total                  | <u>\$ 126,518</u> | <u>\$ 121,555</u> | <u>\$ 121,046</u> | <u>\$ 126,645</u> | <u>\$ 137,279</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>2013-14</b>    | <b>2014-15</b>    | <b>2015-16</b>    | <b>2016-17</b>    | <b>2017-18</b>    |
|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ 12,344         | \$ 13,111         | \$ 13,251         | \$ 13,575         | \$ 14,199         |
| 4,230             | 4,796             | 4,229             | 4,432             | 3,876             |
| 830               | 747               | 688               | 526               | 362               |
| 455               | 461               | 428               | 446               | 413               |
| 13,794            | 14,103            | 14,623            | 16,806            | 18,856            |
| 69,276            | 71,996            | 76,160            | 79,715            | 84,640            |
| 12,972            | 13,708            | 14,240            | 15,002            | 16,065            |
| 1,469             | 1,542             | 1,561             | 1,581             | 1,624             |
| 24,374            | 25,102            | 25,578            | 26,340            | 28,003            |
| 823               | 771               | 1,068             | 1,313             | 986               |
| <u>\$ 140,567</u> | <u>\$ 146,337</u> | <u>\$ 151,826</u> | <u>\$ 159,736</u> | <u>\$ 169,024</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<br/>Year</b> | <b>City<br/>Direct<br/>Rate</b> | <b>Maricopa<br/>County</b> | <b>State of<br/>Arizona</b> |
|------------------------|---------------------------------|----------------------------|-----------------------------|
| 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%                       |
| 2017-18                | 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>2008-09</b>      | <b>2009-10</b>      | <b>2010-11</b>      | <b>2011-12</b>      |
|---|---------------------|---------------------|---------------------|---------------------|
| <b>Governmental Activities</b>          |                     |                     |                     |                     |
| General Obligation Bonds                | \$ 267,063          | \$ 273,869          | \$ 281,514          | \$ 288,669          |
| Municipal Development Corporation Bonds | -                   | -                   | -                   | -                   |
| Highway User Revenue Bonds              | 140,265             | 134,545             | 128,515             | 121,395             |
| Special Assessment Bonds                | 7,294               | 6,550               | 5,806               | 5,062               |
| Community Facilities District           | -                   | -                   | -                   | -                   |
| Capital Leases                          | 9,730               | 5,406               | 2,166               | 822                 |
| Notes Payable                           | -                   | 45,000              | 45,000              | 122,835             |
| <b>Business-type Activities</b>         |                     |                     |                     |                     |
| Utility System Revenue Bonds            | 817,530             | 857,435             | 898,800             | 952,500             |
| General Obligation Bonds                | 2,957               | 2,691               | 2,221               | 1,601               |
| Excise Tax Revenue Obligation Bonds     | -                   | -                   | -                   | -                   |
| Municipal Development Corporation Bonds | -                   | -                   | -                   | -                   |
| Notes Payable                           | 333                 | 2,964               | 2,731               | 2,493               |
| Capital Leases                          | 158                 | -                   | -                   | -                   |
| <b>Total Primary Government</b>         | <b>\$ 1,245,330</b> | <b>\$ 1,328,460</b> | <b>\$ 1,366,753</b> | <b>\$ 1,495,377</b> |
| Percentage of Personal Income (1)       | 11.03%              | 11.49%              | 13.06%              | 14.10%              |
| Per Capita (1)                          | \$ 2,677            | \$ 2,843            | \$ 3,101            | \$ 3,390            |

