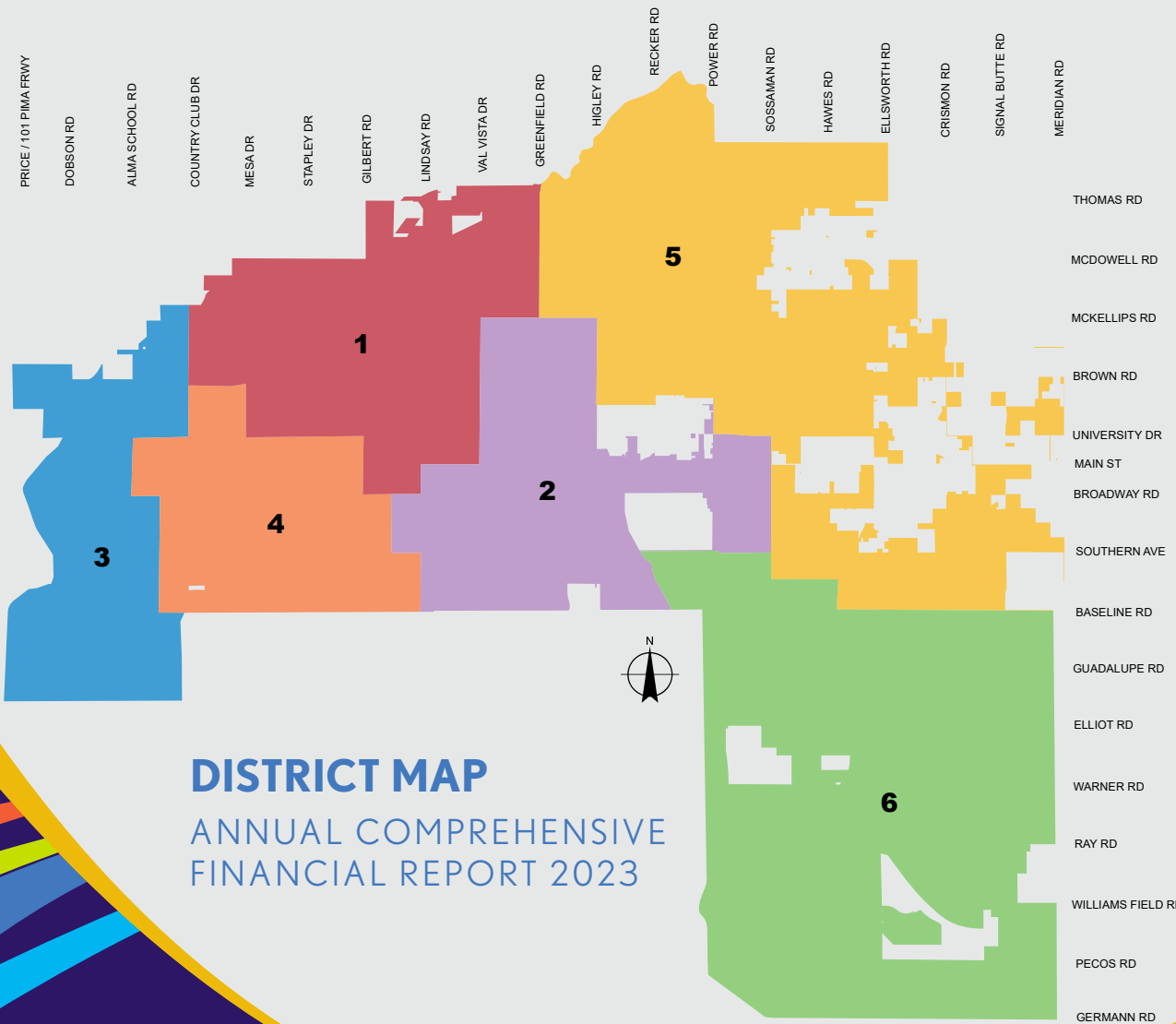




CITY OF MESA, AZ

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED | JUNE 30, 2024



DISTRICT MAP
 ANNUAL COMPREHENSIVE
 FINANCIAL REPORT 2023



Mayor **John Giles**
 Vice Mayor **Francisco Heredia** - District 3
 Councilmember **Mark Freeman** - District 1
 Councilmember **Julie Spilsbury** - District 2

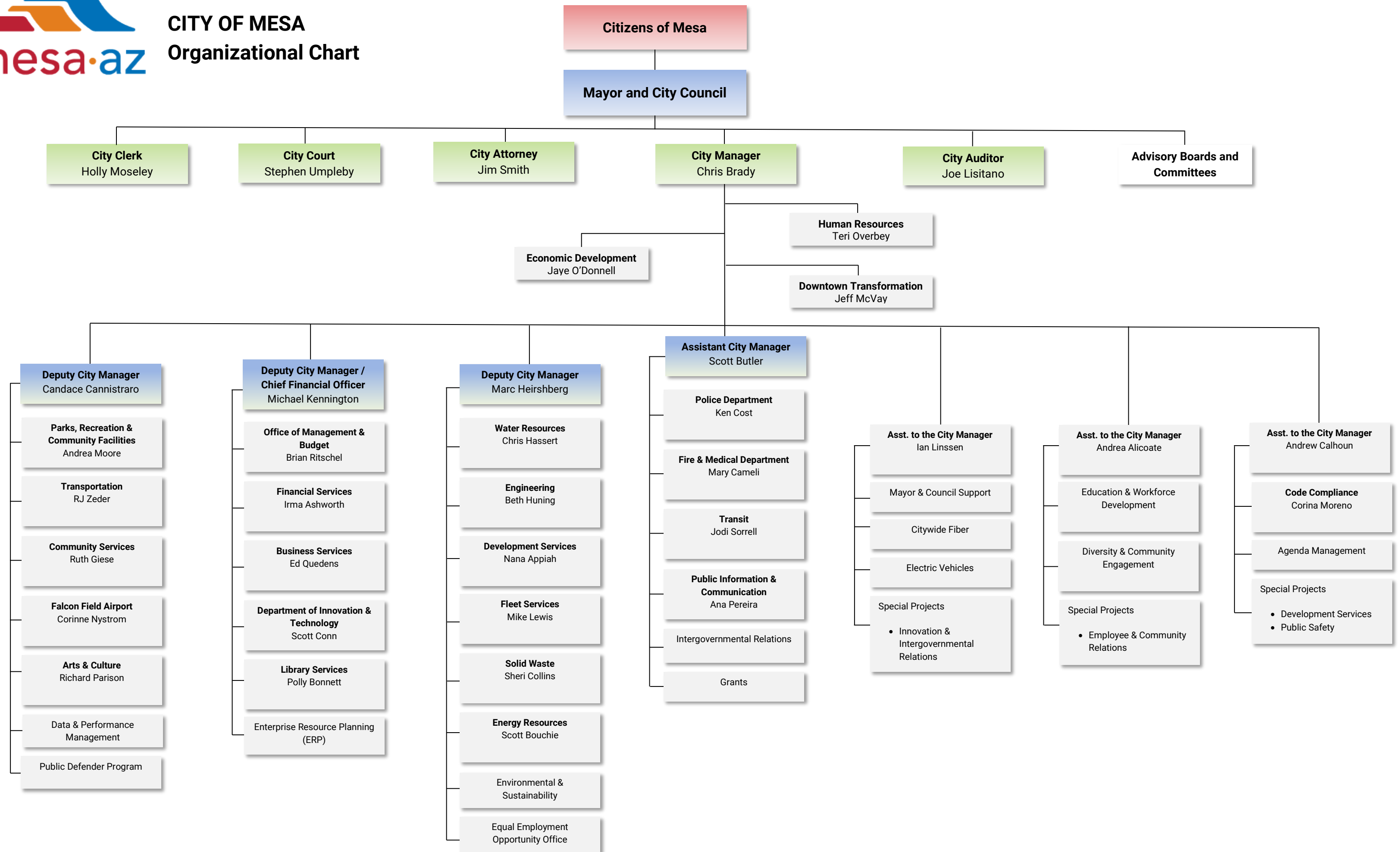
Councilmember **Jenn Duff** - District 4
 Councilmember **Alicia Goforth** - District 5
 Councilmember **Scott Somers** - District 6

Chris Brady, City Manager
Scott Butler, Assistant City Manager

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



CITY OF MESA
Organizational Chart





INTRODUCTORY SECTION

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED | JUNE 30, 2024

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December 2, 2024

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

The Annual Comprehensive Financial Report of the City of Mesa (the “City”) for the fiscal year ended June 30, 2024 , 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 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, 2024, 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, 2024, 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, as measured by the US Census Bureau is 511,648 as compared with the 2020 decennial census count of 504,258. Total land area encompasses 138.7 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 Council-Manager 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 4,692 full-time (equivalent) City employees working within 28 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, and an airport.

Since 1952, Mesa has hosted the Chicago Cubs for Spring Training baseball. In 2014, the Cubs moved into the newly constructed Sloan Park where they continue to lead Major League Baseball in Spring Training attendance, averaging approximately 13,400 fans per game. The Oakland A's also call Mesa home for Spring Training, playing at the renovated Hohokam Stadium.

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

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

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

The budget is annually appropriated for all funds and 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 of Mesa continues to prosper and grow along with experiencing historic growth throughout all parts of the City in both commercial and residential development. From its historic downtown to the Technology Corridor in the southeast, the City has established a plan for sustainable growth and the support of the services needed by businesses and citizens for today and the future.

Mesa works to enhance the local economy by fostering a culture of quality, supporting the creation of higher wage jobs, promoting direct investment, and increasing the prosperity of our residents. Construction activity provides for revenues that will deliver a variety of significant City capital projects. Job expansion and higher paying jobs continue to expand the City's retail sales tax base which allows the City to support on-going operations. For the fiscal year (FY) ending June 30, 2024, local sales tax revenue was flat from the previous fiscal year. However, local sales tax revenue was 9.3% higher than the amount collected in FY 21/22. In addition, the transient lodging ('bed') tax collected in FY 23/24 was 6.5% higher than the amount collected in FY 21/22.

After setting a record during the previous year, the City's economic indicator for total value of construction in FY 23/24 was down 28% from FY 22/23. However, the total value of construction in FY 23/24 was flat from FY 21/22. Commercial construction was down 41% in FY 23/24 but was still 16% higher than FY 21/22. The corresponding dollar valuation associated with all FY 23/24 permits fell approximately \$850 million from the prior fiscal year.

Conservative budget practices and willingness to respond to economic indicators continue to allow the City to maintain unrestricted fund balance reserve levels as established in the City's financial policies. The FY 2025 budget continues the City's fiscally conservative approach and reinforces the City's effort to invest in economic development, improve public safety and attract and retain excellent employees. All fund balances were maintained at or above the levels prescribed by financial policy and prudent practice.

Major Initiatives

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

- Mesa's strong and resilient financial position was recognized this year as Fitch Ratings reaffirmed the top rating of AAA to the City's General Obligation (GO) bonds. S&P maintained their rating of AA for the City's GO bonds and reaffirmed their A+ rating on the City's utility revenue obligations. Moody's Ratings recently upgraded the City of Mesa's Highway User Revenue Fund (HURF) obligations, senior excise tax revenue obligations and subordinate excise tax revenue obligations to Aa2: outlook stable. Additionally, Mesa's General Obligation (GO) bond Aa2 rating was reaffirmed by Moody's.
- In November of 2023, Google announced its plans to build phase I of its data center campus in southeast Mesa, a \$600 million investment for 288,000 square feet to be completed in 2025. Additional phases are expected to be completed by 2030 bringing the project to 750,000 square feet and \$1 billion in capital investment.
- In December of 2023, Super Radiator Coils, a Minnesota-based company specializing in heat exchanging manufacturing, broke ground on 175,000 square feet of manufacturing and office space in Mesa's Gateway Area. The \$80 million project will employ 190 people.
- Also in December of 2023, Arizona State University started construction of its new center for manufacturing research and education at its Polytechnic campus in southeast Mesa. The 173,000 square-foot, three-story 12th Interdisciplinary Science and Technology Building (ISTB12) will house Ira A. Fulton Schools of Engineering's new School of Manufacturing Systems and Networks. ISTB12 is anticipated to open in November 2025.
- At the beginning of the year, Bloomberg Philanthropies awarded Mesa the What Works Cities Certification at the Gold Level for establishing exceptional data capabilities to inform policy decisions, allocate funding, improve services, evaluate program effectiveness, and engage

residents. What Works Cities Certification continues to set a standard of excellence for data-informed local government. The standard reflects the practices, policies, and resources municipal governments must have in place to effectively harness data for better decision-making.

- In January, DSV Air and Sea, the Denmark-based global transportation and logistics firm, paid \$46 million to buy 87 acres of land in Mesa to build a regional headquarters and a 1.73 million square-foot warehouse.
- In February, the Phoenix-Mesa Gateway Airport held a ribbon cutting ceremony for its new terminal. The 30,000 square foot south concourse terminal replaces a 14-year-old temporary passenger terminal annex. The \$28 million project provides the airport a larger, modern, energy-efficient, and ADA-enhanced commercial passenger facility designed to accommodate additional future growth.
- In February, Pentagon Technologies Group, Inc., a critical materials supplier of advanced chamber cleaning equipment consumables to leading-edge semiconductor foundries, announced that it is building a new \$50 million cleaning facility in Mesa. The 65,500 square-foot space will be the company's largest facility and create 300 new jobs over the next several years.
- In April, XNRGY Climate Systems, a North American leader in sustainable HVAC solutions, celebrated the groundbreaking of its new state-of-the-art manufacturing facility and U.S. headquarters at the Phoenix-Mesa Gateway Airport. The groundbreaking marks the beginning of a major expansion for XNRGY, solidifying its commitment to the U.S. market and sustainable climate control solutions. The facility is expected to commence operations in Q1 2025, creating over 900 new jobs.
- In May, Phoenix-Mesa Gateway Airport set a new record for commercial passenger activity for the month with 146,384 passengers, representing a 7% increase over the previous record set in May 2022.
- In June, Carbon Capture Inc. signed a lease for an 83,000 square-foot high-volume manufacturing facility in Mesa. The company's first manufacturing plant is projected to manufacture 4,000 direct air capture (DAC) modules per year, equal to 2 megatons of removal capacity at full capacity.
- In June, the Mesa City Council approved the zoning and development agreement for the development of an auto mall on 120 acres around the emerging State Route 24. The development is expected to include auto manufacturers, retail and multifamily units for rent.
- In June, Valley Metro was awarded a \$15.9 million federal grant to advance the Rio East Dobson Streetcar Extension Study to extend the streetcar line 4.35 miles from Tempe into Mesa. The grant underscores the project's potential to boost economic development, improve air quality, provide high-capacity transit options for historically underserved areas and meet the evolving needs of the community.
- In 2024, WalletHub ranked Mesa as the **25th best-run city in the United States**, the highest ranking of any Arizona city. **Mesa also had the 5th best economy** according to the study. WalletHub measures the effectiveness of local leadership by determining how well city officials manage and spend public funds compared to the quality of services residents receive against the city's total budget. Using that approach, WalletHub compared the operating efficiency of 148 of the largest U.S. cities to reveal which among them are managed best.
- In July, Southern Cross Aviation, a leading wholesale aviation parts distributor, announced its expansion to Mesa to support the thriving general aviation, commercial aviation, and defense aerospace industries in Greater Phoenix. The company will invest over \$10 million in its new 23,599 square-foot facility dedicated to stocking and distributing aviation parts and components.
- In July, Komatsu announced an expansion in Mesa with a new 225,000 square-foot facility. The expanded sales and service facility represents a multi-million-dollar strategic investment and

underscores Komatsu's commitment to Mesa. The new facility is scheduled for completion in the spring of 2026.

- In August, Magna, a mobility technology company and one of the largest suppliers in the automotive space, announced that it is building a manufacturing facility in Mesa. The nearly 230,000 square-foot facility is expected to create hundreds of new jobs. Magna's new manufacturing facility highlights Arizona's rapidly growing automotive ecosystem that includes electric vehicle manufacturers Lucid and Nikola as well as automated vehicle innovators such as May Mobility and Gatik.
- In August, KoMiCo, a South Korea based company focused on precision cleaning and advanced coatings for devices and tools used in semiconductor manufacturing, bought a building in Mesa for its third location in the United States. The site will be the company's largest U.S. facility and represents about \$50 million in capital expenditure for the company. It is expected to open in 2026 and will create about 200 jobs. KoMiCo is a vendor to both Taiwan Semiconductor Manufacturing Company and Intel, which are in the middle of massive construction projects in north Phoenix and Chandler, respectively.
- In September, Quantum Industrial Services LLC, a vertically integrated mechanical and plumbing contractor, leased 135,759 square feet of industrial space in Mesa to serve as a new pipe fabrication shop to service clients across the Western U.S. The facility will house cutting edge fabrication technologies which enhance precision, productivity, and safety. The assembly and fabrication plant will employ 200 workers.
- In October, Nucleus RadioPharma, the world's first fully integrated development, manufacturing, and supply chain organization for radiopharmaceuticals, announced that it has signed a lease and committed to build a new manufacturing facility in Mesa. The 53,000-square-foot facility will create 50 new skilled jobs and be operational in mid-2026.
- In October, Google Fiber opened its first brick-and-mortar office in Arizona at Mesa Riverview. Mesa was the first city in the nation with an eight-gigabit service after the fiber optic internet provider first went online in 2023 in Mesa. The city entered into an agreement with Google Fiber in 2022 providing the company permission to micro trench into city streets to lay down fiber optic cables.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its annual comprehensive financial report for the fiscal year ended June 30, 2023. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized annual comprehensive 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 annual comprehensive 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 have made the preparation of the annual comprehensive 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,
Deputy City Manager/Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Mesa
Arizona**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morill

Executive Director/CEO



FINANCIAL SECTION

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED | JUNE 30, 2024



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2024, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the financial statements, for the year ended June 30, 2024, the City adopted new accounting guidance for compensated absences. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 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 nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the combining and individual nonmajor fund financial statements and schedules is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

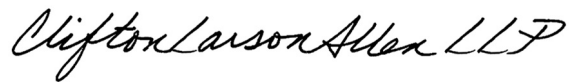
Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2024, 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 results 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
December 2, 2024

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

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, 2024. The reader is encouraged to consider the information presented here in conjunction with the transmittal letter presented on pages IV - IX, as well as the financial statements beginning on page 17 and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The City's total revenues increased by \$134.5 million from \$1.4 billion to \$1.5 billion. The increase in revenues is primarily from Unrestricted Investment Income (\$47.8 million), Unrestricted Intergovernmental (\$43.7 million), Capital Grants & Contributions (\$24.7 million), and Charges for services (\$17.9 million).
- The City's Governmental Funds reported a combined ending fund balance of \$869.6 million, a \$117.9 million increase from the previous year. Approximately 58 percent of the total governmental fund balance amount, or \$503.0 million, is designated by the City as committed, assigned and unassigned. The remaining 42 percent or \$366.6 million is designated as non-spendable or restricted.
- The total fund balance for the General Fund was \$422.7 million, which represents an increase of \$47.3 million over prior year. The increase is a combination of an increase in Sales Tax and Investment Income.
- The City's Enterprise Fund reported a combined total net position of \$474.4 million, which represents an increase of \$21.6 million over the prior year. The increase is primarily due to an increase in Charges for Services.

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: (1) Government-Wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Financial statements. This report also contains other Supplementary Information in addition to the basic financial statements.

Government-Wide Financial Statements

The Government-Wide Financial Statements (pages 17-19) are designed to provide a broad overview of the City's finances in a manner similar to private businesses.

The *Statement of Net Position* presents information on all 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* shows how the 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 Government-Wide Financial Statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*Governmental Activities*) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (*Business-*

Type Activities). The Governmental activities of the City include general government, public safety, community environment and cultural-recreational. The Business-Type activities include private sector type activities such as the City-owned utilities (electric, gas, water, wastewater, solid waste and district cooling), as well as the City-owned airport.

Fund Financial Statements

The fund financial statements (pages 20-29) focus on individual parts of the City government, reporting the City's operations in more detail than the Government Wide Financial Statements. They are used to maintain control over resources that have been segregated for specific activities or objectives and to ensure compliance with finance-related legal requirements. Fund financial statements are presented for Governmental Funds and Proprietary 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, the Governmental Funds 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 in Note 2 to the basic financial statements.

Proprietary funds are generally used to account for services for which the City charges customers (either outside customers, or internal departments of the City). Proprietary Funds provide the same type of information as shown in the Government-Wide Financial Statements only with more detail. Proprietary funds utilize the same method used by the private sector businesses, the accrual basis of accounting. The City maintains the following two types of Proprietary Funds:

- Enterprise Funds are used to report the same functions as Business-Type Activities in the Government-Wide Financial Statements. The City uses separate funds to account for the operations of the City-owned utilities (electric, gas, water, wastewater, solid waste and district cooling), as well as the City-owned airport. The Utility fund is considered a major fund and the Airport is a non-major Enterprise Fund.
- The Internal Service Funds are used 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 Internal Service Funds are combined into a single column on the Proprietary Fund Financial Statements. Individual fund data for the Internal Service Funds can be found in the combining 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. The notes to the financial statements can be found on pages 30-89 of this report.

Required Supplementary Information (RSI)

In addition to the financial statements and accompanying notes, this report presents certain required supplementary information including the city-wide budgetary comparison schedule, changes in net pension liability, employer pension contributions, and changes in other post-employment benefits (OPEB) liability. RSI and accompanying notes can be found on pages 90-106 of this report.

GOVERNMENT-WIDE FINANCIAL 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, 2024, and 2023.

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

	Governmental Activities		Business-Type Activities		Total Government	
	2024	2023	2024	2023	2024	2023
Cash and Other Assets	\$1,499,081	\$1,415,565	\$ 788,154	\$ 708,677	\$2,287,235	\$2,124,242
Capital Assets	1,830,466	1,722,053	1,547,985	1,424,562	3,378,451	3,146,615
Total Assets	<u>3,329,547</u>	<u>3,137,618</u>	<u>2,336,139</u>	<u>2,133,239</u>	<u>5,665,686</u>	<u>5,270,857</u>
Deferred Amounts on Refunding	3,182	4,202	17,828	20,463	21,010	24,665
Deferred Outflows on Pensions & OPEB	298,479	292,707	15,306	17,557	313,785	310,264
Total Deferred Amounts	<u>301,661</u>	<u>296,909</u>	<u>33,134</u>	<u>38,020</u>	<u>334,795</u>	<u>334,929</u>
Non-Current Liabilities, Due Within One Year	74,745	68,002	62,666	56,036	137,411	124,038
Non-Current Liabilities, Due In More Than One Year	524,567	485,431	1,434,632	1,305,232	1,959,199	1,790,663
Other Liabilities	241,780	245,547	187,360	156,212	429,140	401,759
Net Pension & OPEB Liability	1,788,214	1,643,536	136,582	125,288	1,924,796	1,768,824
Total Liabilities	<u>2,629,306</u>	<u>2,442,516</u>	<u>1,821,240</u>	<u>1,642,768</u>	<u>4,450,546</u>	<u>4,085,284</u>
Deferred Inflows on Pensions & OPEB	167,201	190,500	17,943	20,268	185,144	210,768
Deferred Inflows on Leases	49,952	63,269	55,646	55,336	105,598	118,605
	<u>217,153</u>	<u>253,769</u>	<u>73,589</u>	<u>75,604</u>	<u>290,742</u>	<u>329,373</u>
Net Investment in Capital Assets	1,317,166	1,229,376	82,964	92,703	1,400,130	1,322,079
Restricted Net Position	382,409	357,673	122,088	114,531	504,497	472,204
Unrestricted Net Position	(914,825)	(848,807)	269,392	245,653	(645,433)	(603,154)
Total Net Position	<u>\$ 784,750</u>	<u>\$ 738,242</u>	<u>\$ 474,444</u>	<u>\$ 452,887</u>	<u>\$1,259,194</u>	<u>\$1,191,129</u>

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

	Governmental Activities		Business-Type Activities		Total Government	
	2024	2023	2024	2023	2024	2023
Program Revenues:						
Charges for Services	\$ 132,016	\$ 126,244	\$ 470,018	457,904	\$ 602,034	\$ 584,148
Operating Grants & Contributions	78,057	75,436	236	268	78,293	75,704
Capital Grants & Contributions	14,618	24,611	56,440	21,796	71,058	46,407
General Revenues:						
Sales Taxes	329,821	331,144	—	—	329,821	331,144
Property Taxes	47,924	46,906	—	—	47,924	46,906
Occupancy Taxes	6,837	7,319	—	—	6,837	7,319
Unrestricted Intergovernmental	290,065	246,412	—	—	290,065	246,412
Utility Development Fees	—	—	7,395	14,142	7,395	14,142
Contributions	27,428	31,799	—	—	27,428	31,799
Unrestricted Investment Income (loss)	46,922	8,542	13,092	3,672	60,014	12,214
Gain on Sale of Capital Assets	200	1,854	—	—	200	1,854
Miscellaneous	13,226	8,233	7,783	1,252	21,009	9,485
Total Revenues	987,114	908,500	554,964	499,034	1,542,078	1,407,534
Governmental Activities Expenses:						
General Government	225,391	192,361	—	—	225,391	192,361
Public Safety	525,883	430,267	—	—	525,883	430,267
Community Environment	192,205	157,270	—	—	192,205	157,270
Cultural-Recreational	107,468	100,791	—	—	107,468	100,791
Interest on Long-Term Debt	16,793	16,138	—	—	16,793	16,138
Business-Type Activities:					—	—
Electric	—	—	49,009	48,672	49,009	48,672
Gas	—	—	46,078	51,105	46,078	51,105
Water	—	—	151,246	128,558	151,246	128,558
Wastewater	—	—	89,096	82,752	89,096	82,752
Solid Waste	—	—	55,972	51,213	55,972	51,213
Airport	—	—	13,302	7,671	13,302	7,671
District Cooling	—	—	1,570	1,528	1,570	1,528
Total Expenses	1,067,740	896,827	406,273	371,499	1,474,013	1,268,326
Increase (Decrease) in Net Position Before Transfers	(80,626)	11,673	148,691	127,535	68,065	139,208
Transfers	127,134	119,599	(127,134)	(119,599)	—	—
Change in Net Position	46,508	131,272	21,557	7,936	68,065	139,208
Net Position - Beginning	738,242	606,970	452,887	444,951	1,191,129	1,051,921
Net Position - Ending	\$ 784,750	\$ 738,242	\$ 474,444	\$ 452,887	\$ 1,259,194	\$ 1,191,129

Analysis of Government-Wide Net Position

The City's overall Net Position increased \$68.1 million from \$1.2 billion to \$1.3 billion at the end of fiscal year 2024. The Restricted portion of the City's Net Position increased \$32.3 million from \$472.2 million to \$504.5 million. Restricted Net Position represents resources that are subject to external restrictions on how they may be used. The restricted balances that increased in the current year include restrictions for public safety, and transportation programs. The Unrestricted Net Position of \$(645.4) million is primarily due to the impact of the long-term liability associated with pensions and OPEB of (\$1.8 billion).

Several factors contributed to the overall increase in Net Position:

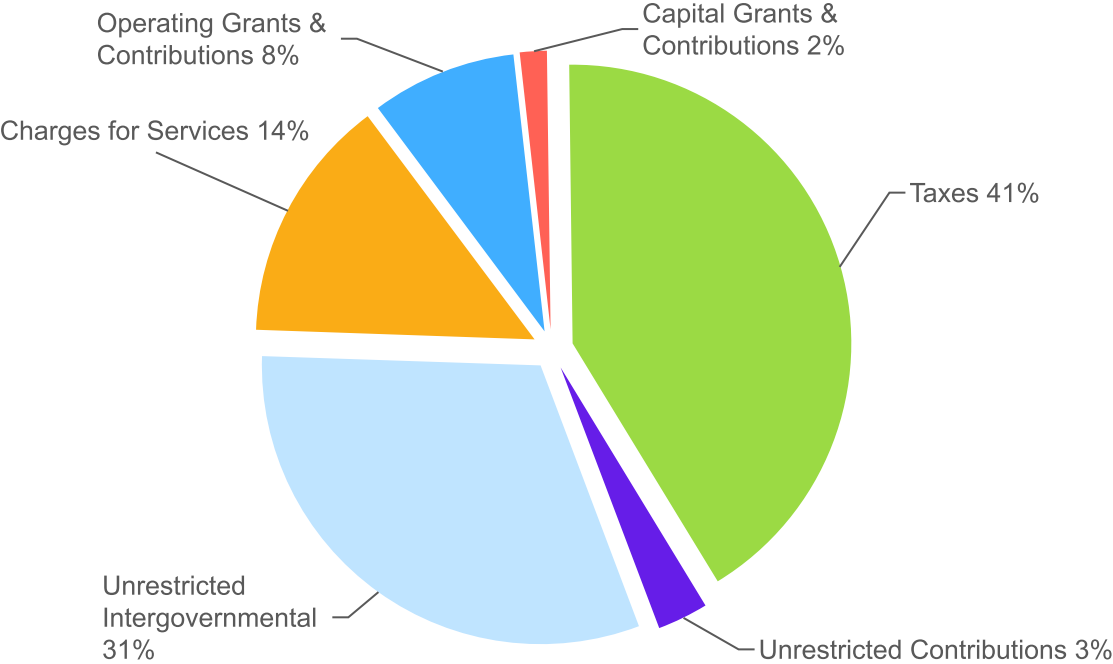
- Unrestricted Intergovernmental Revenues increased \$43.7 million due to an increase in State Shared Sales Tax revenues.
- Unrestricted Investment Income increased \$47.8 million. This is due to the change in fair value of investments from a \$12.2 million gain in prior year to a \$60.0 million gain in current year.

Governmental Activities

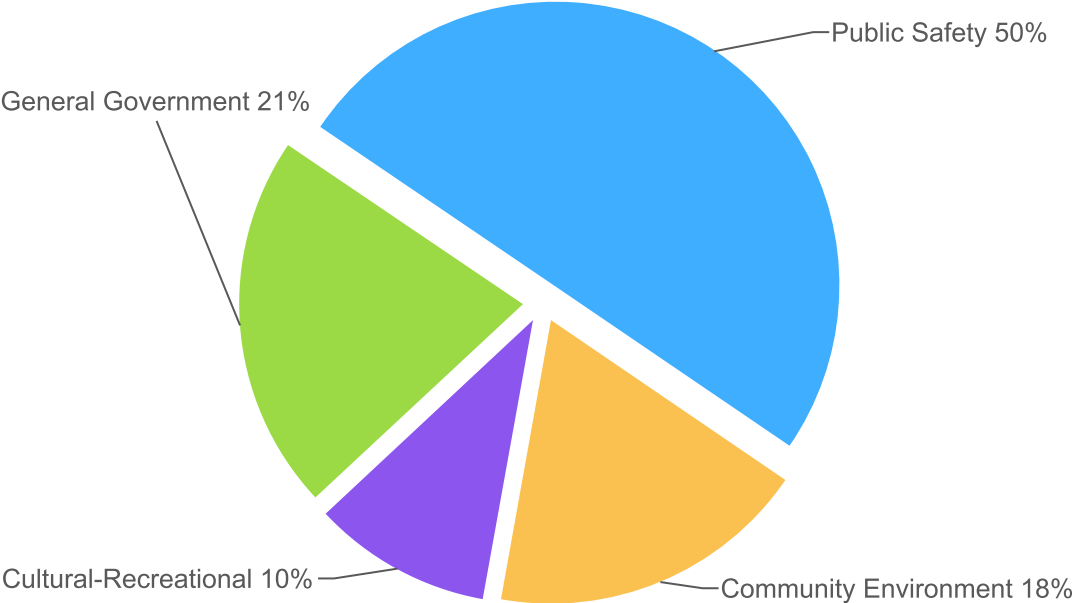
In fiscal year 2024, Governmental Activities increased their Net Position by \$46.5 million from \$738.2 million to \$784.8 million. The increase in Net Position for the Governmental Activities is from the overall increase in revenues, as described above.

As presented in the following two graphs, the largest funding sources for the governmental activities are Taxes (41%), Unrestricted Intergovernmental (31%) and Charges for Services (14%). The largest users of resources for the governmental activities are Public Safety (50%), General Government (21%) and Community Environment (18%).

**Governmental Activities
Revenues by Source
Fiscal Year Ended June 30, 2024**

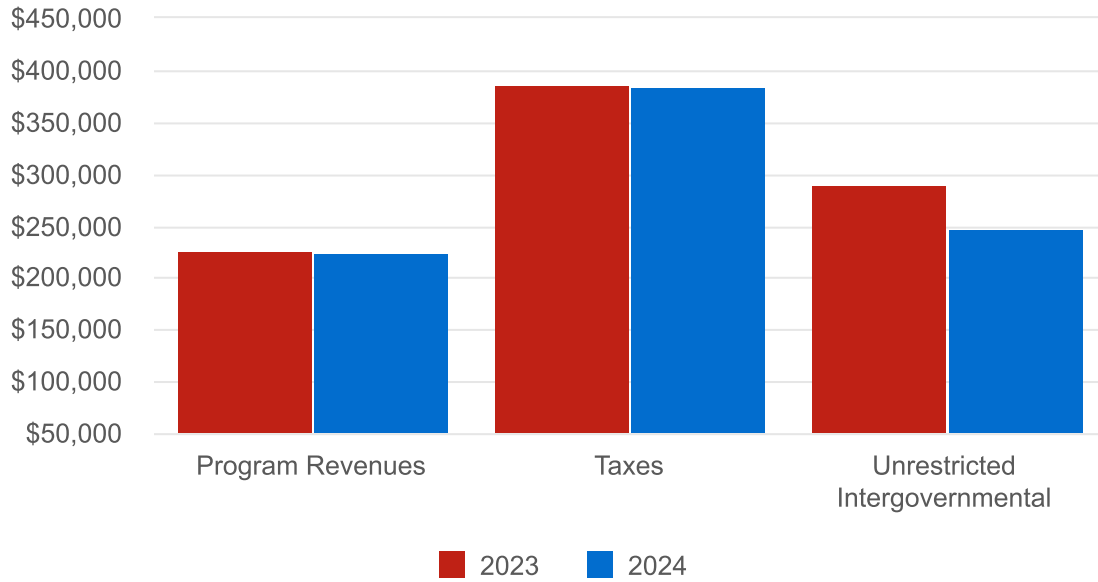


**Governmental Activities
Functional Expenses
Fiscal Year Ended June 30, 2024**

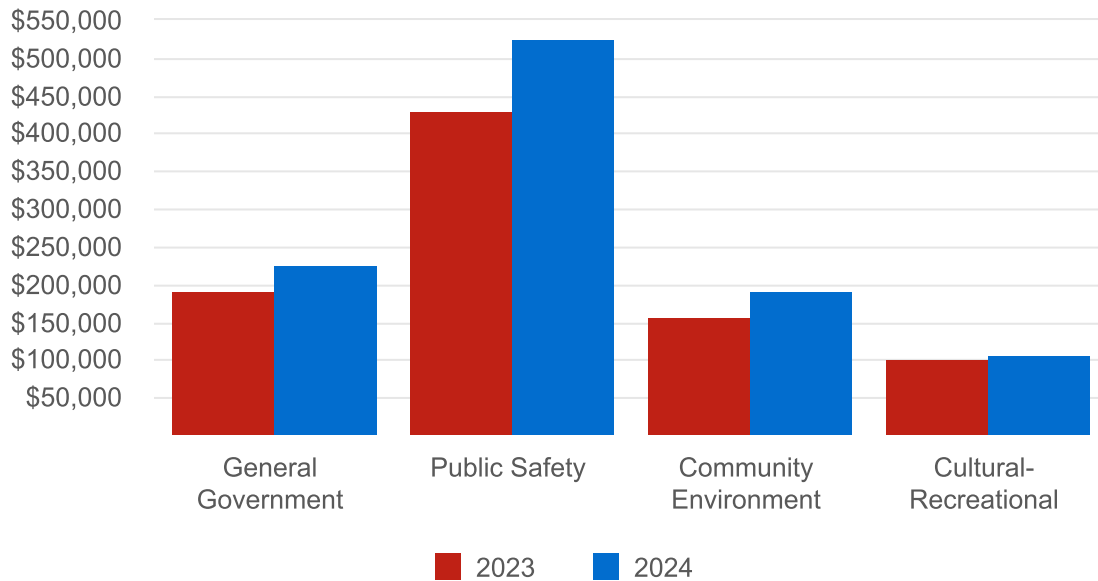


The following two graphs compare Governmental Activities revenues and expenses from fiscal year 2024 to fiscal year 2023.

Governmental Activities - Revenues by Source
Two Year Comparison
(In thousands of dollars)



Governmental Activities - Functional Expenses
Two Year Comparison
(In thousands of dollars)



Fund Financial Statement Analysis

The following is a brief discussion of some of the funds within the Governmental Activities.

General Fund

The General Fund is the primary 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. The total fund balance of the General Fund was \$422.7 million, while unassigned fund balance was \$194.1 million.

The total fund balance of the City's General Fund increased by \$47.3 million during the current fiscal year from \$375.4 million to \$422.7 million. The increase is due to a \$40.4 million increase in State Shared Sales Tax revenues.

Non-Major Governmental Funds

The Non-Major Governmental Funds include Special Revenue, Capital Project and Debt Service funds. The fund balance of the Non-Major Governmental funds was \$446.9 million, with the majority classified as Restricted.

Total fund balance of the Non-Major Governmental Funds increased by \$70.6 million during the current fiscal year. This is due to a combination of an increase in the Special Revenue funds (\$40.8 million) and an increase in the Capital Projects funds (\$30.87) million.

- The increase in the Special Revenue funds is due to the increase in Unrestricted Investment Income as previously discussed.
- Capital Project funds fund balance increased primarily in the Parks Capital fund due to the issuance of General Obligation Bonds, and slower than anticipated spending.