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



**TABLE VII**  
(Concluded)

| <b>2012-13</b>      | <b>2013-14</b>      | <b>2014-15</b>      | <b>2015-16</b>      | <b>2016-17</b>      | <b>2017-18</b>      |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 327,265          | \$ 346,860          | \$ 338,401          | \$ 350,593          | \$ 374,443          | \$ 365,519          |
| -                   | -                   | -                   | -                   | -                   | -                   |
| 120,942             | 112,882             | 106,740             | 98,743              | 84,995              | 76,620              |
| 4,318               | 3,574               | 2,830               | 2,085               | 1,340               | 1,005               |
| 2,712               | 5,897               | 11,012              | 19,300              | 19,172              | 28,813              |
| 140                 | 72                  | -                   | -                   | -                   | -                   |
| 129,435             | 83,610              | 82,785              | -                   | -                   | -                   |
| 973,670             | 987,454             | 996,705             | 1,062,871           | 1,161,755           | 1,243,390           |
| 887                 | 605                 | 474                 | 390                 | 236                 | 236                 |
| 105,079             | 104,499             | 103,919             | 103,339             | 94,060              | 57,144              |
| -                   | -                   | -                   | -                   | -                   | -                   |
| 2,370               | 2,244               | 2,116               | 1,985               | 1,851               | 1,714               |
| -                   | -                   | -                   | -                   | -                   | -                   |
| <u>\$ 1,666,818</u> | <u>\$ 1,647,697</u> | <u>\$ 1,644,982</u> | <u>\$ 1,639,306</u> | <u>\$ 1,737,852</u> | <u>\$ 1,774,441</u> |
| 16.09%              | 15.42%              | 14.53%              | 13.91%              | 13.74%              | 13.12%              |
| \$ 3,747            | \$ 3,621            | \$ 3,561            | \$ 3,451            | \$ 3,525            | \$ 3,542            |

## CITY OF MESA, ARIZONA

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

(in thousands)

| <b>Year</b> | <b>Secondary<br/>Assessed<br/>Value (1)</b> | <b>General<br/>Obligation<br/>Bonds</b> | <b>Less:<br/>Amounts<br/>Available<br/>in Debt<br/>Service<br/>Fund</b> | <b>Total</b> | <b>Percentage<br/>of<br/>Secondary<br/>Assessed<br/>Value</b> | <b>Per<br/>Capita (2)</b> |
|-------------|---|---|---|--------------|---|---------------------------|
| 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                       |
| 2018        | 3,048,893                                   | 365,755                                 | 5,384   | 360,371      | 11.82%  | 719                       |

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, 2018

(in thousands)

| Governmental Unit                          | Debt<br>Outstanding (2) | Estimated Percentage<br>Applicable to City of Mesa |            |
|--|-------------------------|--|------------|
|  |                         | Percent (2)(4)                                     | Amount     |
| Debt repaid with property taxes            |                         |  |            |
| Maricopa County Community College District | \$ 445,570              | 7.97%  | \$ 35,512  |
| Maricopa Special Health Care District      | 112,000                 | 7.97%  | -          |
| Mesa Unified School District No. 4         | 270,360                 | 86.36%   | 233,483    |
| Gilbert Unified School District No. 41     | 99,795                  | 25.94%   | 25,887     |
| Queen Creek Unified School District No. 95 | 100,485                 | 30.50%   | 30,648     |
| Higley Unified School District No. 60      | 115,040                 | 0.82%  | 943        |
| Tempe Union High School District No. 213   | 91,995                  | 0.32%  | 294        |
| Tempe Elementary School District No. 3     | 131,875                 | 0.79%  | 1,042      |
| Eastmark Community Facilities District     | 17,610                  | 100.00%  | 17,610     |
| Other Debt:                                |                         |  |            |
| Maricopa County                            | 245,330                 | 7.97%  | 19,553     |
| Subtotal, overlapping debt                 |                         |  | 364,972    |
| City direct debt (3)                       |                         |  | 486,772    |
| Total Direct and Overlapping Debt          |                         |  | \$ 851,744 |