Budgetary Highlights

The City's annual budget is the legally adopted expenditure control document of the City. The legally adopted budget is at a citywide level that includes all Governmental and Enterprise Funds. A budget schedule at the citywide level is presented in the Required Supplementary Information Section. The schedule compares the original adopted budget, the budget as amended throughout the year, and the actual expenditures prepared on a budgetary basis.

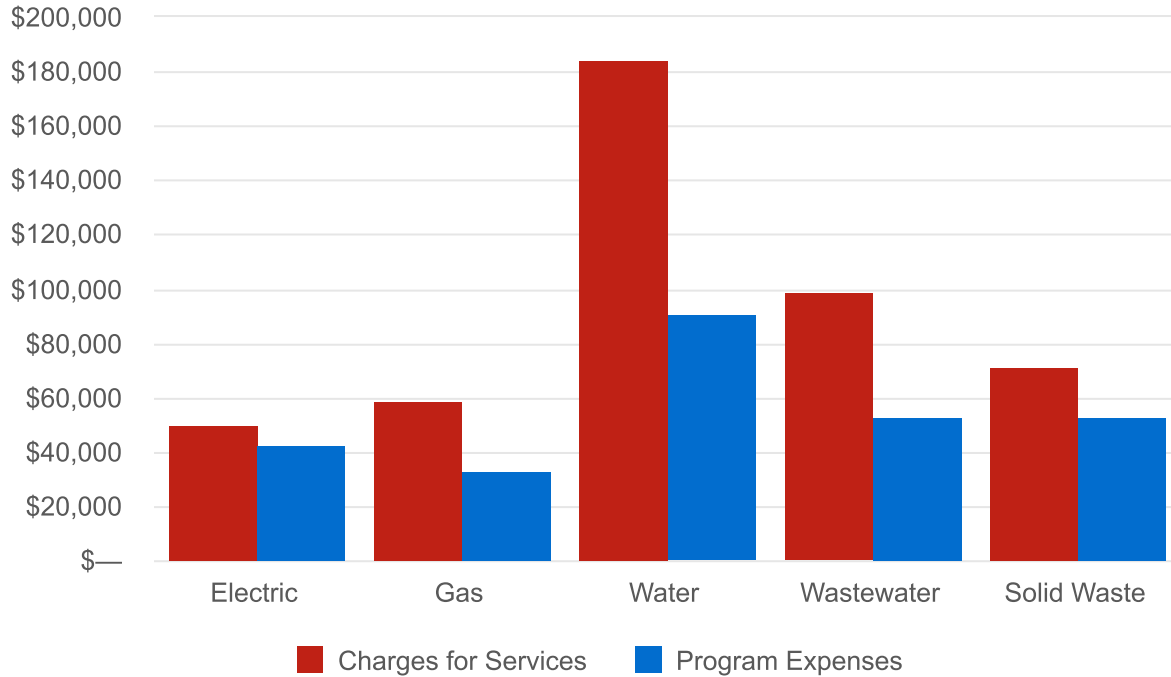
Budgeted amounts may change within funds and between funds. Transfers between funds or departmental groups may be made upon City Manager approval and do not require council action (see Note 1.f. of the notes to the financial statements for more information on budget policies). There were no budget amendments that increased the overall City adopted budget during fiscal year 2024.

Business-Type Activities

The following graphs present utility revenues and expenses for fiscal year 2024. The City's largest utility, Water, had a net revenue/expense gain of \$93.2 million and Wastewater had a net revenue/expense gain of \$45.6 million, whereas the remaining Utilities saw a more moderate net revenue/expense gain.

Utility Revenues Charges for Services and Program Expenses Fiscal Year 2024

(In thousands of dollars)



Total Business-Type Activities program and general revenues increased by \$55.9 million from \$499.0 million to \$555.0 million. The increase is primarily related to an increase in Capital Grants & Contributions by \$34.6 million. Developer Contributions for both water and wastewater infrastructure was the largest contributor to this increase.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities amounts to \$3.1 billion (net of accumulated depreciation/amortization) as of June 30, 2024. This net investment in capital assets includes land, buildings, other improvements, machinery and equipment, intangibles, infrastructure, leases and subscription-based information technology arrangements (SBITAs). 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.

The following table provides a breakdown of the City's capital assets on June 30, 2024, and 2023:

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

	Governmental Activities		Business-Type Activities		Total Government	
	2024	2023	2024	2023	2024	2023
Land	\$ 419,761	\$ 413,564	\$ 31,786	\$ 31,698	\$ 451,547	\$ 445,262
Infrastructure - Nondepr	3,597	3,597	17,666	17,666	21,263	21,263
Construction-in-Progress	186,489	119,210	191,396	129,835	377,885	249,045
Buildings	359,751	342,111	27,428	28,288	387,179	370,399
Other Improvements	143,117	138,470	35,205	36,982	178,322	175,452
Machinery & Equipment	117,272	103,714	26,178	23,628	143,450	127,342
Intangibles	—	1	3,579	3,691	3,579	3,692
Infrastructure	577,269	574,014	1,214,747	1,152,774	1,792,016	1,726,788
Leases	21,739	24,664	—	—	21,739	24,664
SBITAs	1,471	2,709	—	—	1,471	2,709
Total	<u>\$ 1,830,466</u>	<u>\$ 1,722,054</u>	<u>\$ 1,547,985</u>	<u>\$ 1,424,562</u>	<u>\$ 3,378,451</u>	<u>\$ 3,146,616</u>

The City's total capital asset balances on June 30, 2024, increased by \$231.8 million in comparison with prior year balances. Construction in Progress increased by \$128.8 million. There were several large projects that either started this year or had significant expenses. These projects included the expansion to Signal Butte Water Treatment Plant (\$17 million), Central Mesa Reuse Pipeline (\$34 million), Advanced Metering Infrastructure "AMI" (\$30 million), Public Safety Facilities (\$24 million), Red Mountain Park expansion (\$32 million) and the new City Hall (\$22 million). Infrastructure assets increased \$65.2 million, primarily due to Water, Wastewater and Streets Infrastructure projects.

Additional information on the City's capital assets can be found in Note 8 of the notes to the basic financial statements.

Debt Administration

At the end of the fiscal year 2024, the City had total long-term bond obligations and notes payable outstanding of \$1.9 billion. Of this amount, \$336.0 million comprises debt backed by the full faith and credit of the City, \$1.5 billion represents bonds secured by specified revenue sources (i.e., Utility System Revenue, Highway User Revenue, Sales Tax) and \$22.1 million in lease liability and \$1.9 million in SBITAs liability. The City's outstanding long-term debt decreased \$117.8 million due to normal debt repayment.

The City's total outstanding debt includes \$93 million in Community Facility District (CFD) bonds. Special Assessment revenues and secondary property tax are collected to make the annual 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 following schedule shows the outstanding long-term debt of the City as of June 30, 2024, and 2023.

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

	Governmental Activities		Business-Type Activities		Total Government	
	2024	2023	2024	2023	2024	2023
General Obligation Bonds	\$335,990	\$ 284,955	\$ —	\$ —	\$ 335,990	\$ 284,955
Utility System Revenue Bonds	—	—	1,063,125	1,112,515	1,063,125	1,112,515
Utility Revenue Obligations	—	—	323,975	138,725	323,975	138,725
Highway User Revenue Fund	18,540	29,030	—	—	18,540	29,030
Excise Tax Obligations	31,630	32,935	—	—	31,630	32,935
Community Facility District	92,971	98,955	—	—	92,971	98,955
Notes Payable	—	—	827	983	827	983
Leases	22,077	24,715	—	—	22,077	24,715
SBITAs	1,900	2,866	—	—	1,900	2,866
Total	<u>\$503,108</u>	<u>\$ 473,456</u>	<u>\$ 1,387,927</u>	<u>\$ 1,252,223</u>	<u>\$ 1,891,035</u>	<u>\$ 1,725,679</u>

The City's current bond ratings are as follows:

	Rating Agency		
	Standard and Poor's Corporation	Moody's Investors Service	Fitch Ratings
General Obligation Bonds	AA	Aa2	AAA
Highway User Revenue Bonds	AA	Aa2	N/A
Utility System Revenue Bonds	AA-	Aa2	N/A
Utility System Obligations	A+	Aa3	N/A
Excise Tax Obligations	AA+	Aa2	N/A

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 on June 30, 2024, was \$480.2 million in the 6% capacity and \$1.3 billion in the 20% capacity. Additional information on the City's long-term obligations can be found in Note 9 of the notes to the basic financial statements and Table 10 in the Statistical Section.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

On June 3, 2024, the City Council approved a \$2.69 billion budget, which is an increase of \$130 million compared to prior year's budget. The adopted fiscal year 2025 budget continues the City's fiscally conservative approach. The Governmental Funds financial principles include 10%-15% fund balance over a 5-year forecasted period, sustainability of programs and services, competitive wages and benefits for employees, and investment in capital and lifecycle replacement projects. The Utility Fund financial principles includes 20% or higher reserve fund balance, and affordable utility services. The City's 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 fiscal year 2024-25 assessed valuation increased 8.4% to \$4.9 billion. On June 3 2024, the City Council voted to maintain the City' secondary property tax rate at \$0.8582 per \$100 assessed valuation.

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

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED | JUNE 30, 2024

City of Mesa, Arizona
Statement of Net Position
June 30, 2024
(in thousands)

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
Assets			
Pooled Cash and Investments	\$ 953,810	\$ 93,398	\$ 1,047,208
Accounts Receivable, Net	78,087	107,834	185,921
Accrued Interest Receivable	3,948	905	4,853
Due from Other Governments	58,515	2,644	61,159
Inventory	11,984	—	11,984
Prepaid and Deposits	8,852	5,296	14,148
Restricted Assets:			
Pooled Cash and Investments	20,105	192,728	212,833
Cash with Fiscal Agent	53,917	89,509	143,426
Accounts Receivable, net	20,586	—	20,586
Due from Other Governments	1,505	—	1,505
Customer Deposits	—	3,923	3,923
Joint Venture Construction Deposits	—	18,182	18,182
Investment in Joint Ventures	287,772	273,735	561,507
Capital Assets, Not Being Depreciated	609,847	240,848	850,695
Capital Assets, Being Depreciated, Net	1,220,619	1,307,137	2,527,756
Total Assets	<u>3,329,547</u>	<u>2,336,139</u>	<u>5,665,686</u>
Deferred Outflows of Resources			
Debt Refunding	3,182	17,828	21,010
Pensions and OPEB	298,479	15,306	313,785
Total Deferred Outflows of Resources	<u>301,661</u>	<u>33,134</u>	<u>334,795</u>
Liabilities			
Accounts Payable and Accrued Liabilities	77,040	14,084	91,124
Claims Payable	45,123	—	45,123
Customer and Defendant Deposits	10,096	—	10,096
Unearned Revenue	48,895	—	48,895
Liabilities Payable from Restricted Assets	60,626	173,276	233,902
Noncurrent Liabilities:			
Due Within One Year	74,745	62,666	137,411
Due in More Than One Year:			
Lease and SBITA Liability	20,908	—	20,908
Bonds and Notes Payable	458,845	1,429,209	1,888,054
Compensated Absences	44,814	5,423	50,237
Net Pension and OPEB Liability	1,788,214	136,582	1,924,796
Total Liabilities	<u>2,629,306</u>	<u>1,821,240</u>	<u>4,450,546</u>
Deferred Inflows of Resources			
Pensions and OPEB	167,201	17,943	185,144
Leases	49,952	55,646	105,598
Total Deferred Inflows of Resources	<u>217,153</u>	<u>73,589</u>	<u>290,742</u>
Net Position			
Net Investment in Capital Assets	1,317,166	82,964	1,400,130
Restricted For:			
Bond Indentures	—	47,488	47,488
Construction	3,508	18,182	21,690
Debt Service	51,473	56,418	107,891
Public Safety	118,019	—	118,019
Transportation Programs	196,051	—	196,051
Other Programs	13,358	—	13,358
Unrestricted	(914,825)	269,392	(645,433)
Total Net Position	<u>\$ 784,750</u>	<u>\$ 474,444</u>	<u>\$ 1,259,194</u>

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

City of Mesa, Arizona
Statement of Activities
For the Fiscal Year-Ended June 30, 2024
(in thousands)

<u>Functions/Programs:</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General Government	\$ 225,391	\$ 31,415	\$ 21,772	\$ 8,625
Public Safety	525,883	52,892	16,447	571
Community Environment	192,205	23,586	39,545	199
Cultural-Recreational	107,468	24,123	293	5,223
Interest on Long-Term Debt	16,793	—	—	—
Total Governmental Activities	<u>1,067,740</u>	<u>132,016</u>	<u>78,057</u>	<u>14,618</u>
Business-type Activities:				
Electric	49,009	50,234	—	241
Gas	46,078	58,932	—	17,122
Water	151,246	184,360	173	27,226
Wastewater	89,096	98,598	—	8,207
Solid Waste	55,972	71,773	63	56
Airport	13,302	4,798	—	3,588
District Cooling	1,570	1,323	—	—
Total Business-type Activities	<u>406,273</u>	<u>470,018</u>	<u>236</u>	<u>56,440</u>
Total Government	<u>\$ 1,474,013</u>	<u>\$ 602,034</u>	<u>\$ 78,293</u>	<u>\$ 71,058</u>

General Revenues:

Sales Taxes
Property Taxes
Occupancy Taxes
Unrestricted Intergovernmental Revenues
Utility Development Fees
Contributions Not Restricted to Specific Programs
Investment Income (Loss)
Gain on Sale of Capital Asset
Miscellaneous Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Total Net Position - Beginning

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (163,579)	\$ —	\$ (163,579)
(455,973)	—	(455,973)
(128,875)	—	(128,875)
(77,829)	—	(77,829)
(16,793)	—	(16,793)
<u>(843,049)</u>	<u>—</u>	<u>(843,049)</u>
—	1,466	1,466
—	29,976	29,976
—	60,513	60,513
—	17,709	17,709
—	15,920	15,920
—	(4,916)	(4,916)
—	(247)	(247)
<u>—</u>	<u>120,421</u>	<u>120,421</u>
(843,049)	120,421	(722,628)
329,821	—	329,821
47,924	—	47,924
6,837	—	6,837
290,065	—	290,065
—	7,395	7,395
27,428	—	27,428
46,922	13,092	60,014
200	—	200
13,226	7,783	21,009
127,134	(127,134)	—
<u>889,557</u>	<u>(98,864)</u>	<u>790,693</u>
46,508	21,557	68,065
<u>738,242</u>	<u>452,887</u>	<u>1,191,129</u>
<u>\$ 784,750</u>	<u>\$ 474,444</u>	<u>\$ 1,259,194</u>

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

City of Mesa, Arizona

Balance Sheet

Governmental Funds

June 30, 2024

(in thousands)

	General Fund	Total Non- Major Governmental Funds	Total Governmental Funds
Assets			
Pooled Cash and Investments	\$ 389,355	\$ 502,248	\$ 891,603
Accounts Receivable, Net	75,403	2,006	77,409
Accrued Interest Receivable	1,583	2,113	3,696
Due from Other Governments	26,208	32,307	58,515
Due from Other Funds	18,062	—	18,062
Prepaid Costs	4,860	1,665	6,525
Restricted Assets:			
Pooled Cash and Investments	—	20,105	20,105
Cash with Fiscal Agent	—	53,917	53,917
Accounts Receivable	—	20,586	20,586
Due from Other Governments	—	1,505	1,505
Total Assets	<u>\$ 515,471</u>	<u>\$ 636,452</u>	<u>\$ 1,151,923</u>
Liabilities			
Accounts Payable and Accrued Liabilities	\$ 34,127	\$ 37,934	\$ 72,061
Due to Other Funds	—	14,510	14,510
Customer and Defendant Deposits	1,624	8,472	10,096
Unearned Revenue	3,858	45,037	48,895
Payable from Restricted Assets:			
Accrued Interest Payable	—	10,576	10,576
Matured Bonds Payable	—	50,050	50,050
Total Liabilities	<u>39,609</u>	<u>166,579</u>	<u>206,188</u>
Deferred Inflows of Resources			
Unavailable Revenue	3,178	22,990	26,168
Deferred Inflows Related to Leases	49,952	—	49,952
Total Deferred Inflows of Resources	<u>53,130</u>	<u>22,990</u>	<u>76,120</u>
Fund Balance			
Nonspendable	4,860	1,665	6,525
Restricted	—	360,119	360,119
Committed	8,628	27,600	36,228
Assigned	215,138	84,806	299,944
Unassigned	194,106	(27,307)	166,799
Total Fund Balances	<u>422,732</u>	<u>446,883</u>	<u>869,615</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 515,471</u>	<u>\$ 636,452</u>	<u>\$ 1,151,923</u>

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

City of Mesa, Arizona

Reconciliation of the Balance Sheet of Governmental Funds

To the Statement of Net Position

June 30, 2024

(in thousands)

Fund Balances - total governmental funds	\$ 869,615
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 governmental funds.	1,826,285
Other assets used in governmental activities are not financial resources and therefore not reported in the governmental funds.	288,265
Deferred outflows related to deferred amounts on refunding and pensions are not financial resources and therefore not reported on the funds.	297,526
Long-term liabilities, including bonds payable, lease liabilities and net pension liabilities are not due and payable in the current period and therefore not reported in the governmental funds.	(2,347,201)
Deferred inflows relating to pensions represent a future acquisition on 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.	(135,359)
Internal service funds are used by management to charge the costs of certain activities to individual funds.	<u>(14,381)</u>
Net position of the governmental activities - statement of net position	<u>\$ 784,750</u>

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

City of Mesa, Arizona
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2024
(in thousands)

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Sales Taxes	\$ 198,077	\$ 131,744	\$ 329,821
Property Taxes	—	47,658	47,658
Occupancy Taxes	2,321	4,516	6,837
Special Assessments	—	1,736	1,736
Licenses and Permits	35,735	4,219	39,954
Intergovernmental	250,757	131,983	382,740
Charges for Services	60,009	22,347	82,356
Fines and Forfeitures	6,829	1,958	8,787
Investment Income (Loss)	22,467	21,584	44,051
Contributions	19	128	147
Miscellaneous Revenue	8,462	6,356	14,818
Total Revenues	<u>584,676</u>	<u>374,229</u>	<u>958,905</u>
Expenditures			
Current:			
General Government	117,979	15,492	133,471
Public Safety	361,458	73,131	434,589
Community Environment	27,941	97,532	125,473
Cultural-Recreational	66,914	11,248	78,162
Debt Service:			
Principal	3,549	50,200	53,749
Interest	487	18,801	19,288
Service Charges	—	14	14
Cost of Issuance	—	481	481
Capital Outlay	18,909	194,285	213,194
Total Expenditures	<u>597,237</u>	<u>461,184</u>	<u>1,058,421</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(12,561)</u>	<u>(86,955)</u>	<u>(99,516)</u>
Other Financing Sources (Uses)			
Transfers In	139,545	80,031	219,576
Transfers Out	(80,048)	(12,301)	(92,349)
Gain on Sale of Capital Asset	249	330	579
Face Amount of Bonds Issued	—	83,340	83,340
Financing of SBITA	131	—	131
Premium on Issuance of Bonds (Net)	—	6,153	6,153
Total Other Financing Sources (Uses)	<u>59,877</u>	<u>157,553</u>	<u>217,430</u>
Net Change in Fund Balances	47,316	70,598	117,914
Fund Balance - Beginning	<u>375,416</u>	<u>376,285</u>	<u>751,701</u>
Fund Balances - Ending	<u>\$ 422,732</u>	<u>\$ 446,883</u>	<u>\$ 869,615</u>

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

City of Mesa, Arizona

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, 2024
(in thousands)

Net change in fund balances - total governmental funds \$ 117,914

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. (2,143)

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. (125,614)

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 \$192,390 exceeded depreciation/amortization (\$75,741) in the current period. 116,649

Governmental funds report capital outlays for lease and SBITAs as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as amortization expense. This is the amount by which capital outlay \$131 exceeded amortization (\$4,222) in the current period. (4,091)

The net effect of miscellaneous transactions involving capital assets (e.g., donations, transfers and disposals) is to decrease net position. (4,666)

Change in equity in Joint Venture (12,289)

The issuance of long-term debt and financing of 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. (29,722)

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. (3,163)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. (6,367)

Change in net position of the governmental activities - statement of activities \$ 46,508

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

City of Mesa, Arizona
Statement of Net Position
Proprietary Funds
June 30, 2024
(in thousands)

	Business-Type Activities			Governmental Activities
	Utility	Non-Major Fund Airport	Total	Internal Service Funds
Assets				
Current Assets:				
Pooled Cash and Investments	\$ 87,065	\$ 6,333	\$ 93,398	\$ 62,207
Accounts Receivable (Net of Allowances)	48,874	58,960	107,834	663
Accrued Premiums Receivable	—	—	—	15
Accrued Interest Receivable	876	29	905	252
Due from Other Governments	289	2,355	2,644	—
Inventory	—	—	—	11,984
Deposits and Prepaid Costs	5,296	—	5,296	1,834
Restricted Assets:				
Pooled Cash and Investments	191,860	868	192,728	—
Cash with Fiscal Agents	89,509	—	89,509	—
Customer Deposits	3,923	—	3,923	—
Joint Venture Construction Deposits	18,182	—	18,182	—
Total Current Assets	<u>445,874</u>	<u>68,545</u>	<u>514,419</u>	<u>76,955</u>
Noncurrent Assets:				
Investment in Joint Ventures	273,735	—	273,735	—
Lease Asset	—	—	—	92
Capital Assets, Not Being Depreciated	231,442	9,406	240,848	844
Capital Assets, Being Depreciated, Net	<u>1,287,778</u>	<u>19,359</u>	<u>1,307,137</u>	<u>3,245</u>
Total Noncurrent Assets	<u>1,792,955</u>	<u>28,765</u>	<u>1,821,720</u>	<u>4,181</u>
Total Assets	<u>2,238,829</u>	<u>97,310</u>	<u>2,336,139</u>	<u>81,136</u>
Deferred Outflows of Resources				
Refundings	17,828	—	17,828	—
Pensions and OPEB	<u>14,922</u>	<u>384</u>	<u>15,306</u>	<u>4,135</u>
Total Deferred Outflows of Resources	<u>32,750</u>	<u>384</u>	<u>33,134</u>	<u>4,135</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,271,579</u>	<u>\$ 97,694</u>	<u>\$ 2,369,273</u>	<u>\$ 85,271</u>

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

City of Mesa, Arizona
Statement of Net Position
Proprietary Funds
June 30, 2024
(in thousands)

	Business-Type Activities			Governmental Activities
	Utility	Non-Major Fund Airport	Total	Internal Service Funds
Liabilities				
Current Liabilities - Payable From Current Assets:				
Accounts Payable and Accrued Liabilities	\$ 12,730	\$ 1,354	\$ 14,084	\$ 4,979
Claims Payable	—	—	—	45,123
Due to Other Funds	—	—	—	3,552
Current Liabilities-Payable From Restricted				
Accounts Payable and Accrued Liabilities	27,487	1,710	29,197	—
Interest Payable	31,659	—	31,659	—
Matured Bonds Payable	57,850	—	57,850	—
Customer Deposits and Prepayments	53,952	618	54,570	—
Current Portion of Long-Term Liabilities:				
Current Portion of Bonds Payable	59,630	—	59,630	—
Current Portion of Notes Payable	159	—	159	—
Current Portion of OPEB Liability	2,000	40	2,040	846
Current Portion of Compensated Absences	753	84	837	163
Total Current Liabilities	<u>246,220</u>	<u>3,806</u>	<u>250,026</u>	<u>54,663</u>
Long-Term Liabilities:				
Bonds Payable	1,428,541	—	1,428,541	—
Notes Payable	668	—	668	—
Lease Liability	—	—	—	103
Compensated Absences	5,241	182	5,423	1,124
Net Pension and OPEB Liability	133,225	3,357	136,582	38,088
Total Long-Term Liabilities	<u>1,567,675</u>	<u>3,539</u>	<u>1,571,214</u>	<u>39,315</u>
Total Liabilities	<u>1,813,895</u>	<u>7,345</u>	<u>1,821,240</u>	<u>93,978</u>
Deferred Inflows of Resources				
Pensions and OPEB	17,536	407	17,943	5,674
Deferred Inflows Related to Leases	—	55,646	55,646	—
Total Deferred Inflows of Resources	<u>17,536</u>	<u>56,053</u>	<u>73,589</u>	<u>5,674</u>
Net Position				
Net Investment in Capital Assets	54,199	28,765	82,964	4,181
Restricted For:				
Bond Indentures	47,488	—	47,488	—
Construction	18,182	—	18,182	—
Debt Service	56,418	—	56,418	—
Unrestricted	263,861	5,531	269,392	(18,562)
Total Net Position	<u>\$ 440,148</u>	<u>\$ 34,296</u>	<u>\$ 474,444</u>	<u>\$ (14,381)</u>

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

City of Mesa, Arizona
Statement of Revenues, Expenses
and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2024
(in thousands)

	Business-Type Activities			Governmental Activities
	Utility	Non-Major Fund Airport	Total	Internal Service Funds
Operating Revenues:				
Electric Charges	\$ 50,234	\$ —	\$ 50,234	\$ —
Gas Charges	58,932	—	58,932	—
Water Sales	184,360	—	184,360	—
Wastewater Charges	98,598	—	98,598	—
Solid Waste Charges	71,773	—	71,773	—
Airport Fees	—	4,798	4,798	—
District Cooling Charges	1,323	—	1,323	—
Charges For Services	—	—	—	43,383
Self-Insurance Contributions	—	—	—	119,943
Other Revenue	—	—	—	7,911
Total Operating Revenues	465,220	4,798	470,018	171,237
Operating Expenses:				
Electric	42,868	—	42,868	—
Gas	33,330	—	33,330	—
Water	91,126	—	91,126	—
Wastewater	52,972	—	52,972	—
Solid Waste	53,501	—	53,501	—
Airport	—	11,319	11,319	—
District Cooling	1,162	—	1,162	—
Warehouse, Maintenance & Services	—	—	—	47,817
Self-Insurance	—	—	—	132,207
Total Operating Expenses	274,959	11,319	286,278	180,024
Operating Income (Loss) Before Depreciation and Amortization	190,261	(6,521)	183,740	(8,787)
Depreciation and Amortization	(64,155)	(1,977)	(66,132)	(397)
Operating Income (Loss)	126,106	(8,498)	117,608	(9,184)

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

City of Mesa, Arizona
Statement of Revenues, Expenses
and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2024
(in thousands)

	Business-type Activities			Governmental Activities
	Utility	Non-Major Fund Airport	Total	Internal Service Funds
Nonoperating Revenues (Expenses):				
Investment Income	\$ 12,712	\$ 380	\$ 13,092	2,869
Intergovernmental	173	—	173	—
Lease Interest Revenue	—	1,189	1,189	—
Interest Expense:				
Bonds	(50,027)	—	(50,027)	—
Notes Payable	(22)	—	(22)	—
Lease	—	—	—	(3)
Gain/(Loss) on Sale of Capital Assets	(75)	(6)	(81)	—
Net Gain/(Loss) from Joint Venture	(3,002)	—	(3,002)	—
Utility Development Fees	7,395	—	7,395	—
Bond Issuance Costs	(731)	—	(731)	—
Miscellaneous Revenue	646	5,948	6,594	—
Total Nonoperating Revenues (Expenses)	<u>(32,931)</u>	<u>7,511</u>	<u>(25,420)</u>	<u>2,866</u>
Income before Transfers and Capital Contributions	93,175	(987)	92,188	(6,318)
Capital Contributions	52,915	3,588	56,503	44
Transfers In	17	—	17	—
Transfers Out	(127,142)	(9)	(127,151)	(93)
Change in Net Position	18,965	2,592	21,557	(6,367)
Total Net Position - Beginning	<u>421,183</u>	<u>31,704</u>	<u>452,887</u>	<u>(8,014)</u>
Total Net Position - Ending	<u>\$ 440,148</u>	<u>\$ 34,296</u>	<u>\$ 474,444</u>	<u>\$ (14,381)</u>

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

City of Mesa, Arizona
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2024
(in thousands)

	Business-type Activities			Governmental Activities
	Utility	Non-Major Fund Airport	Total	Internal Service Funds
Cash Flows From Operating Activities:				
Cash Received From Customers	\$ 465,482	\$ 3,464	\$ 468,946	\$ —
Cash Received From Users	—	—	—	171,369
Cash Payments to Suppliers	(213,631)	(7,335)	(220,966)	(164,430)
Cash Payments to Employees	(47,724)	(1,897)	(49,621)	(10,205)
Other Nonoperating Revenue	646	5,948	6,594	—
Net Cash Provided by (Used For) Operating Activities	204,773	180	204,953	(3,266)
Cash Flows From Noncapital Financing Activities:				
Intergovernmental	2,354	(2,291)	63	—
Interfund Payable Increase	—	—	—	1,598
Transfers In from Other Funds	17	—	17	—
Transfers Out to Other Funds	(127,141)	(9)	(127,150)	(93)
Net Cash Provided by (Used For) Noncapital Financing Activities	(124,770)	(2,300)	(127,070)	1,505
Cash Flows From Capital and Related Financing Activities:				
Proceeds From Bond Sales	202,735	—	202,735	—
Proceeds From Sale of Capital Assets	—	(6)	(6)	—
Acquisition and Construction of Capital Assets	(121,400)	(1,799)	(123,199)	(917)
Principal Paid on Bonds and Notes Maturities	(51,816)	—	(51,816)	—
Principal Paid on Lease	—	—	—	(71)
Interest Paid on Bonds and Notes	(53,625)	—	(53,625)	—
Contributions From Other Governments	—	—	—	44
Interest Income/(Expense) on Leases	—	1,189	1,189	(3)
Bond Issuance Costs	(731)	—	(731)	—
Contributions and Capital Grants	7,395	3,588	10,983	—
Net Cash For Capital and Related Financing Activities	(17,442)	2,972	(14,470)	(947)
Cash Flows From Investing Activities:				
Interest Received on Investments	12,718	380	13,098	2,860
Net Cash Provided By Investing Activities	12,718	380	13,098	2,860
Net Change in Pooled Cash and Investments	75,279	1,232	76,511	152
Total Cash and Investments at Beginning of Year	293,155	5,969	299,124	62,055
Total Cash and Investments at End of Year	\$ 368,434	\$ 7,201	\$ 375,635	\$ 62,207

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

City of Mesa, Arizona
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2024
(in thousands)

	Business-type Activities			Governmental Activities
	Utility	Non-Major Fund Airport	Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash				
Provided by (Used For) Operating Activities:				
Operating Income (Loss)	<u>\$ 126,106</u>	<u>\$ (8,498)</u>	<u>\$117,608</u>	<u>\$ (9,184)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities:				
Depreciation and Amortization	64,155	1,977	66,132	397
Miscellaneous Revenue	646	5,948	6,594	—
Changes in Assets and Liabilities:				
(Increase)/Decrease in Receivables	(2,706)	(1,334)	(4,040)	132
(Increase)/Decrease in Inventory	—	—	—	(1,872)
(Increase)/Decrease in Deposits and Prepaid Costs	1,108	39	1,147	(335)
(Increase)/Decrease in Deferred Outflows	2,220	31	2,251	1,589
Increase/(Decrease) in Accounts Payable	3,067	1,172	4,239	3,990
Increase/(Decrease) in Pension and OPEB Liability	10,802	492	11,294	504
Increase/(Decrease) in Deferred Inflows	(2,339)	324	(2,015)	(733)
Increase/(Decrease) in Other Accrued Expenses	1,714	29	1,743	2,246
Total Adjustments	<u>78,667</u>	<u>8,678</u>	<u>87,345</u>	<u>5,918</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 204,773</u>	<u>\$ 180</u>	<u>\$204,953</u>	<u>\$ (3,266)</u>
Noncash Transactions Affecting Financial Position:				
Contributions of Capital Assets	\$ (52,915)	\$ —	\$ (52,915)	\$ —
Gain (Loss) on Sale of Capital Assets	(75)	—	(75)	—
Amortization of Bond Premium	10,442	—	10,442	—
Amortization of Deferred Amounts on Refunding	(2,635)	—	(2,635)	—

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

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. The City's population as of the 2020 census is 504,258 within an area of approximately 138 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 and transportation. In addition, the City owns and operates an airport and a utility whose activities include operations of electricity, gas, water, wastewater, solid waste 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 three 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 currently serves as the Manager of the Districts.

Although the Districts 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 #1 can be obtained from the City's Finance Department, through Accounting Services at 20 E. Main Street, 3rd Floor, Mesa, Arizona 85211. Separate financial statements for Eastmark Community Facilities District #2 and 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.

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

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. In addition, AMWUA performs certain accounting, administrative and support services for the cities who are jointly using the 91st Avenue Water Treatment Plant.

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. 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. As a general rule, the effect of interfund activity has been eliminated from the Government-Wide Financial Statements; the exception is any interfund activity between Governmental and Business-Type Activities, such as transfers. Interfund services provided and used are not eliminated.

The Statement of Net Position reports all financial and capital resources of the City. It is presented in a format of assets plus deferred outflows of resources less liabilities less deferred inflows of resources equal 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, 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 Statement of Activities demonstrates the degree to which the direct expenses of the various functional activities 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.). Expenses reported for the various functional activities 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. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, including special assessments. Taxes and other items not properly included as program revenues are reported as general revenues. The general revenues support the net costs of the functions 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 and proprietary funds. 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 two enterprise funds. The Utility Fund is reported as a major fund and the Airport Fund is a Non-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.

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.

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 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.

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, 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 on the following major Governmental Funds and Proprietary Funds:

Major Governmental Funds:

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

Major Proprietary (Enterprise) Fund:

The **Utility Fund** has been established to account for all utility functions. This includes the City-owned electric, gas, water, wastewater and solid waste systems, plus district cooling.

Non-major Governmental Funds:

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

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

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

Proprietary Funds:

The **Airport Fund** is a Non-major Enterprise Fund and is used to account for the City-owned airport.

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.

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. 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. Transfers between funds or departmental groups may be made upon City Manager approval and do not require council action. The legally adopted budget is at a citywide level that includes all Governmental and Enterprise Funds. A budget schedule at the citywide level is presented in the Required Supplementary Information Section, and the other funds are located in the Supplementary Information Section.

On June 3, 1980, the voters of Arizona approved an expenditure limitation for all local governments. This limitation restricts the growth of expenditures to a percentage determined by population and inflation, with certain expenditures excluded from the limitation. Through a Home Rule option, any City can adopt its own alternative expenditure limitation if a majority of the qualified electors vote in favor of the issue at a regular election. On November 8, 2022, the City of Mesa voters approved to continue under Home Rule through fiscal year 2027.

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 details, see the Notes to Budgetary Comparison Schedule. Budgeted amounts are as originally adopted by the City Council on June 5, 2023.

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, cash deposits are held separately in the State of Arizona Local Government Investment Pool (LGIP).

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.

i. Inventories and Prepaid Items

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 expense/expenditure at the time individual items are consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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 \$10,000 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 acquisition value 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 and amortization of all assets are recorded and calculated using the straight-line method over the following estimated useful lives:

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

Lease and subscription-based information technology arrangements assets are amortized over the shorter of the lease period or estimated useful life of the associated contract.

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 more likely than not 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.

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 effective interest 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.

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 all monies in the State Treasurer's Local Government Investment Pools 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 fund 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, 2024, 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 February limited property values 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 tax liens on 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 levy is "unlimited" and the limited property value is used in determining the tax rate.

In fiscal year 2023-2024, current property tax collections were \$38,064,549 or 97.48% 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 on June 30, 2024, was \$1,407,958 of which \$676,834 was recorded as revenue and \$731,124 as unavailable revenue.

s. **New Accounting Pronouncements**

GASB Statement No. 100 *Accounting Changes and Error Corrections* This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023. The City implemented this Statement in fiscal year 2024 with no significant impact on these financial statements.

GASB Statement No 101 *Compensated Absences* This Statement establishes standards of accounting and financial reporting for (a) compensated absences and (b) associated salary-related payments, including certain defined contribution pensions and defined contribution other postemployment benefits (OPEB). The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. The City implemented this Statement in fiscal year 2024, see Note 9.

GASB Statement No. 102 *Certain Risk Disclosures* This Statement establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, The City will implement this Standard in fiscal year 2025.