(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 2017/2018

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>2008-09</u>    | <u>2009-10</u>    | <u>2010-11</u>    | <u>2011-12</u>    |
|---|-------------------|-------------------|-------------------|-------------------|
| <b>6% Limitation</b>  |                   |                   |                   |                   |
| Legal Debt Limitation Equal to<br>6% of Assessed Valuation  | \$ 287,585        | \$ 284,977        | \$ 245,642        | \$ 189,857        |
| Total Net Debt Applicable to 6% Limit   | <u>13,569</u>     | <u>6,064</u>      | <u>5,326</u>      | <u>1,370</u>      |
| Margin Available for Future<br>General Obligation Bond Issues<br>for 6% Bonds                     | <u>\$ 274,016</u> | <u>\$ 278,913</u> | <u>\$ 240,316</u> | <u>\$ 188,487</u> |
| Total Net Debt Applicable to the<br>6% Limit as a Percentage of the<br>6% Legal Debt Limitation   | 4.72%             | 2.13%             | 2.17%             | 0.72%             |
| <b>20% Limitation</b>   |                   |                   |                   |                   |
| Legal Debt Limitation Equal to<br>20% of Assessed Valuation                                       | \$ 958,616        | \$ 949,923        | \$ 818,807        | \$ 632,855        |
| Total Net Debt Applicable to 20% Limit  | <u>246,326</u>    | <u>270,496</u>    | <u>278,409</u>    | <u>288,900</u>    |
| Margin Available for Future<br>General Obligation Bond Issues<br>for 20% Bonds                    | <u>\$ 712,290</u> | <u>\$ 679,427</u> | <u>\$ 540,398</u> | <u>\$ 343,955</u> |
| Total Net Debt Applicable to the<br>20% Limit as a Percentage of the<br>20% Legal Debt Limitation | 25.70%            | 28.48%            | 34.00%            | 45.65%            |
| Total Margin Available  | <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 general municipal purposes 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, artificial light or sewers, land for open space preserves, parks, playgrounds and recreational facilities, public safety, fire, streets and transportation up to an amount not exceeding 20 percent of assessed secondary valuation.

**TABLE X**  
(Concluded)

**Legal Debt Margin Calculation for Fiscal Year 2017-18**

|   |                       |                       |                       |                            |                             |
|---|-----------------------|-----------------------|-----------------------|----------------------------|-----------------------------|
| Secondary Assessed Value                                      |                       |                       |                       | \$ 3,048,893               |                             |
|   |                       |                       |                       | <b><u>6% Bonds (1)</u></b> | <b><u>20% Bonds (2)</u></b> |
| Legal Debt Limitation   |                       |                       |                       | \$ 182,934                 | \$ 609,779                  |
| Debt Applicable to Limit:                                     |                       |                       |                       |                            |                             |
| General Obligation Bonds                                      |                       |                       |                       | 724                        | 365,031                     |
| Total Net Debt Applicable to Limit                            |                       |                       |                       | <u>724</u>                 | <u>365,031</u>              |
| Margin Available for Future General<br>Obligation Bond Issues |                       |                       |                       | <u>\$ 182,210</u>          | <u>\$ 244,748</u>           |
| Total Margin Available  |                       |                       |                       |                            | <u>\$ 426,958</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>      | <b><u>2017-18</u></b>       |
| \$ 166,225  | \$ 153,578            | \$ 169,270            | \$ 165,475            | \$ 173,297                 | \$ 182,934                  |
| <u>175</u>  | <u>605</u>            | <u>1,275</u>          | <u>1,047</u>          | <u>846</u>                 | <u>724</u>                  |
| <u>\$ 166,050</u>   | <u>\$ 152,973</u>     | <u>\$ 167,995</u>     | <u>\$ 164,428</u>     | <u>\$ 172,451</u>          | <u>\$ 182,210</u>           |
| 0.11%   | 0.39%                 | 0.75%                 | 0.63%                 | 0.49%                      | 0.40%                       |
| \$ 554,084  | \$ 511,927            | \$ 564,235            | \$ 551,583            | \$ 577,658                 | \$ 609,779                  |
| <u>300,735</u>  | <u>344,040</u>        | <u>343,370</u>        | <u>349,903</u>        | <u>373,909</u>             | <u>365,031</u>              |
| <u>\$ 253,349</u>   | <u>\$ 167,887</u>     | <u>\$ 220,865</u>     | <u>\$ 201,680</u>     | <u>\$ 203,749</u>          | <u>\$ 244,748</u>           |
| 54.28%  | 67.20%                | 60.86%                | 63.44%                | 64.73%                     | 59.86%                      |
| <u>\$ 419,399</u>   | <u>\$ 320,860</u>     | <u>\$ 388,860</u>     | <u>\$ 366,108</u>     | <u>\$ 376,200</u>          | <u>\$ 426,958</u>           |