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, 2024

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net position (in thousands):

	Total Governmental Funds	Long-term Assets/ Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations	Statement of Net Position Total
Assets					
Pooled Cash and Investments	\$ 891,603	\$ —	\$ 62,207	\$ —	\$ 953,810
Accounts and Misc Receivable, Net	77,409	—	678	—	78,087
Accrued Interest Receivable	3,696	—	252	—	3,948
Due from Other Governments	58,515	—	—	—	58,515
Dues from Other Funds	18,062	—	—	(18,062)	—
Inventory	—	—	11,984	—	11,984
Prepaid and Deposits	6,525	493	1,834	—	8,852
Restricted Assets:					
Pooled Cash and Investments	20,105	—	—	—	20,105
Cash with Fiscal Agent	53,917	—	—	—	53,917
Accounts Receivable	20,586	—	—	—	20,586
Dues from Other Governments	1,505	—	—	—	1,505
Investment in Joint Ventures	—	287,772	—	—	287,772
Capital Assets	—	1,826,285	4,181	—	1,830,466
Total Assets	<u>1,151,923</u>	<u>2,114,550</u>	<u>81,136</u>	<u>(18,062)</u>	<u>3,329,547</u>
Deferred Outflows of Resources					
Deferred Amounts on Refunding	—	3,182	—	—	3,182
Pensions and OPEB	—	294,344	4,135	—	298,479
Total Deferred Outflows of Resources	<u>—</u>	<u>297,526</u>	<u>4,135</u>	<u>—</u>	<u>301,661</u>
Total Assets and Deferred Outflows of	<u>\$ 1,151,923</u>	<u>\$ 2,412,076</u>	<u>\$ 85,271</u>	<u>\$ (18,062)</u>	<u>\$ 3,631,208</u>
Liabilities					
Accounts Payable and Accrued	72,061	—	4,979	—	77,040
Due to Other Funds	14,510	—	3,552	(18,062)	—
Claims Payable	—	—	45,123	—	45,123
Customer and Defendant Deposits	10,096	—	—	—	10,096
Unearned Revenue	48,895	—	—	—	48,895
Liabilities Payable from Restricted	60,626	—	—	—	60,626
Pension and OPEB	—	1,769,944	38,934	—	1,808,878
Long-term Liabilities	—	577,257	1,390	—	578,647
Total Liabilities	<u>206,188</u>	<u>2,347,201</u>	<u>93,978</u>	<u>(18,062)</u>	<u>2,629,305</u>
Deferred Inflows of Resources					
Unavailable Revenue	26,168	(26,168)	—	—	—
Deferred Inflows Related to Leases	49,952	—	—	—	49,952
Pension	—	161,527	5,674	—	167,201
Total Deferred Inflows of Resources	<u>76,120</u>	<u>135,359</u>	<u>5,674</u>	<u>—</u>	<u>217,153</u>
Fund Balance/Net Position					
Total Fund Balance/Net Position	<u>869,615</u>	<u>(70,484)</u>	<u>(14,381)</u>	<u>—</u>	<u>784,750</u>
Total Liabilities and Fund Balance/Net Position	<u>\$ 1,151,923</u>	<u>\$ 2,412,076</u>	<u>\$ 85,271</u>	<u>\$ (18,062)</u>	<u>\$ 3,631,208</u>

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2024

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

Investment in Joint Ventures	\$ <u>287,772</u>
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When capital assets (land, buildings, equipment, etc.) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds, and thus a reduction in fund balance. However, the statement of net position includes those capital assets among the assets of the City as a whole.

Cost of Capital Assets	\$ 3,237,674
Accumulated Depreciation	<u>(1,434,507)</u>
Total	<u>\$ 1,803,167</u>

Certain items that are recognized as assets on the statement of net position are expended in governmental funds when paid such leases, and subscription-based information technology arrangements (SBITAs). These assets are capitalized and amortized over the shorter of the lease period or estimated useful life of the associated contract.

Lease and SBITA Assets	\$ 31,920
Accumulated Amortization	<u>(8,802)</u>
Total	<u>\$ 23,118</u>

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

Bonds Payable	\$ 479,131
Lease & SBITA Liability	23,874
Compensated Absences	48,713
Unamortized Bond Premium	25,539
Post-employment Benefits	815,388
Pension Liability	<u>954,556</u>
Total	<u>\$ 2,347,201</u>

Deferred outflows represent a consumption of net assets that applies to 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 Amounts on Refunding	\$ 3,182
Deferred Pensions and OPEB	<u>294,344</u>
	<u>\$ 297,526</u>

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2024

Deferred inflows relating to pensions represent acquisition of net assets that applies to future periods.

Deferred Inflow of Resources on Pension \$ 161,527

Prepaid expense consists of items that will consume net position in a future reporting period(s):

Prepaid Cost of Issuance \$ 493

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

Unavailable Property Tax Revenues	768
Unavailable Special Assessment Revenue	20,586
Receivables not yet Collected	<u>4,814</u>
	<u>26,168</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 \$ (14,381)

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2024

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

	Total Governmental Funds	Long-term Revenues/ Expenses(1)	Capital - Related Items(2)	Internal Service Funds(3)	Long-term Debt (4)	Eliminations (5)	Statement of Activities
Revenues and Other							
Revenues:							
Sales Taxes	\$ 329,821	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 329,821
Property Taxes	47,658	266	—	—	—	—	47,924
Occupancy Taxes	6,837	—	—	—	—	—	6,837
Special Assessments	1,736	(817)	—	—	—	—	919
Licenses and Permits	39,954	—	—	—	—	—	39,954
Intergovernmental	382,740	—	—	—	—	—	382,740
Charges for Service	82,356	—	—	—	—	—	82,356
Fines and Forfeitures	8,787	—	—	—	—	—	8,787
Investment Income	44,051	—	—	2,871	—	—	46,922
Contributions	147	—	508	26,773	—	—	27,428
Miscellaneous	14,818	(1,592)	—	—	—	—	13,226
Other Sources:							
Transfers In	219,576	—	—	—	—	(92,442)	127,134
Sale of Capital Assets	579	—	(379)	—	—	—	200
Face Amount of Bonds	83,340	—	—	—	(83,340)	—	—
Financing of Leases	131	—	—	—	(131)	—	—
Premiums on Issuance	6,153	—	—	—	(6,153)	—	—
Total Revenue and	\$ 1,268,684	\$ (2,143)	\$ 129	\$ 29,644	\$ (89,624)	\$ (92,442)	\$1,114,248
Expenditures/ Expenses and Other							
Expenditures/Expenses:							
Current:							
General	\$ 133,471	\$ 54,113	\$ 22,809	\$ 14,998	\$ —	\$ —	\$ 225,391
Public Safety	434,589	57,346	19,249	14,699	—	—	525,883
Community	125,473	5,220	57,021	4,491	—	—	192,205
Cultural-	78,162	8,935	18,641	1,730	—	—	107,468
Debt Service:							
Principal	53,749	—	—	—	(53,749)	—	—
Interest	19,288	—	—	—	(3,015)	—	16,273
Service Charge	14	—	—	—	—	—	14
Cost of Issuance	481	—	—	—	25	—	506
Capital Outlay	213,194	—	(213,194)	—	—	—	—
Other Financing Uses:							
Transfers Out	92,349	—	—	93	—	(92,442)	—
Total Expenditures/ & Other Financing	1,150,770	125,614	(95,474)	36,011	(56,739)	(92,442)	1,067,740
Net Change for the Year	\$ 117,914	\$ (127,757)	\$ 95,603	\$ (6,367)	\$ (32,885)	\$ —	\$ 46,508

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2024

- (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 Revenues	\$	266
Special Assessment Revenue		(817)
Unavailable Revenue		(1,592)
	\$	<u>(2,143)</u>

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

Accrual of Long Term Compensated Absence	\$	13,770
OPEB Expense		102,548
Pension Expense		9,296
Total	\$	<u>125,614</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/amortization expense. As a result, fund balance decreases by the amount of the financial resources expended, whereas net position decreases by the amount of depreciation/amortization expense charged for the year.

Capital Outlay for Capital Assets	\$	192,390
Depreciation Expense		(75,741)
Total	\$	<u>116,649</u>

When leases (in which the City is the lessee) and subscription-based information technology arrangements (SBITAs) are to be used in governmental activities, an expenditure is recorded in the governmental funds in the amount of the Present Value of the Future Lease Payments (PVFLP)/ Present Value of the Future Subscription Payments (PVFSP), respectively; however, in the statement of activities, the PVFLP and PVFSP are recognized as intangible assets and amortized over the lease term/subscription term.

Capital Outlay for Leases and SBITAs	\$	131
Lease & SBITA Amortization		(4,222)
Total	\$	<u>(4,091)</u>

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2024

The financing of leases and subscription-based information technology arrangements (SBITAs) are reported as financing sources in governmental funds and thus contribute to the change in fund balance. The repayment of principal on leases and SBITAs consumes financial resources in the governmental funds. Neither transaction has any effect on the statement of activities

Lease Acquisition	\$ (131)
Principal Repayment	3,665
	<u>\$ 3,534</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	\$ 12,289
Donations, transfers and Disposals	4,666
	<u>\$ 16,955</u>

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

Revenue and other Sources	\$ 29,644
Expenditures and other Assets	(36,011)
Change in Net Position	<u>\$ (6,367)</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.

General Obligation Bonds	\$ (83,340)
Principal Repayments	50,084
Total	<u>\$ (33,256)</u>

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

Premiums on Bonds	\$ 6,153
Amortization of Bond Premiums	(4,035)
Amortization of Deferred Refunding Amounts	1,020
Amortization of Bond Issuance Costs	25
	<u>\$ 3,163</u>

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2024

(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	\$	(92,442)
Transfers In		92,442
	\$	<u>—</u>

3. FUND BALANCE

As of June 30, 2024, the fund balance details by classification are listed below (in thousands):

Fund Balances:	General Fund	Non-major Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepaid Costs	\$ 4,860	\$ 1,665	\$ 6,525
Nonspendable Sub-total	4,860	1,665	6,525
Restricted:			
Capital Projects	—	56,833	56,833
Community Facility District	—	1,055	1,055
Coronavirus Relief	—	1,055	1,055
Court	—	2,494	2,494
Debt Service	—	30,119	30,119
Fire	—	46,725	46,725
General Government	—	10	10
Housing	—	936	936
Library	—	217	217
Parks & Recreation	—	768	768
Police	—	71,294	71,294
Public Health	—	3,379	3,379
Spring Training and Tourism	—	3,444	3,444
Transportation Programs	—	141,790	141,790
Restricted Sub-total	—	360,119	360,119
Committed To:			
Arts & Culture	—	1,400	1,400
Cemetery	3,715	3,024	6,739
Environmental Compliance	—	20,705	20,705
Fire	4,913	—	4,913
Technology	—	2,471	2,471
Committed To Sub-total	8,628	27,600	36,228
Assigned To:			
Capital Projects	—	80,870	80,870
Development Services	660	—	660
Economic Development	10,715	—	10,715
Fire	10,261	—	10,261
General Government	162,364	587	162,951
Parks & Recreation	1,608	—	1,608
Police	18,478	—	18,478
Spring Training and Tourism	10,431	—	10,431
Sustainability	344	—	344
Transit	277	—	277
Vehicle Replacement	—	3,349	3,349
Assigned To Sub-total	215,138	84,806	299,944
Unassigned	194,106	(27,307)	166,799
Total Fund Balances	\$ 422,732	\$ 446,883	\$ 869,615

4. POOLED CASH AND INVESTMENTS

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

Cash on Hand	\$ 34,064
Investments in Local Govt Invest Pools	23,414
Cash with Custodian (1)	33,689
Cash with Fiscal Agent (2)	143,426
Long-Term Investments	1,168,874
Total City Pooled Cash and Investments	<u>\$ 1,403,467</u>

(1) Represents cash sent by the City to Custodian on June 30, 2024 for investing purposes.

(2) Represents cash sent by the City to fiscal agents on June 30, 2024 for debt service payments due to bondholders on July 1, 2024

Deposits

At year end, the City's cash totaled \$34,063,603 which included \$137,300 in petty cash. The City's adjusted book balance was \$33,926,573 and the bank balance was \$37,191,023. The difference of \$3,264,450 represents outstanding deposits and withdrawals 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, 2024 are covered under House Bill 2619.

Investments

The City's Investment Policy is consistent with the City Charter. The investment policy authorizes the investment of City funds in accordance with Arizona Revised Statute §35-323. 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 Investment Pool, and investment grade corporate bonds, debentures, notes and other evidence of indebtedness issued or guaranteed by solvent U.S. corporations which are not in default as to principal or interest.

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy for credit risk complies with Arizona Revised Statute §35-323. The City's portfolio

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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 two nationally recognized rating agencies.

The City’s portfolio also invests in Corporate Notes rated “A” or better by two nationally recognized rating agencies 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. Pool 7 carries a weighted average credit rating of AAA.

Associated with credit risk is concentration of credit risk and custodial credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

The City’s investments had the following credit risk structure as of June 30, 2024 (in thousands):

Investment Type	S & P Rating	Fair value
Corporate Notes	AAA	\$ 1,511
Corporate Notes	AA+	7,136
Corporate Notes	AA	6,453
Corporate Notes	AA-	20,809
Corporate Notes	A+	25,578
Corporate Notes	A	30,070
Corporate Notes	A-	25,303
Corporate Notes	BBB+	8,237
Corporate Notes	NR / NR**	3,998
First American Gov’t Obligation MM Fund	AAAm	33,689
Foreign Issues	AAA	13,846
Foreign Issues	AA-	15,365
Foreign Issues	A+	12,858
Foreign Issues	A	17,424
Foreign Issues	A-	15,702
Foreign Issues	BBB+	2,823
Foreign Issues	NA/Aa2*	1,389
Municipal Bonds	AAA	21,783
Municipal Bonds	AA+	12,569
Municipal Bonds	AA	15,325
Municipal Bonds	AA-	13,823
Municipal Bonds	A+	2,878
Municipal Bonds	NR/Aa2*	3,248
Municipal Bonds	NR/Aaa*	3,258
Municipal Bonds	NR/NR**	3,000
US Agencies	AA+	548,124
US Agencies	NA/Aaa*	232,920
US Agencies	N/R**	78,670
US Treasuries Short Term	N/R**	24,774
Total		\$ 1,202,563

*Rating by Moodys

**No Rating

Fair Value of Investments

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2024

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.

On June 30, 2024, the City had the following recurring fair value measurements (in thousands):

<u>Investment by Fair Value Level</u>	<u>Fair Value</u> 6/30/2024	<u>Fair Value Measurements Using:</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Debt Securities</u>				
Corporate Notes	\$ 129,095	\$ —	\$ 129,095	\$ —
Foreign Issues	79,407	—	79,407	—
Municipal Bonds	75,884	—	75,884	—
US Treasuries and Agencies	884,488	—	884,488	—
Total Debt Securities at Fair Value	<u>\$ 1,168,874</u>	<u>\$ —</u>	<u>\$1,168,874</u>	<u>\$ —</u>
<u>Investments Measured at Fair Value</u>				
Arizona State Treasurers Investment Pools	\$ 23,414			
First American Gov't Obligation MM Fund	33,689			
Total Investments Measured At Fair Value	<u>\$ 1,225,977</u>			

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 fair values. Investments valued at NAV utilized Net Asset Values as provided by State of Arizona Treasurer's Office on June 30, 2024.

The City's investment maturities on June 30, 2024 are as follows (in thousands):

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>				<u>Concentration of Credit Risk %</u>
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-3</u>	<u>3-5</u>	
Corporate Notes	\$ 129,095	\$ 2,948	\$ 74,593	\$ 51,554	10.73 %
First American Gov't Obligation MM	33,689	33,689	—	—	2.80 %
Foreign Issues	79,407	8,347	43,310	27,750	6.60 %
Municipal Bonds	75,884	14,734	49,618	11,532	6.31 %
US Treasuries and Agencies	884,488	290,055	418,814	175,619	73.55 %
Totals	<u>\$1,202,563</u>	<u>\$ 349,773</u>	<u>\$ 586,335</u>	<u>\$266,455</u>	<u>100.00 %</u>

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):

Fund	Receivables	Allowance	Net
Governmental Activities:			
General Fund:			
Other Customers	\$ 29,022	\$ (6,293)	\$ 22,729
Leases	52,674	—	52,674
Due from Other Governments:	26,208	—	26,208
Non-Major Governmental Funds:			
Other Customers	3,174	(1,168)	2,006
Restricted-Spec. Assessments	20,586	—	20,586
Restricted-Due from Other Governments	1,505	—	1,505
Due from Other Governments			
Sales Tax Revenues	26,523	—	26,523
Other	5,784	—	5,784
Internal Service Funds:			
Premiums	15	—	15
Other Customers	1,120	(457)	663
Total Governmental Activities	<u>\$ 166,611</u>	<u>\$ (7,918)</u>	<u>\$ 158,693</u>
Business-Type Activities:			
Utility Customers	\$ 50,064	\$ (1,538)	\$ 48,526
Other Customers	554	(83)	471
Leases	58,837	—	58,837
Due from Other Governments	2,644	—	2,644
Total Business-type Activities	<u>\$ 112,099</u>	<u>\$ (1,621)</u>	<u>\$ 110,478</u>

Unbilled Accounts Receivable

Unbilled utility service receivables are recorded in the year in which the services are provided. At June 30, 2024, unbilled utility service receivables are recorded in the Enterprise Fund as follows (in thousands):

Electric	\$ 3,803
Gas	1,503
Water	10,440
Wastewater	4,858
Solid Waste	3,150
	<u>\$ 23,754</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 were as follows (in thousands):

	Governmental Activities		
	General Fund	Non-Major Funds	Total
Unearned Revenue			
Advance ticket sales	\$ 2,165	\$ 212	\$ 2,377
Grants received prior to meeting all eligibility requirements	—	38,732	38,732
Unspent ABC Donations	—	148	148
Amounts paid in advance	1,693	5,945	7,638
	<u>\$ 3,858</u>	<u>\$ 45,037</u>	<u>\$ 48,895</u>
Unavailable Revenue			
Receivables not yet collected	\$ 3,178	\$ 1,636	\$ 4,814
Delinquent Property Taxes	—	768	768
Special Assessments not yet due	—	20,586	20,586
	<u>\$ 3,178</u>	<u>\$ 22,990</u>	<u>\$ 26,168</u>

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The following interfund activities are included in the fund financial statements on June 30, 2024 (in thousands):

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 18,062	\$ —
Non-major Governmental Funds	—	14,510
Proprietary Funds	—	3,552
Total	<u>\$ 18,062</u>	<u>\$ 18,062</u>

Interfund balances on June 30, 2024, are short-term loans used to cover temporary cash deficits in various funds and are expected to be repaid within one year.

The following interfund transfers are reflected in the fund financial statements for the year ended June 30, 2024 (in thousands):

		Transfers Out					
Transfers In	Fund	General Fund	Non-major Governmental Funds	Utility Fund	Airport Fund	Internal Service Funds	Total
		General Fund	\$ —	\$ 12,301	\$ 127,142	\$ 9	\$ 93
	Non-major Governmental	80,031	—	—	—	—	80,031
	Utility Fund	17	—	—	—	—	17
	Total	\$ 80,048	\$ 12,301	\$ 127,142	\$ 9	\$ 93	\$ 219,593

The transfer from business-type activities to governmental activities on the government-wide statement of activities is a \$126,771,000 operational subsidy from the Utility 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/reserve transfers.

7. LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

City as Lessee

The City, as a lessee, has entered into lease agreements for three buildings, including one located at a local commercial airport, under long-term, non-cancelable lease agreements. The City sub-leases the airport building to an aircraft parts engineering and maintenance company. The airport lease agreement provides for increases in future minimum annual rental payments based on defined increases in the consumer price index, subject to certain minimum increases. The total of the City's lease assets is recorded at a cost of \$28,316,368, less accumulated amortization of \$6,577,127.

Total future minimum lease payments under this lease agreement are as follows (in thousands):

	Governmental Activities		Total
	Principal	Interest	
2025	\$ 2,018	\$ 409	\$ 2,427
2026	1,303	379	1,682
2027	1,305	353	1,658
2028	1,323	326	1,649
2029	1,231	301	1,532
2030-2034	6,519	1,116	7,635
Thereafter	8,378	396	8,774
Totals	<u>\$ 22,077</u>	<u>\$ 3,280</u>	<u>\$ 25,357</u>

City as Lessor

The City, as a lessor, has entered into lease agreements for land, air, buildings, and equipment under long-term, non-cancelable lease agreements. The building that is leased from a local commercial airport is sub-leased to an aircraft parts engineering and maintenance company. These leases expire at various dates through 2079 and provide for renewal options ranging from 1 to 50 years. During the year ended June 30, 2024, the City recognized \$6,628,730 and \$2,527,715 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Subscription-Based Information Technology Arrangements

The City has entered into subscription-based information technology arrangements (SBITAs) involving:

- Special event ticketing software
- Public safety data backup services software
- Medical transport billing software
- Public safety operations and intelligence software
- Leave administration software.
- Pawnshop ticketing and tracking software
- Lease administration and accounting software
- Development information management software

The total of the City's subscription assets is recorded at a cost of \$3,926,000, less accumulated amortization of \$2,455,329.

The future subscription payments under SBITA agreements are as follows (in thousands):

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,056	\$ 20	\$ 1,076
2026	494	10	504
2027	263	4	267
2028	15	1	16
2029	14	1	15
2030-2034	58	2	60
Totals	<u>\$ 1,900</u>	<u>\$ 38</u>	<u>\$ 1,938</u>

8. CAPITAL ASSETS

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2024, follows (in thousands):

	Restated Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-depreciable Assets:				
Land	\$ 413,564	\$ 6,197	\$ -	\$ 419,761
Infrastructure	3,597	-	-	3,597
Construction-in-Progress	119,210	202,082	(134,803)	186,489
Total Non-depreciable Assets	<u>536,371</u>	<u>208,279</u>	<u>(134,803)</u>	<u>609,847</u>
Depreciable Assets:				
Buildings	514,030	27,997	-	542,027
Other Improvements	312,211	17,874	(2,628)	327,457
Machinery & Equipment	309,470	29,712	(3,452)	335,730
Intangibles	24,312	-	-	24,312
Infrastructure	1,370,703	42,257	(469)	1,412,491
Total Depreciable Assets	<u>2,530,726</u>	<u>117,840</u>	<u>(6,549)</u>	<u>2,642,017</u>
Less Accumulated Depreciation for:				
Buildings	(171,919)	(10,357)	-	(182,276)
Other Improvements	(173,741)	(11,042)	443	(184,340)
Machinery & Equipment	(205,756)	(16,027)	3,325	(218,458)
Intangibles	(24,311)	(1)	-	(24,312)
Infrastructure	(796,689)	(38,854)	321	(835,222)
Total Accum. Depreciation	<u>(1,372,416)</u>	<u>(76,281)</u>	<u>4,089</u>	<u>(1,444,608)</u>
Total Depreciable Assets, net	<u>1,158,309</u>	<u>41,559</u>	<u>(2,460)</u>	<u>1,197,409</u>
Lease Assets				
Building	28,316	-	-	28,316
Total Lease Assets	<u>28,316</u>	<u>-</u>	<u>-</u>	<u>28,316</u>
Less Accumulated Amortization for:				
Buildings	(3,573)	(3,004)	-	(6,577)
Total Accum. Amortization	<u>(3,573)</u>	<u>(3,004)</u>	<u>-</u>	<u>(6,577)</u>
Total Amortizable Assets, net	<u>24,743</u>	<u>(3,004)</u>	<u>-</u>	<u>21,739</u>
Subscription-Based Information Technology Agreement Assets				
Software	3,889	131	(94)	3,926
Total SBITA Assets	<u>3,889</u>	<u>131</u>	<u>(94)</u>	<u>3,926</u>
Less Accumulated Amortization for:				
Software	(1,180)	(1,275)	-	(2,455)
Total Accum. Amortization	<u>(1,180)</u>	<u>(1,275)</u>	<u>-</u>	<u>(2,455)</u>
Total Amortizable Assets, net	<u>2,709</u>	<u>(1,144)</u>	<u>(94)</u>	<u>1,471</u>
Governmental Activities				
Capital Assets, net	<u>\$1,722,132</u>	<u>\$ 245,690</u>	<u>\$ (137,357)</u>	<u>\$1,830,466</u>

City of Mesa, Arizona
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For the Fiscal Year Ended June 30, 2024

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

General Government	\$ 9,548
Public Safety	13,219
Community Environment	41,898
Cultural-Recreational	15,299
Capital assets held by the City's Internal Service funds are charged to the various functions based on their usage of assets	<u>397</u>
	<u><u>\$ 80,361</u></u>

	<u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-type Activities:				
Non-depreciable Assets:				
Land	\$ 31,698	\$ 88	\$ —	\$ 31,786
Water Rights	17,560	—	—	17,560
Collections of Art	106	—	—	106
Construction-in-Progress	129,835	154,867	(93,306)	191,396
Total Non-depreciable Assets	<u>179,199</u>	<u>154,955</u>	<u>(93,306)</u>	<u>240,848</u>
Depreciable Assets:				
Buildings	46,701	—	—	46,701
Other Improvements	86,952	581	—	87,533
Machinery & Equipment	89,500	6,784	(2,729)	93,555
Intangibles	26,801	—	—	26,801
Infrastructure	2,252,340	120,665	(671)	2,372,334
Total Depreciable Assets	<u>2,502,294</u>	<u>128,030</u>	<u>(3,400)</u>	<u>2,626,924</u>
Less Accumulated Depreciation for:				
Buildings	(18,414)	(859)	—	(19,273)
Other Improvements	(49,971)	(2,357)	—	(52,328)
Machinery & Equipment	(65,872)	(4,168)	2,663	(67,377)
Intangibles	(23,110)	(112)	—	(23,222)
Infrastructure	<u>(1,099,564)</u>	<u>(58,637)</u>	<u>614</u>	<u>(1,157,587)</u>
Total Accum. Depreciation	<u>(1,256,931)</u>	<u>(66,133)</u>	<u>3,277</u>	<u>(1,319,787)</u>
Total Depreciable Assets, net	<u>1,245,363</u>	<u>61,897</u>	<u>(123)</u>	<u>1,307,137</u>
Business-type Activities				
Capital Assets, net	<u><u>\$1,424,562</u></u>	<u><u>\$ 216,852</u></u>	<u><u>\$ (93,429)</u></u>	<u><u>\$ 1,547,985</u></u>

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

Electric	\$ 3,933
Gas	7,295
Water	32,360
Wastewater	18,016
Solid Waste	2,146
Airport	1,977
District Cooling	408
	<u>\$ 66,133</u>

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

<u>Governmental Activities</u>	<u>Construction in Progress</u>	<u>Commitments</u>
General Governments	\$ 175,254	\$ 111,851
Public Safety	3,778	618
Community Environment	2,018	10
Cultural-Recreational	5,439	353
Total	<u>\$ 186,489</u>	<u>\$ 112,832</u>
<u>Business-type Activities</u>	<u>Construction In Progress</u>	<u>Commitments</u>
Electric	\$ 5,855	\$ 1,545
Gas	30,067	5,378
Water	94,834	170,682
Wastewater	50,697	27,545
Solid Waste	2,424	12,997
Airport	7,348	2,785
District Cooling	171	-
Total	<u>\$ 191,396</u>	<u>\$ 220,932</u>

9. LONG-TERM OBLIGATIONS

a. Changes in Long-Term Obligations

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

	Restated Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 284,955	\$ 83,340	\$ (32,305)	\$ 335,990	\$ 30,185
Highway User Revenue Bonds	29,030	-	(10,490)	18,540	10,880
Excise Tax Revenue Obligations	32,935	-	(1,305)	31,630	1,375
Community Facility District	98,955	-	(5,984)	92,971	3,385
Total Bonds Payable	<u>445,875</u>	<u>83,340</u>	<u>(50,084)</u>	<u>479,131</u>	<u>45,825</u>
Leases	24,715	-	(2,567)	22,077	2,013
Subscription-Based Information					
Technology Arrangements	2,866	131	(1,097)	1,900	1,056
Unamortized Premiums	23,421	6,153	(4,035)	25,539	-
Compensated Absences	35,890	49,569	(35,458)	50,001	5,187
Pension and OPEB Liability	1,664,200	144,678	-	1,808,878	20,664
Governmental Activities Total	<u>\$2,196,967</u>	<u>\$ 283,870</u>	<u>\$ (93,242)</u>	<u>\$ 2,387,526</u>	<u>\$ 74,745</u>
Business-type Activities:					
Bonds Payable:					
Utility Revenue Bonds	\$1,112,515	\$ -	\$ (49,390)	\$ 1,063,125	\$ 50,840
Utility Revenue Obligations	138,725	193,710	(8,460)	323,975	8,790
Total Bonds Payable	<u>1,251,240</u>	<u>193,710</u>	<u>(57,850)</u>	<u>1,387,100</u>	<u>59,630</u>
Notes Payable	983	-	(156)	827	159
Unamortized Bond Premiums	85,847	-	(8,886)	76,961	-
Unamortized Obligation Premiums	16,641	9,025	(1,556)	24,109	-
Compensated Absences	4,516	6,568	(4,826)	6,259	837
Pension and OPEB Liability	127,328	11,294	-	138,622	2,040
Business-type Activities Total	<u>\$1,486,554</u>	<u>\$ 220,597</u>	<u>\$ (73,274)</u>	<u>\$ 1,633,878</u>	<u>\$ 62,666</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, \$1,286,397 of internal service funds compensated absences are included in the above amounts.

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

b. Bonds Payable

On June 30, 2024, long-term bonds payable consisted of:

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

General Obligation Bonds

	Bonds Outstanding (In Thousands)
\$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.	\$ 16,000
\$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, 2033.	35,400
\$37,550,000 2014 general obligation serial bonds due in annual installments ranging from \$1,050,000 to \$5,575,000, plus semi-annual interest ranging from 2 percent to 3.6 percent through July 1, 2034.	20,425
\$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.	4,665
\$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.	25,850
\$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.	15,465
\$22,935,000 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 0.85 percent to 3 percent through July 1, 2029.	11,495
\$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.	31,530
\$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.	30,695
\$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.	5,850

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\$33,065,000	2019 general obligation serial bonds due in annual installments ranging from \$640,000 to \$16,700,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2039.	\$ 13,685
\$22,075,000	2020 general obligation serial and term bonds due in annual installments ranging from \$465,000 to \$1,920,000, plus semi-annual interest ranging from 1.875 percent to 3 percent through July 1, 2040.	9,320
\$23,390,000	2020 general obligation refunding serial bonds due in annual installments ranging from \$730,000 to \$12,480,000, plus semi-annual interest ranging from 4 percent to 5 percent through July 1, 2030.	19,640
\$19,030,000	2021 general obligation serial and term bonds due in annual installments ranging from \$80,000 to \$17,080,000, plus semi-annual interest ranging from 3 percent to 5 percent through July 1, 2041.	1,780
\$14,495,000	2021 general obligation refunding serial bonds due in annual installments ranging from \$665,000 to \$6,380,000, plus semi-annual interest ranging of 5 percent through July 1, 2031.	11,035
\$22,620,000	2022 general obligation serial bonds due in annual installments ranging from \$905,000 to \$12,665,000, plus semi-annual interest of 5 percent through July 1, 2032.	9,050
\$83,340,000	2023 general obligation serial bonds due in annual installments ranging from \$2,440,000 to \$9,235,000, plus semi-annual interest of 5 percent through July 1, 2032.	74,105
Total General Obligation Bonds		<u>\$ 335,990</u>

Street and Highway User Revenue Bonds

\$10,675,000	2007 street and highway user revenue bonds, partially refunded by street and highway users revenue refunding bond series 2015, 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.	\$ 1,000
\$17,555,000	2015 street and highway user revenue refunding bonds, due in annual installments ranging from \$15,000 to \$9,880,000 plus semi-annual interest of 3 to 5 percent through July 1, 2027.	17,540
Total Street and Highway User Revenue Bonds		<u>\$ 18,540</u>

Community Facilities District

<p>\$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 principal installments ranging from \$62,000 to \$180,000, plus semi-annual interest ranging from 2 percent to 5.25 percent through July 1, 2038.</p>	<p>\$ 1,774</p>
<p>\$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 principal installments ranging from \$85,000 to \$225,000, plus semi-annual interest ranging from 2 percent to 5.375 percent through July 1, 2039.</p>	<p>2,301</p>
<p>\$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 principal 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.</p>	<p>1,443</p>
<p>\$6,800,000 2015 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$165,000 to \$680,000, plus semi-annual interest ranging from 4 percent to 5 percent through July 15, 2039.</p>	<p>5,070</p>
<p>\$970,000 2015 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 4 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$15,000 to \$65,000, plus semi-annual interest ranging from 2 percent to 5 percent through July 1, 2040.</p>	<p>640</p>
<p>\$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 principal 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.</p>	<p>797</p>
<p>\$502,000 2017 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 6 Special Assessment Revenue Bonds, due in annual principal 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.</p>	<p>394</p>
<p>\$8,160,000 2017 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$215,000 to \$510,000, plus semi-annual interest ranging from 2 percent to 5 percent through July 15, 2042.</p>	<p>6,470</p>
<p>\$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 principal installments ranging from \$36,500 to \$85,000, plus semi-annual interest ranging from 2 percent to 4.5 percent through July 1, 2042.</p>	<p>1,070</p>

City of Mesa, Arizona
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<p>\$770,000 2018 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 8 Special Assessment Revenue Bonds, due in annual principal 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.</p>	<p>\$ 622</p>
<p>\$368,000 2018 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 9 Special Assessment Revenue Bonds, due in annual principal 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.</p>	<p>282</p>
<p>\$10,830,000 2018 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$240,000 to \$1,240,000, plus semi-annual interest ranging from 3.75 percent to 5.0 percent through July 15, 2043.</p>	<p>8,290</p>
<p>\$969,000 2018 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 11 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$24,000 to \$65,000, plus semi-annual interest ranging from 3.00 percent to 5.00 percent through July 1, 2043.</p>	<p>840</p>
<p>\$287,000 2019 Cadence Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 2 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$7,000 to \$20,000, plus semi-annual interest ranging from 3.25 percent to 4.50 percent through July 1, 2043.</p>	<p>224</p>
<p>\$1,883,000 2019 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 10 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$48,000 to \$130,000, plus semi-annual interest ranging from 2.75 percent to 5.20 percent through July 1, 2043.</p>	<p>1,620</p>
<p>\$261,000 2019 Cadence Community Facilities District (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$5,000 to \$16,000, plus semi-annual interest ranging from 2.00 percent to 5.00 percent through July 15, 2043.</p>	<p>215</p>
<p>\$2,012,000 2019 Cadence Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 1 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$55,000 to \$130,000, plus semi-annual interest ranging from 2.25 percent to 4.50 percent through July 1, 2043.</p>	<p>1,704</p>
<p>\$1,235,000 2019 Second Series, Cadence Community Facilities District (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$35,000 to \$350,000, plus semi-annual interest ranging from 3.00 percent to 4.00 percent through July 15, 2044.</p>	<p>1,060</p>

City of Mesa, Arizona

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\$14,120,000 2019 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$285,000 to \$3,950,000, plus semi-annual interest ranging from 3.00 percent to 4.00 percent through July 15, 2044.	\$ 12,235
\$707,000 2020 Eastmark Community Facilities District No. 2 (City of Mesa, Arizona) Assessment District "A" Special Assessment Revenue Bonds, due in annual principal installments ranging from \$20,000 to \$270,000, plus semi-annual interest ranging from 2.00 percent to 4.00 percent through July 1, 2044.	619
\$2,803,000 2020 Cadence Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 3 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$78,000 to \$170,000, plus semi-annual interest ranging from 1.50 percent to 4.00 percent through July 1, 2045.	2,473
\$5,935,000 2020 Cadence Community Facilities District (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$180,000 to \$1,410,000, plus semi-annual interest ranging from 2.00 percent to 3.00 percent through July 15, 2044.	5,160
\$14,000,000 2020 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$425,000 to \$3,250,000, plus semi-annual interest ranging from 2.00 percent to 4.00 percent through July 15, 2044.	12,000
\$2,315,000 2020 Eastmark Community Facilities District No. 2 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$65,000 to \$1,105,000, plus semi-annual interest ranging from 2.00 percent to 4.00 percent through July 15, 2044.	2,045
\$4,469,000 2021 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 12 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$134,000 to \$2,300,000, plus semi-annual interest ranging from 1.60 percent to 3.75 percent through July 1, 2045.	4,058
\$1,580,000 2021 Cadence Community Facilities District (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$10,000 to \$41,000, plus semi-annual interest ranging from 3.00 percent to 4.00 percent through July 15, 2045.	1,350
\$9,955,000 2021 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$10,000 to \$1,965,000, plus semi-annual interest of 4.00 percent through July 15, 2045.	8,235
\$3,520,000 2023 Eastmark Community Facilities District No.1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$850,000 to \$1,080,000, plus semi-annual interest ranging from 4.125 percent to 5.00 percent through July 15, 2045.	2,570

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\$3,480,000 2023 Eastmark Community Facilities District No. 2 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$115,000 to \$1,305,000, plus semi-annual interest ranging from 4.25 percent to 5.00 percent through July 15, 2046. \$ 2,995

\$4,975,000 2023 Cadence Community Facilities District (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$385,000 to \$1,095,000, plus semi-annual interest ranging from 4.00 percent to 5.00 percent through July 15, 2046. 4,415

Total Community Facilities District Bonds **\$ 92,971**

Excise Tax Revenue Obligation

\$36,010,000 2020 excise tax revenue serial obligations, due in annual principal installments ranging from \$645,000 to \$2,595,000, plus semi-annual interest ranging from 3.00 percent to 5.00 percent through July 1, 2040. \$ 31,630

Total bonds payable recorded in governmental activities **\$ 479,131**

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

Utility Systems Revenue Bonds

\$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. \$ 2,215

\$52,875,000 2008 utility systems revenue serial bonds, (partially refunded by 2016 and 2018 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. 915

\$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, (partially refunded by 2018 utility systems revenue refunding bonds) due in annual principal installments ranging from \$475,000 to \$31,345,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2030. 83,735

City of Mesa, Arizona

Notes to Financial Statements

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\$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.	\$ 24,720
\$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.	85,125
\$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.	114,650
\$75,435,000 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.	70,185
\$112,120,000 2018 utility systems revenue serial and term 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.	94,120
\$93,825,000 2019A utility systems revenue serial and term bonds, due in annual principal installments ranging from \$850,000 to \$13,455,000, plus semi-annual interest of 5 percent through July 1, 2043.	78,825
\$54,225,000 2019B utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$200,000 to \$42,420,000, plus semi-annual interest 3 percent to 5 percent through July 1, 2033.	51,820
\$79,335,000 2019C utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$2,950,000 to \$7,800,000 plus semi-annual interest of 5 percent through July 1, 2035.	62,185
\$71,070,000 2020 utility systems revenue serial bonds, due in annual principal installments ranging from \$1,000,000 to \$10,100,000, plus semi-annual interest ranging from 3 percent to 5 percent through July 1, 2044.	61,480
\$37,675,000 2020 utility systems revenue refunding serial bond due in a single principal installment of \$37,675,000 plus semi-annual interest of 4 percent through July 1, 2034.	37,675
\$34,685,000 2021 utility systems revenue serial and term bonds, due in annual principal installments ranging from \$1,000,000 to \$11,395,000 plus semi-annual interest ranging from 3 percent to 5 percent through July 1, 2045.	28,895

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\$44,870,000 2021 utility systems revenue refunding serial bond due in a single principal installment of \$44,870,000 plus semi-annual interest of 4 percent through July 1, 2035. \$ 44,870

Total Utility Systems Revenue Bonds **\$ 1,063,125**

Utility System Revenue Obligations

\$14,015,000 2021 utility revenue serial and term obligations, due in annual principal installments ranging from \$1,000,000 to \$4,780,000, plus semi-annual interest ranging from 4.00 percent to 5.00 percent through July 1, 2045. \$ 12,015

\$16,075,000 2022 utility revenue serial and term obligations, due in annual principal installments ranging from \$2,660,000 to \$7,845,000, plus semi-annual interest of 5.00 percent through July 1, 2046. 10,645

\$54,705,000 2022 taxable utility revenue serial obligations, due in annual principal installments ranging from \$2,630,000 to \$2,725,000, plus semi-annual interest ranging from 2.90 percent to 3.95 percent through July 1, 2028. 54,705

\$57,655,000 2022C taxable utility revenue refunding serial obligations, due in a single principal installment of \$57,655,000 plus semi-annual interest of 5 percent through July 1, 2036. 57,655

\$193,710,000 2023 utility revenue serial obligations, due in annual principal installment ranging from 2,500,000 to 21,300,000 plus semi-annual interest of 5 percent through July 1, 2048. 188,955

Total Utility Systems Revenue Obligations **\$ 323,975**

Total bonds payable recorded in business-type activities **\$ 1,387,100**

The following tables summarize the City's debt service requirements to maturity for its long-term bonds payable on June 30, 2024 (in thousands). The deferred amounts on refundings are not included.