## CITY OF MESA, ARIZONA

**TABLE XI**

## PLEDGED-REVENUE COVERAGE

## LAST TEN FISCAL YEARS

(in thousands)

| Utility System Revenue Bonds |  |                    |           |              |           |                |  |
|------------------------------|--|--------------------|-----------|--------------|-----------|----------------|--|
|                              | Net Revenue Available for Debt Service |                    |           | Debt Service |           | Coverage Ratio |  |
|                              | Operating Revenues (1)                 | Operating Expenses |           | Principal    | Interest  |                |  |
| 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           |  |
| 2017-18                      | 361,863                                | 171,569            | 190,294   | 31,354       | 50,739    | 2.32           |  |

| Highway User Revenue Fund Revenue Bonds |                                  |              |          |                   |  |
|---|----------------------------------|--------------|----------|-------------------|--|
|   | Highway<br>User Fund<br>Revenues | Debt Service |          | Coverage<br>Ratio |  |
|   |                                  | Principal    | Interest |                   |  |
| 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              |  |
| 2017-18                                 | 39,477                           | 8,375        | 4,080    | 3.17              |  |

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

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

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

**TABLE XI**  
(Concluded)

| Special Assessment Bonds             |              |          |                   | Community Facility District Bonds             |              |          |                   |
|--------------------------------------|--------------|----------|-------------------|---|--------------|----------|-------------------|
| Special<br>Assessment<br>Collections | Debt Service |          | Coverage<br>Ratio | Community<br>Facility District<br>Collections | Debt Service |          | Coverage<br>Ratio |
|                                      | Principal    | Interest |                   |   | Principal    | Interest |                   |
| \$ 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              |
| 289                                  | 335          | 68       | 0.72              | 2,261   | 984          | 1,197    | 1.04              |

| Municipal Development Corporation Bonds |              |          |                   | Highway Project Advancement Notes |              |          |                   |
|---|--------------|----------|-------------------|-----------------------------------|--------------|----------|-------------------|
| Excise<br>Tax<br>Revenues (2)           | Debt Service |          | Coverage<br>Ratio | Excise<br>Tax<br>Revenues (2)     | Debt Service |          | Coverage<br>Ratio |
|   | Principal    | Interest |                   |                                   | Principal    | Interest |                   |
| \$ 203,198                              | \$ 9,970     | \$ 17    | 20.35             | \$ -                              | \$ -         | \$ -     | -                 |
| -                                       | -            | -        | -                 | 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

| <u>Year</u> | <u>Population (1)</u> | <u>Personal<br/>Income<br/>(in thousands)</u> | <u>Per Capita<br/>Personal<br/>Income (1)</u> | <u>Median<br/>Age (1)</u> | <u>Public School<br/>Enrollment (2)</u> | <u>Unemployment<br/>Rate (3)</u> |
|-------------|-----------------------|---|---|---------------------------|---|----------------------------------|
| 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%                             |
| 2018        | 501,137               | 13,522,180                                    | 26,983  | 36.2                      | 67,025                                  | 4.3%                             |