Governmental Activities

<u>General Obligation Bonds</u>				<u>Highway User Revenue Bonds</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 30,185	\$ 12,755	\$ 42,940	2025	\$ 10,880	\$ 785	\$ 11,665
2026	28,675	11,604	40,279	2026	3,755	344	4,099
2027	29,760	10,597	40,357	2027	3,905	156	4,061
2028	30,900	9,483	40,383	2028	—	—	—
2029	30,935	8,334	39,269	2029	-	-	-
2030-2034	116,915	25,991	142,906	2030-2034	-	-	-
2035-2039	46,820	10,324	57,144	2035-2039	-	-	-
2040-2043	21,800	2,694	24,494	2040-2043	-	-	-
TOTALS	\$ 335,990	\$ 91,782	\$ 427,772	TOTALS	\$ 18,540	\$ 1,285	\$ 19,825

<u>Excise Tax Revenue Obligations</u>				<u>Community Facilities District</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,375	\$ 1,324	\$ 2,699	2025	\$ 3,385	\$ 3,545	\$ 6,930
2026	1,440	1,255	2,695	2026	3,673	3,529	7,202
2027	1,515	1,183	2,698	2027	3,808	3,389	7,197
2028	1,590	1,107	2,697	2028	3,911	3,238	7,149
2029	1,670	1,028	2,698	2029	3,997	3,083	7,080
2030-2034	9,660	3,822	13,482	2030-2034	21,784	12,912	34,696
2035-2039	14,380	1,800	16,180	2035-2039	25,245	8,205	33,450
2040-2044	-	-	—	2040-2044	23,223	3,117	26,340
2045-2047	-	-	—	2045-2048	3,945	187	4,132
TOTALS	\$ 31,630	\$ 11,519	\$ 43,149	TOTALS	\$ 92,971	\$ 41,205	\$134,176

Business-type Activities

<u>Revenue Bonds</u>				<u>Utility Revenue Obligations</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 50,840	\$ 43,199	\$ 94,039	2025	\$ 8,790	\$ 15,996	\$ 24,786
2026	52,185	40,920	93,105	2026	8,770	15,600	24,370
2027	54,655	38,645	93,300	2027	8,255	15,200	23,455
2028	58,055	36,351	94,406	2028	8,730	14,820	23,550
2029	56,235	33,924	90,159	2029	8,260	14,411	22,671
2030-2034	331,930	130,429	462,359	2030-2034	31,650	66,566	98,216
2035-2039	274,950	71,326	346,276	2035-2039	75,215	51,373	126,588
2040-2044	179,880	19,489	199,369	2040-2044	80,295	38,078	118,373
2045-2048	4,395	220	4,615	2045-2048	94,010	10,329	104,339
TOTALS	\$1,063,125	\$414,503	\$1,477,628	TOTALS	\$ 323,975	\$242,373	\$566,348

General Obligation Bonds

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 June 30, 2024, is (in thousands):

6% Bonds	\$	480,154
20% Bonds		1,285,871
Total Available	\$	<u>1,766,025</u>

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, 2024, total principal and interest outstanding for CFD general obligation bonds was \$103,361,700.

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. On June 30, 2024, the special assessments receivable for CFDs, together with amounts paid in advance and interest to be received over the life of the assessment period, are adequate for the scheduled maturities of the bonds payable and the related interest. The total principal and interest remaining to be paid on the bonds is \$30,815,360 Principal and interest paid for the current year and total assessments collected were \$1,690,000, and \$1,736,000 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. For the year ended June 30, 2024, the amount provided in the Replacement and Extension Funds equaled \$9,318,000 which is in compliance with the bond provisions. As of June 30, 2024, the amount available is \$47,488,000.

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.

The following table reflects the annual requirements to amortize all notes outstanding as of June 30, 2024(in thousands):

Fiscal Year	Business-type Activities		
	Principal	Interest & Fees	Total
2025	\$ 159	\$ 18	\$ 177
2026	163	15	178
2027	167	11	178
2028	170	7	177
2029	167	4	171
Totals	<u>\$ 826</u>	<u>\$ 55</u>	<u>\$ 881</u>

d. Short-term Debt

The City had no short-term debt activity for the fiscal year ended June 30, 2024.

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 Revenue

Utility System Revenue Bonds

The City has pledged future utility customer revenues, net of specified operating expenses, to repay approximately \$1.063 billion in utility system revenue bonds issued and outstanding since 2006. 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 2045. Annual principal and interest payments on the bonds were 50.0% percent of net revenues. The total principal and interest remaining to be paid on the bonds is

\$1.478 billion. Principal and interest paid for the current year and total customer net revenues were \$95,049,000 and \$190,100,000, respectively.

Highway User Revenue Bonds

The City has pledged future Highway User Taxes Revenue to repay \$18,540,000 in highway user revenue bonds issued and outstanding since 2006. 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 23.9% percent of eligible revenues. The total principal and interest remaining to be paid on the bonds is \$19,825,000. Principal and interest paid for the current year and total highway user tax revenues were \$11,802,000 and \$49,344,000, respectively.

Excise Tax Revenue Obligations

The City has pledged future Excise Tax Revenues to repay \$36,010,000 in excise tax revenue obligations issued and outstanding since 2020. Proceeds from the obligations provided financing for construction and installation of new higher education building. Annual principal and interest payments on the bonds were 0.005% of eligible revenues. The total principle and interest remaining to be paid on the bonds is \$43,149,000. Principle and interest paid for the current year and total excise tax revenues were \$2,694,000 and 504,685,000, respectively.

10. REFUNDED, REFINANCED AND DEFEASED OBLIGATIONS

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 or a Defeasance. 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. Under a Defeasance City resources 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 on June 30, 2024, as reflected below is not included in the City's financial statements (in thousands).

Utility System Revenue Bond Issue dated May 30, 2007	\$ 785
Utility System Revenue Bond Issue dated May 29, 2008	3,585
Utility System Revenue Refunding Bond Issue dated September 25, 2014	<u>14,210</u>
Total Refunded and Defeased Bonds Outstanding	<u>\$ 18,580</u>

11. 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 Property and Public Liability, Workers' Compensation and Employee Benefits Internal Service Funds do not have stop loss receivables on June 30, 2024, and did not received any settlements in excess of insurance coverage over the past three fiscal years.

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

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

	Property & Public Liability	Workers' Compensation	Employee Benefits	Total
Unpaid Claims, 6/30/22	\$ 12,410	\$ 28,555	\$ 5,845	\$ 46,810
Adjustments to Reserves	(2,937)	(350)	\$ 70,522	67,235
Claim Expense	996	79	(71,902)	(70,827)
	<u>10,469</u>	<u>28,284</u>	<u>4,465</u>	<u>43,218</u>
Unpaid Claims, 6/30/23	10,469	28,284	4,465	43,218
Adjustments to Reserves	2,464	(1,671)	71,828	72,621
Claims Expense	(1,021)	827	(70,522)	(70,716)
	<u>(1,021)</u>	<u>827</u>	<u>(70,522)</u>	<u>(70,716)</u>
Unpaid Claims, 6/30/24	<u>\$ 11,912</u>	<u>\$ 27,440</u>	<u>\$ 5,771</u>	<u>\$ 45,123</u>

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

12. 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, the 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 on June 30, 2024, is \$24,404,512.

13. NET POSITION

a. Restricted Net Position

The government-wide statement of net position reports \$504,497,000 of restricted net position, of which \$260,474,000 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 in Net Position and Fund Balance

The deficit in the Worker’s Compensation and the Property and Public Liability Self-Insurance Funds consists of the prior year’s deficit resulting from claims expenses exceeding revenues received and from post-employment benefit charges and pension expenses. The City’s funding plan calls for yearly contributions from various funds to equal the year’s estimated claims and claim related expenses. Future claim liabilities, post-employment benefit charges, and pension expenses are not considered in determining funding for each year.

The deficit in the Warehouse, Maintenance, and Services Fund consists of the prior year’s deficit resulting from other post-employment benefit charges and pension expenses. The City’s funding plan calls for Charges for Services to cover operational expenses. Post-employment benefit charges and pension expenses are not considered in determining Charges for Services.

The deficit in the Public Safety Capital Project Funds will be covered by proceeds from a future bond sale.

14. ENTERPRISE ACTIVITIES OPERATIONS DETAIL

The Enterprise Fund includes operations of electricity, gas, water, wastewater, solid waste, airport 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, 2024, for these services are as follows (in thousands):

Functions	Operating Revenues	Operating Expenses		Operating Income (Loss)
		Depreciation	Other	
Electric	\$ 50,234	\$ 3,933	\$ 42,868	\$ 3,433
Gas	58,932	7,295	33,330	18,307
Water	184,360	32,360	91,126	60,874
Wastewater	98,598	18,016	52,972	27,610
Solid Waste	71,773	2,146	53,501	16,126
Airport	4,798	1,977	11,319	(8,498)
District Cooling	1,323	408	1,162	(247)
Total	\$ 470,018	\$ 66,133	\$ 286,278	\$ 117,605

15. JOINT VENTURES

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

The City's investment in these Joint Ventures as of June 30, 2024, is as follows (in thousands):

	Governmental Activities	Business-Type Activities	Total
Valley Metro Rail Inc.	\$ 281,653	\$ —	\$ 281,653
TOPAZ Regional Wireless Cooperative	6,119	—	6,119
Subregional Operating Group	—	81,695	81,695
Val Vista Water Treatment Plant	—	51,889	51,889
Greenfield Water Reclamation Plant	—	140,151	140,151
Joint Ventures Construction Deposits	—	18,182	18,182
Total Investment in Joint Ventures	<u>\$ 287,772</u>	<u>\$ 291,917</u>	<u>\$ 579,689</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. The City's equity in the joint venture is \$281,653,440 and is reflected in the governmental activities.

Separate financial statements 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, Fort McDowell 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 \$6,118,794 and is reflected in the governmental activities. Separate financial statements are not prepared.

Total investment in the joint venture as of June 30, 2024, is (in thousands):

TOPAZ Regional Wireless Cooperative		
City of Mesa	\$	6,119
Town of Gilbert		1,488
City of Apache Junction		571
Superstition Fire and Medical		170
Town of Queen Creek		200
Fort McDowell		60
Rio Verde Fire District		15
Fountain Hills		7
Total Joint Venture	\$	8,630

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 \$81,694,780 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

The City of Mesa acts as the lead agency in a joint water reclamation plant with the Towns of Gilbert and Queen Creek 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 \$140,151,075 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, 2024, is (in thousands):

Greenfield Water Reclamation Project		
Mesa's Share	\$	140,151
Gilbert's Share		91,099
Queen Creek's Share		27,269
Total Joint Venture	\$	258,519

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 the 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 \$51,889,444 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.

16. PENSIONS AND OTHER POST EMPLOYMENT BENEFITS

All benefited 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 benefited City employees, except sworn fire and police personnel and the Mayor and City Council Members, are included in the plan that is a multiple-employer cost-sharing defined benefit pension plan. All sworn fire and police personnel participate in the Public Safety Personnel Retirement System that is an agent 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.

On June 30, 2024, the City reported the following aggregate amounts related to pensions for all plans to which it contributes (in thousands):

Statement of Net Position and Statement of Activities	Governmental Activities	Business- Type Activities	Total
Net Pension Liabilities	\$ 966,053	\$ 55,398	\$ 1,021,451
Deferred Outflows of Resources - Pension	218,078	7,463	225,541
Deferred Inflows of Resources - Pension	7,705	1,976	9,681
Pension Expense	123,142	7,319	130,461
Net OPEB Liabilities	842,825	83,224	926,049
Deferred Outflows of Resources - OPEB	80,401	7,843	88,244
Deferred Inflows of Resources - OPEB	159,496	15,967	175,463
OPEB Expense	132,646	13,138	145,784

Arizona State Retirement System Defined Benefit Plan:

a. Plan Description

All of the City’s eligible benefited 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 July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percentage per year of service	2.1% to 2.3 %	2.1% to 2.3 %

* With actuarially reduced benefits.

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

Contributions

The A.R.S. provides 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, 2024, the city and covered employees were required by state statute to contribute at the actuarially determined rate of 12.29% (12.14% pension plus 0.15% long-term disability) of the active members' annual covered payroll. The City's contributions to the System for the year ending June 30, 2024, was \$27,666,425, 74.4% paid from governmental funds, 4.40% paid from internal service funds, and 21.20% 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, 2024, was 9.99 % (9.94% pension plus, 0.05% long-term disability). The City's ACR contributions to the System for the year ending June 30, 2024, were \$214,771.

c. Pension Liability

On June 30, 2024, the City reported a liability of \$261,310,918 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2023. 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, 2022, to the measurement date of June 30, 2023.

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, 2023. The City's proportion measured as of June 30, 2023, was 1.61488%, which was a decrease of 0.00067% from its proportion measured as of June 30, 2022.

d. Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2024, the City recognized pension expense for ASRS of \$34,525,771. On June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resourced related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,904	\$ —
Changes of assumptions	—	—
Net difference between projected and actual earnings		
on pension plan investments	—	9,245
Changes in proportion and differences between City contributions	1,417	76
City contributions subsequent to the measurement date	27,881	—
Total	<u>\$35,202</u>	<u>\$9,321</u>

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2024

The \$27,881,195 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 ending June 30, 2025. 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,	
2025	\$	42
2026		(10,857)
2027		9,964
2028		(1,149)
		<u>\$ (2,000)</u>

e. Actuarial Assumptions

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

Actuarial Valuation Date	June 30, 2022
Actuarial Roll Forward Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.0%
Projected Salary Increases	2.9 - 8.4%
Inflation	2.3%
Permanent Benefit Increase	Included
Mortality Rates	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2020.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.0% using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting 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 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
Public Equity	44%	3.50%
Credit	23%	5.90%
Real Estate	17%	5.90%
Private Equity	10%	6.78%
Interest Rate Sensitive	6%	1.50%
Total	<u>100%</u>	

f. Discount Rate

The discount rate used to measure the ASRS total pension liability was 7.0%. 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 7.0 %, 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 (6.0%) or 1 percentage point higher (8.0 %) than the current rate (in thousands):

	1% Decrease <u>6.0%</u>	Current Discount Rate <u>7.0%</u>	1% Increase <u>8.0%</u>
City's proportionate share of the net pension liability	\$ 391,405	\$ 261,311	\$ 152,835

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, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool).

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.

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:

	<u>Initial Membership Date</u>		
	<u>Before January 1, 2012</u>	<u>On or after January 1, 2012 and before July 1, 2017</u>	<u>On or After July 1, 2017</u>
<u>Retirement and Disability</u>			
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5	15 years of credited service, age 52.5*; 15 or more years of service, age 55
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years	Highest 60 consecutive months of last 15 years
Benefit percentage			
Normal Retirement	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		

* With actuarially reduced benefits

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. 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 \$100 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.

Employees Covered by Benefit Terms

On June 30, 2024, the following employees were covered by the agent plans' benefit terms:

	PSPRS Fire	PSPRS Police	
	Pension	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	319	738	738
Inactive employees entitled to but not yet receiving benefits	97	287	119
Active employees	407	704	704
Total	823	1,729	1,561

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, 2024, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active Member Pension	City Pension	City OPEB
PSPRS - Fire	7.65%	59.41%	0.60%
PSPRS - Police	7.65%	58.64%	1.51%
PSPRS Tier 3 - Fire	10.31%	10.17%	0.14%
PSPRS Tier 3 - Police	9.32%	9.22%	0.10%

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 43.16% and 45.03% for City fire and police employees respectively, who were PSPRS Tier 3 members.

The City's required contributions to the plans for the year ended June 30, 2024, were:

	Pension	OPEB
PSPRS - Fire	\$ 20,071,243	\$ 202,706
PSPRS - Police	31,979,940	823,494
PSPRS Tier 3 - Fire	6,678,705	47,589
PSPRS Tier 3 - Police	15,466,274	347,813

The City contributed to the unfunded liability additional amounts of \$4,049,900 and \$12,899,637 to PSPRS-Fire and PSPRS-Police, respectively. The City's contribution to the system was paid for by the general fund.

The City is also required to pay a PSPRS Alternate Contribution Rate (ACR) for retired members who return to work in any capacity and in a position ordinarily filled by an employee of the City, unless the retired member is required to participate in another state retirement system and the retired member returned to work before July 20, 2011. The ACR rate is equal to the portion of the total required

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2024

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, 2024, was 43.16% and 45.03% for fire and police, respectively. The City did not have any ACR contributions for the year ending June 30, 2024.

d. Liability

On June 30, 2024, the City reported the following pension liabilities of \$261,760,335 and \$498,379,510 for fire and police, respectively. The City also reported an OPEB liability of \$11,500,848 for police. The net liabilities were measured as of June 30, 2023, 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, 2023, reflect changes of actuarial assumptions from the prior year.

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

For the year ended June 30, 2024, the City recognized pension expenses of \$34,371,662 and \$61,564,385 for fire and police, respectively. The city also recognized OPEB expense of \$1,406,338 for police.