## Sources:

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



CITY OF MESA, ARIZONA  
**TABLE XIII**  
 PRINCIPAL EMPLOYERS  
 CURRENT YEAR AND NINE YEARS AGO

| Employer                        | 2018          |      |                                     | 2009          |      |                                     |
|---------------------------------|---------------|------|-------------------------------------|---------------|------|-------------------------------------|
|                                 | Employees     | Rank | Percentage of Total City Employment | Employees     | Rank | Percentage of Total City Employment |
| Mesa Public Schools             | 8,469         | 1    | 5.25%                               | 10,000        | 1    | 5.19%                               |
| Banner Health                   | 8,275         | 2    | 5.13%                               | 8,650         | 2    | 4.49%                               |
| The Boeing Company              | 3,642         | 3    | 2.26%                               | 4,000         | 3    | 2.08%                               |
| City of Mesa                    | 3,582         | 4    | 2.22%                               | 3,601         | 4    | 1.87%                               |
| Drivetime Automotive Group, Inc | 1,276         | 5    | 0.79%                               | -             |      | 0.00%                               |
| 24-7 Intouch                    | 1,200         | 6    | 0.74%                               | -             |      | 0.00%                               |
| Gilbert Unified School District | 1,029         | 7    | 0.64%                               | -             |      | 0.00%                               |
| Maricopa County                 | 1,020         | 8    | 0.63%                               | 1,150         | 8    | 0.60%                               |
| State of Arizona                | 827           | 9    | 0.51%                               | -             |      | 0.00%                               |
| Mountain Vista Medical Center   | 820           | 10   | 0.51%                               | -             |      | 0.00%                               |
| Mesa Community College          | -             |      | 0.00%                               | 2,150         | 5    | 1.12%                               |
| Wal-Mart                        | -             |      | 0.00%                               | 2,100         | 6    | 1.09%                               |
| Empire Southwest Machinery      | -             |      | 0.00%                               | 1,500         | 7    | 0.78%                               |
| Rural/Metro Ambulance           | -             |      | 0.00%                               | 1,100         | 9    | 0.57%                               |
| Bashas'                         | -             |      | 0.00%                               | 1,000         | 10   | 0.52%                               |
| Total                           | <u>30,140</u> |      | <u>18.70%</u>                       | <u>35,251</u> |      | <u>18.30%</u>                       |

Source: City of Mesa Office of Economic Development

## CITY OF MESA, ARIZONA

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

|   | <u>2008-09</u>    | <u>2009-10</u>    | <u>2010-11</u>    | <u>2011-12</u>    |
|---|-------------------|-------------------|-------------------|-------------------|
| <b>Function/Program</b>                   |                   |                   |                   |                   |
| General Government                        | 838               | 835               | 824               | 870               |
| Police                                    | 1,282             | 1,240             | 1,163             | 1,158             |
| Fire                                      | 470               | 455               | 457               | 473               |
| Community Environment                     | 189               | 184               | 189               | 184               |
| Cultural-Recreational                     | 335               | 329               | 334               | 332               |
| Energy Resources                          | 140               | 122               | 116               | 115               |
| Water Resources                           | 213               | 232               | 230               | 233               |
| Environmental Management & Sustainability | 126               | 124               | 120               | 117               |
| Airport                                   | 10                | 10                | 9                 | 9                 |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Total                                     | <u>3,603</u>      | <u>3,531</u>      | <u>3,442</u>      | <u>3,491</u>      |

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

**TABLE XIV**  
(Concluded)

| <u>2012-13</u> | <u>2013-14</u> | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> |
|----------------|----------------|----------------|----------------|----------------|----------------|
| 864            | 880            | 876            | 860            | 811            | 826            |
| 1,163          | 1,173          | 1,154          | 1,155          | 1,189          | 1,189          |
| 479            | 482            | 503            | 492            | 518            | 522            |
| 183            | 178            | 182            | 189            | 194            | 195            |
| 313            | 317            | 338            | 599            | 289            | 315            |
| 117            | 117            | 116            | 116            | 118            | 120            |
| 229            | 238            | 240            | 238            | 249            | 257            |
| 127            | 125            | 127            | 138            | 147            | 148            |
| 10             | 10             | 10             | 11             | 11             | 11             |
| <u>3,485</u>   | <u>3,520</u>   | <u>3,545</u>   | <u>3,798</u>   | <u>3,526</u>   | <u>3,582</u>   |

## CITY OF MESA, ARIZONA

**TABLE XV**

## OPERATING INDICATORS BY FUNCTION/PROGRAM

## LAST TEN FISCAL YEARS

| <b>Function/Program</b>               | <b>2008-09</b> | <b>2009-10</b> | <b>2010-11</b> | <b>2011-12</b> |
|---------------------------------------|----------------|----------------|----------------|----------------|
| Police                                |                |                |                |                |
| Major Crimes                          | 18,482         | 17,345         | 16,623         | 16,740         |
| Traffic Accidents                     | 6,256          | 5,890          | 5,952          | 6,047          |
| Fire                                  |                |                |                |                |
| Fires                                 | 1,165          | 1,048          | 981            | 1,012          |
| Rescue or Emergency                   | 32,478         | 34,079         | 38,788         | 42,925         |
| False Alarms                          | 2,125          | 1,478          | 1,478          | 1,292          |
| Hazardous Conditions                  | 663            | 701            | 478            | 446            |
| Other Calls                           | 11,923         | 12,819         | 11,840         | 11,192         |
| Libraries                             |                |                |                |                |
| Number of Registered Borrowers        | 306,427        | 352,607        | 220,812        | 142,943        |
| Total Attendance                      | 1,348,555      | 1,367,667      | 1,095,196      | 1,143,718      |
| Access to Electronic Resources        | 3,661,261      | 2,542,927      | 1,691,966      | 1,566,775      |
| Electric Connections                  | 14,546         | 14,738         | 15,064         | 15,841         |
| Gas Connections                       | 51,911         | 52,832         | 53,434         | 55,828         |
| Water                                 |                |                |                |                |
| Connections                           | 132,771        | 133,701        | 134,072        | 135,138        |
| Average Daily Consumption (mgd)*      | 79.72          | 72.67          | 76.23          | 81.60          |
| Peak Daily Consumption (mg)**         | 108.68         | 111.14         | 114.30         | 122.30         |
| Wastewater                            |                |                |                |                |
| Connections                           | 116,721        | 117,831        | 118,413        | 119,615        |
| Average Daily Sewage Treatment (mgd)* | 36.00          | 33.60          | 33.70          | 33.40          |
| Solid Waste                           |                |                |                |                |
| Customers Served                      | 112,832        | 113,079        | 115,811        | 118,949        |
| Refuse Collected (tons)               | 234,709        | 217,295        | 223,217        | 209,116        |
| Recyclables Collected (tons)          | 37,841         | 36,490         | 35,486         | 34,443         |
| Green Waste Collected (tons)          | 18,936         | 18,588         | 19,149         | 17,882         |
| Falcon Field                          |                |                |                |                |
| Average Number of Aircraft Based      | 873            | 841            | 789            | 749            |
| Aircraft Operations (annual)          | 283,336        | 248,381        | 221,910        | 222,650        |

\* mgd - millions of gallons per day

\*\* mg - millions of gallons

**TABLE XV**  
(Concluded)

| <b>2012-13</b> | <b>2013-14</b> | <b>2014-15</b> | <b>2015-16</b> | <b>2016-17</b> | <b>2017-18</b> |
|----------------|----------------|----------------|----------------|----------------|----------------|
| 16,149         | 14,561         | 14,795         | 13,208         | 13,151         | 12,347         |
| 6,186          | 6,107          | 6,622          | 6,968          | 6,966          | 6,599          |
| 929            | 1,075          | 1,083          | 1,053          | 1,153          | 1,144          |
| 43,416         | 44,885         | 45,832         | 49,743         | 50,024         | 53,183         |
| 1,255          | 1,176          | 1,106          | 1,083          | 989            | 1,087          |
| 454            | 477            | 534            | 507            | 488            | 471            |
| 11,803         | 9,403          | 8,964          | 10,613         | 14,034         | 11,536         |
| 166,492        | 196,020        | 125,336        | 122,810        | 121,340        | 119,489        |
| 1,178,137      | 1,166,560      | 1,166,131      | 1,157,394      | 1,067,207      | 1,061,875      |
| 1,515,299      | 1,541,323      | 1,549,150      | 1,345,977      | 1,272,859      | 1,131,101      |
| 13,815         | 16,460         | 16,703         | 16,854         | 16,724         | 17,066         |
| 55,544         | 58,011         | 59,214         | 60,383         | 62,010         | 63,969         |
| 136,640        | 137,910        | 139,560        | 141,824        | 144,276        | 146,172        |
| 81.03          | 80.85          | 79.55          | 78.55          | 79.78          | 81.84          |
| 115.68         | 117.13         | 113.45         | 116.62         | 120.35         | 122.51         |
| 120,953        | 122,623        | 124,142        | 126,359        | 128,782        | 130,343        |
| 33.60          | 33.10          | 33.30          | 34.60          | 34.28          | 34.06          |
| 119,142        | 121,674        | 122,552        | 127,517        | 129,479        | 131,991        |
| 215,463        | 217,745        | 233,754        | 236,849        | 232,812        | 232,756        |
| 34,616         | 34,629         | 35,541         | 35,499         | 35,546         | 32,367         |
| 19,878         | 18,854         | 21,151         | 20,602         | 19,639         | 16,688         |
| 700            | 729            | 702            | 663            | 689            | 717            |
| 190,605        | 276,731        | 241,848        | 270,702        | 289,801        | 288,122        |

## CITY OF MESA, ARIZONA

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

| <b>Function/Program</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                     | 5                     |
| Vehicular Patrol Units                           | 330                   | 289                   | 290                   | 267                   |
| Fire Stations                                    | 17                    | 18                    | 18                    | 19                    |
| Libraries  | 3                     | 3                     | 4                     | 4                     |
| Parks and Recreation                             |                       |                       |                       |                       |
| Developed Parks (acres)                          | 1,180                 | 1,154                 | 1,154                 | 1,553                 |
| Undeveloped Acres                                | 1,251                 | 1,078                 | 1,074                 | 705                   |
| Swimming Pools                                   | 12                    | 12                    | 13                    | 9                     |
| Recreation Facilities                            | 6                     | 6                     | 6                     | 6                     |
| Community Environment                            |                       |                       |                       |                       |
| Streets (miles)                                  |                       |                       |                       |                       |
| Paved  | 1,182                 | 1,184                 | 1,190                 | 1,303                 |
| Unpaved  | 12                    | 12                    | 12                    | 1                     |
| Storm Sewers (miles)                             | 316                   | 321                   | 329                   | 438                   |
| Gas Mains (miles)                                | 1,223                 | 1,243                 | 1,247                 | 1,240                 |
| Water  |                       |                       |                       |                       |
| Mains (miles)                                    | 2,104                 | 2,127                 | 2,136                 | 2,270                 |
| Storage Capacity (millions of gallons)           | 125                   | 125                   | 125                   | 125                   |
| Wastewater                                       |                       |                       |                       |                       |
| Mains (miles)                                    | 1,598                 | 1,606                 | 1,613                 | 1,652                 |
| Treatment Capacity (millions of gallons per day) | 60                    | 60                    | 60                    | 60                    |
| Solid Waste                                      |                       |                       |                       |                       |
| Collection Trucks                                | 69                    | 69                    | 69                    | 70                    |
| Golf Courses                                     | 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> | <u>2017-18</u> |
|----------------|----------------|----------------|----------------|----------------|----------------|
| 6              | 8              | 8              | 8              | 8              | 8              |
| 267            | 291            | 292            | 287            | 281            | 281            |
| 20             | 20             | 20             | 20             | 20             | 20             |
| 4              | 4              | 4              | 4              | 4              | 4              |
| 1,177          | 1,232          | 1,901          | 1,901          | 2,300          | 1,929          |
| 1,104          | 1,157          | 633            | 633            | 475            | 861            |
| 9              | 9              | 9              | 9              | 9              | 9              |
| 6              | 4              | 4              | 4              | 5              | 5              |
| 1,307          | 1,418          | 1,427          | 1,427          | 1,387          | 1,476          |
| 1              | 1              | 1              | 1              | 82             | 82             |
| 432            | 440            | 423            | 423            | 394            | 397            |
| 1,256          | 1,256          | 1,311          | 1,311          | 1,325          | 1,346          |
| 2,284          | 2,315          | 2,364          | 2,364          | 2,398          | 2,401          |
| 125            | 125            | 112            | 112            | 109            | 112            |
| 1,677          | 1,677          | 1,781          | 1,781          | 1,778          | 1,784          |
| 60             | 60             | 60             | 60             | 60             | 60             |
| 72             | 72             | 74             | 73             | 75             | 77             |
| 1              | 1              | 1              | 1              | 1              | 1              |







Financial Services Department  
P.O. Box 1466 Mesa, Arizona, 85211-1466  
**(480) 644-2275**  
**[www.mesaaz.gov](http://www.mesaaz.gov)**



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