On June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources (in thousands):

PSPRS - Fire Pension	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28,103	\$ 360
Changes in assumptions	8,469	—
Net difference between projected and actual earnings on pension plan investments	2,372	—
City contributions subsequent to the measurement date	30,800	—
Total	\$ 69,744	\$ 360

	Pension		OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
PSPRS - Police				
Differences between expected and actual experience	\$ 45,429	\$ —	\$ 458	\$ —
Changes in assumptions	10,508	—	287	—
Net difference between projected and actual earnings on plan investments	4,312	—	140	—
City contributions subsequent to the measurement date	60,346	—	1,171	—
Total	\$ 120,595	\$ —	\$ 2,056	\$ —

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, 2025. 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
2025	\$ 9,195	\$ 17,861	\$ 285
2026	5,555	8,341	76
2027	11,041	20,154	388
2028	5,092	9,051	111
2029	4,287	4,841	26
Thereafter	3,413	—	—
	\$ 38,583	\$ 60,248	\$ 886

f. Actuarial Methods and Assumptions

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

Actuarial Assumptions:

Measurement Date	June 30, 2023
Actuarial Valuation Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.20%
Wage Inflation	3.25 - 15.0%, N/A for OPEB
Price Inflation	2.5%, N/A for OPEB
Cost-of-living adjustment	1.85%, N/A for OPEB
Mortality Rates for Pension and OPEB	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2022.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.2% 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
Cash - Mellon	2%	0.69%
Core Bonds	6%	1.90%
Other Assets (Capital Appreciation)	7%	4.49%
Diversifying Strategies	5%	3.68%
International Public Equity	16%	4.49%
Global Private Equity	20%	7.28%
Private Credit	20%	6.19%
U.S. Public Equity	24%	3.98%
Total	100%	

g. Discount Rate

A discount rate of 7.20% for Tier 1 and Tier 2 members was used to measure the total pension/OPEB liability. A discount rate of 7.00% for Tier 3 members was used to measure the total Pension/OPEB Liability. 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. 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 (6.2%) or 1 percentage point higher (8.2%) than the current rate (in thousands):

	1% Decrease	Current Discount Rate	1% Increase
Fire Net Pension Liability	\$ 332,317	\$ 261,760	\$ 203,803
Police Net Pension Liability	636,277	498,380	386,118
Police OPEB Liability	13,836	11,501	9,531

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):

Fire	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Position Liability</u>
Balance - Beginning of Year	\$ 508,759	\$ 255,722	\$ 253,036
Changes for the Year:			
Service Cost	9,175	—	9,175
Interest on the Total Liability	36,294	—	36,294
Changes of Benefit Terms	—	—	—
Differences Between Expected & Actual Experience in the Measurement of the Liability	13,651	—	13,651
Changes of Assumptions / Other Inputs	—	—	—
Contributions - Employer	—	26,733	(26,733)
Contributions - Employee	—	3,776	(3,776)
Net Investment Income	—	20,023	(20,023)
Benefit Payments, Including Refunds of Employee Contributions	(27,696)	(27,696)	—
Administrative Expenses	—	(136)	136
Net Changes	<u>31,423</u>	<u>22,699</u>	<u>8,724</u>
Balances - End of Year	<u>\$ 540,182</u>	<u>\$ 278,421</u>	<u>\$ 261,760</u>

City of Mesa, Arizona
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For the Fiscal Year Ended June 30, 2024

Police	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance - Beginning of Year	\$ 947,541	\$462,190	\$485,351	\$ 22,341	\$ 10,940	\$ 11,401
Changes for the Year:						
Service Cost	14,824	—	14,824	250	—	250
Interest on the Total Liability	67,540	—	67,540	1,568	—	1,568
Changes of Benefit Terms	—	—	—	—	—	—
Differences Between Expected & Actual Experience in the Measurement of the Liability	29,045	—	29,045	155	—	155
Changes of Assumptions / Other Inputs	—	—	—	—	—	—
Contributions - Employer	—	55,209	(55,209)	—	1,050	(1,050)
Contributions - Employee	—	6,897	(6,897)	—	44	(44)
Net Investment Income	—	36,571	(36,571)	—	784	(784)
Benefit Payments, Including Refunds of Employee Contributions	(48,622)	(48,622)	—	(1,640)	(1,640)	—
Administrative Expenses	—	(288)	288	—	(7)	—
Other	—	(7)	7	—	—	—
Net Changes	62,787	49,759	13,027	331	231	100
Balances - End of Year	\$ 1,010,327	\$511,949	\$498,378	\$ 22,672	\$ 11,171	\$ 11,501

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 benefits provided.

i. 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 on January 1, 2001 but before January 1, 2006.
- Twenty years of service for employees hired on or after January 1, 2006.

Employees Covered by Benefit Terms

As of June 30, 2023 (date of most recent valuation), membership consisted of:

Active Employees	3,707
Retirees	2,139
Spouses	<u>1,517</u>
Total	<u><u>7,363</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, 2024, is \$914,547,648.

d. OPEB Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2024, the City recognized OPEB expense of \$144,378,032. On June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 39,822	\$ 1,926
Changes of assumptions	18,172	173,538
City benefit payments subsequent to the measurement date	<u>28,193</u>	<u>—</u>
Total	<u><u>\$ 86,187</u></u>	<u><u>\$ 175,464</u></u>

The amounts reported as deferred outflows of resources resulting from City benefit payments subsequent to the measurement date will be recognized as a reduction of the net liability in the year ended June 30, 2025. 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>
2025	\$ (15,522)
2026	(33,100)
2027	(35,277)
2028	(34,951)
2029	1,244
2030	137
	<u>\$ (117,469)</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, 2023
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Discount Rate	4.13%
Consumer Price Index	3.00%
Projected Salary Increases	2.90 - 15.0%
Mortality Rates	Based on the rates used for the June 30, 2023 valuations of the ASRS Plan and the PSPRS Plan.
Health care cost trend rate:	
Medical, Drugs	4.50 -7.00%
Dental, Vision	4.50%

Actuarial assumptions used in the June 30, 2023, valuation were projected on an on-going plan basis. This assumption does not necessarily imply that an obligation to continue the plan actually exists.

Future Salary Increase

Consistent with the June 30, 2023, valuations of the Arizona State Retirement System (ASRS) Plan and the Arizona Public Safety Personnel Retirement System (PSPRS) Plan. The ASRS salary increase assumption has been updated since the prior valuation based on the 2021 ASRS experience study. Salary increases assumptions range from 2.9% to 15.0%, based on years of service and the applicable plan.

Aging Factors

The age morbidity curve was developed by Dale Yamamoto for the Society of Actuaries. This curve is used to measure the annual increases in per capita claim costs for each age as well as relative cost by gender, adjusting the male age 65 per capita claims cost. The factors range from 0.4612 to 1.6944, based on age and gender.

Cost, Contribution and Premium Trend Rates

Medical and prescription drug costs and administrative costs are assumed to increase according to the rates below. This assumption is consistent with the prior valuation. The initial medical trend rate was developed using the National Health Care Trend Survey. The survey gathers information of trend expectations for the coming year from various insurers and PBMs. These trends are broken out by drug and medical, as well as type of coverage (e.g., PPO, HMO, POS). The healthcare cost trend range is 4.5% to 7.0%.

f. Discount Rate

The discount rate at the measurement date is 4.13%. The discount rate increased from 4.09% as of June 30, 2022, to 4.13% as of June 30, 2023. 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, 2023.

g. Changes in OPEB Liability

The below table outlines the changes in OPEB Liability for the fiscal year ending June 30, 2024 (in thousands):

OPEB Liability at Beginning of Year	\$ 778,046
Service Cost	16,117
Interest	32,007
Changes in benefit terms	104,183
Differences between Expected and Actual Experience	26,605
Changes in Assumptions	(19,003)
Employer contributions *	<u>(23,408)</u>
Net Change in Total OPEB Liability	<u>136,501</u>
OPEB Liability at End of Year	<u><u>\$ 914,547</u></u>

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

The City’s benefit payments to the plan were paid 87.9% from governmental funds, 3.0% from internal service funds, and 9.1% from enterprise funds.

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):

	<u>1% Decrease</u>	<u>Current Municipal Bond Rate</u>	<u>1% Increase</u>
City OPEB Plan	\$ 1,062,544	\$ 914,548	\$ 795,825

	<u>1% Decrease</u>	<u>Current Healthcare Trend Rate</u>	<u>1% Increase</u>
City OPEB Plan	\$ 793,760	\$ 914,548	\$ 1,067,655



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REQUIRED SUPPLEMENTARY INFORMATION

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED | JUNE 30, 2024



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City of Mesa, Arizona

Schedule of Changes in the City's Proportionate Share of Net Pension Liability

Cost-Sharing Pension Plan

June 30, 2024

(in thousands)

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)			
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)
City's Proportion of Net Pension Liability	1.6149 %	1.6156 %	1.5857 %	1.6188 %
City's Proportionate Share of Net Pension Liability	\$ 261,311	\$ 263,694	\$ 208,353	\$ 280,473
City's Covered Payroll	\$ 211,155	\$ 192,542	\$ 178,405	\$ 175,767
City's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	123.75 %	136.95 %	116.79 %	159.57 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.47 %	74.26 %	78.58 %	69.33 %

See accompanying notes to pension plan schedules.

Reporting Fiscal Year
(Measurement Date)

2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
1.6209 %	1.6293%	1.6416%	1.6605%	1.6393%	1.6341%
\$ 235,853	\$ 227,233	\$ 255,729	\$ 268,013	\$ 255,337	\$ 241,792
\$ 168,900	\$ 162,089	\$ 158,958	\$ 155,868	\$ 151,154	\$ 147,402
139.64 %	140.19 %	160.88 %	171.95 %	168.93 %	164.04 %
73.24 %	73.40%	69.92%	67.06%	68.35%	69.49%

City of Mesa, Arizona

Schedule of Changes in the City's Net Pension/OPEB Liability and Related Ratios

Agent Plans

June 30, 2024

(in thousands)

Personal Safety Personnel Retirement System - Fire

	Reporting Fiscal Year (Measurement Date)			
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)
Total Pension Liability				
Service Cost	\$ 9,175	\$ 8,079	\$ 7,645	\$ 7,871
Interest on the Total Pension Liability	36,294	34,277	32,539	31,397
Changes of Benefit Terms	—	—	—	—
Diff Between Expected and Actual Experience in the Measurement of the Pension Liability	13,651	11,356	7,760	(221)
Changes of Assumptions or Other Inputs	—	6,706	—	—
Benefit Payments, Including Refunds of Employee Contributions	(27,696)	(26,268)	(22,868)	(23,473)
Net Change in Total Pension Liability	31,423	34,150	25,076	15,574
Total Pension Liability - Beginning	508,759	474,607	449,531	433,957
Total Pension Liability - Ending (a)	540,182	508,757	474,607	449,531
Plan Fiduciary Net Position				
Contributions - Employer	26,733	28,025	21,601	18,107
Contributions - Employee	3,776	3,507	3,321	2,845
Net Investment Income	20,023	(10,644)	56,815	2,587
Benefit Payments, Including Refunds of Employee Contributions	(27,696)	(26,268)	(22,868)	(23,473)
Hall/Parker Settlement	—	—	—	—
Administrative Expense	(136)	(192)	(266)	(211)
Other Changes	—	—	—	58
Net Change in Plan Fiduciary Net Position	22,699	(5,572)	58,603	(87)
Plan Fiduciary Net Position - As Previously Reported	255,722	261,293	202,690	202,777
Adjustment to Beginning Balance	—	—	—	—
Plan Fiduciary Net Position - Beginning	255,722	261,293	202,690	202,777
Plan Fiduciary Net Position - Ending (b)	278,421	255,721	261,293	202,690
City's Net Pension Liability - Ending (a) - (b)	<u>\$ 261,761</u>	<u>\$ 253,036</u>	<u>\$ 213,314</u>	<u>\$ 246,841</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	51.54 %	50.26 %	55.05 %	45.09 %
City's Covered Payroll	\$ 39,896	\$ 36,776	\$ 34,198	\$ 32,562
City's Net Pension Liability as a Percentage of its Covered Payroll	656.11 %	688.05 %	623.76 %	758.06 %

See accompanying notes to pension plan schedules

Reporting Fiscal Year (Measurement Date)					
2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
\$ 7,663	\$ 7,271	\$ 7,724	\$ 6,439	\$ 6,127	\$ 6,281
29,147	27,446	25,687	23,654	23,086	20,708
—	—	2,125	21,380	—	4,044
11,844	1,951	(2,670)	(4,423)	(3,518)	(6,961)
8,488	—	12,613	11,970	—	23,097
<u>(18,809)</u>	<u>(16,608)</u>	<u>(17,095)</u>	<u>(19,893)</u>	<u>(17,323)</u>	<u>(16,309)</u>
38,333	20,060	28,384	39,127	8,372	30,860
395,624	375,564	347,180	308,053	299,681	268,821
<u>433,957</u>	<u>395,624</u>	<u>375,564</u>	<u>347,180</u>	<u>308,053</u>	<u>299,681</u>
16,708	16,733	13,558	12,735	9,828	9,157
2,805	3,035	3,923	4,396	3,847	3,488
10,339	12,464	19,308	954	5,878	19,840
(18,809)	(16,608)	(17,095)	(19,893)	(17,323)	(16,309)
—	(5,150)	—	—	—	—
(181)	(190)	(174)	(138)	(144)	(160)
—	2	43	(12)	45	(113)
<u>10,862</u>	<u>10,286</u>	<u>19,563</u>	<u>(1,958)</u>	<u>2,131</u>	<u>15,903</u>
191,986	181,700	162,137	164,095	161,964	146,061
(71)	—	—	—	—	—
<u>191,915</u>	<u>181,700</u>	<u>162,137</u>	<u>164,095</u>	<u>161,964</u>	<u>146,061</u>
<u>202,777</u>	<u>191,986</u>	<u>181,700</u>	<u>162,137</u>	<u>164,095</u>	<u>161,964</u>
<u>\$ 231,180</u>	<u>\$ 203,638</u>	<u>\$ 193,864</u>	<u>\$ 185,043</u>	<u>\$ 143,958</u>	<u>\$ 137,717</u>
46.73 %	48.53 %	48.38 %	46.70 %	53.27 %	54.05 %
\$ 34,136	\$ 32,445	\$ 32,941	\$ 32,453	\$ 31,661	\$ 30,782
677.23 %	627.64 %	588.52 %	570.19 %	454.69 %	447.39 %

City of Mesa, Arizona

Schedule of Changes in the City's Net Pension/OPEB Liability and Related Ratios

Agent Plans

June 30, 2024

(in thousands)

Personal Safety Personnel Retirement System - Police Pension

	Reporting Fiscal Year (Measurement Date)			
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)
Total Pension Liability				
Service Cost	\$ 14,824	\$ 13,979	\$ 13,861	\$ 14,016
Interest on the Total Pension Liability	67,540	64,052	61,557	57,794
Changes of Benefit Terms	—	—	—	—
Diff Between Expected and Actual Experience in the Measurement of the Pension Liability	29,045	18,155	2,112	19,067
Changes of Assumptions or Other Inputs	—	10,488	—	—
Benefit Payments, Including Refunds of Employee Contributions	(48,622)	(45,167)	(41,764)	(36,572)
Net Change in Total Pension Liability	62,787	61,507	35,766	54,305
Total Pension Liability - Beginning	947,541	886,034	850,268	795,963
Total Pension Liability - Ending (a)	1,010,327	947,541	886,034	850,268
Plan Fiduciary Net Position				
Contributions - Employer	55,209	53,349	38,561	34,340
Contributions - Employee	6,897	6,608	6,268	6,045
Net Investment Income	36,571	(19,142)	101,528	4,551
Benefit Payments, Including Refunds of Employee Contributions	(48,622)	(45,167)	(41,764)	(36,572)
Hall/Parker Settlement	—	—	—	—
Administrative Expense	(288)	(345)	(477)	(371)
Other Changes	(7)	—	—	(2)
Net Change in Plan Fiduciary Net Position	49,759	(4,697)	104,116	7,991
Plan Fiduciary Net Position - As Previously Reported	462,190	466,887	362,771	354,780
Adjustment to Beginning Balance	—	—	—	—
Plan Fiduciary Net Position - Beginning	462,190	466,887	362,771	354,780
Plan Fiduciary Net Position - Ending (b)	511,949	462,190	466,887	362,771
City's Net Pension Liability - Ending (a) - (b)	\$ 498,378	\$ 485,351	\$ 419,147	\$ 487,497
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	50.67 %	48.78 %	52.69 %	42.67 %
City's Covered Payroll	\$ 73,451	\$ 68,471	\$ 64,419	\$ 63,232
City's Net Pension Liability as a Percentage of its Covered Payroll	678.52 %	708.84 %	650.66 %	770.97 %

See accompanying notes to pension plan schedules

Reporting Fiscal Year
(Measurement Date)

2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
\$ 15,015	\$ 13,826	\$ 15,841	\$ 12,438	\$ 12,216	\$ 12,481
53,953	50,926	47,572	43,573	41,908	36,514
—	—	5,718	34,005	—	8,728
10,259	3,862	365	(4,001)	(2,173)	(11,331)
21,092	—	19,037	23,614	—	51,228
<u>(36,864)</u>	<u>(34,755)</u>	<u>(32,522)</u>	<u>(31,689)</u>	<u>(29,998)</u>	<u>(27,566)</u>
63,455	33,859	56,011	77,940	21,953	70,054
<u>732,508</u>	<u>698,649</u>	<u>642,638</u>	<u>564,698</u>	<u>542,745</u>	<u>472,691</u>
<u>795,963</u>	<u>732,508</u>	<u>698,649</u>	<u>642,638</u>	<u>564,698</u>	<u>542,745</u>
32,387	31,596	26,819	24,067	19,680	17,443
5,718	6,058	7,693	8,157	7,613	6,784
18,270	21,889	34,221	1,667	10,065	33,360
<u>(36,864)</u>	<u>(34,754)</u>	<u>(32,522)</u>	<u>(31,689)</u>	<u>(29,998)</u>	<u>(27,566)</u>
—	(10,096)	—	—	—	—
(319)	(333)	(360)	(240)	(246)	(269)
<u>340</u>	<u>514</u>	<u>420</u>	<u>382</u>	<u>28</u>	<u>288</u>
19,532	14,874	36,271	2,344	7,142	30,040
335,631	320,757	284,432	282,088	274,946	244,906
<u>(383)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>335,248</u>	<u>320,757</u>	<u>284,432</u>	<u>282,088</u>	<u>274,946</u>	<u>244,906</u>
<u>354,780</u>	<u>335,631</u>	<u>320,757</u>	<u>284,432</u>	<u>282,088</u>	<u>274,946</u>
<u>\$ 441,183</u>	<u>\$ 396,877</u>	<u>\$ 377,892</u>	<u>\$ 358,206</u>	<u>\$ 282,610</u>	<u>\$ 267,799</u>
44.57 %	45.82 %	45.91 %	44.26 %	49.95 %	50.66 %
\$ 63,993	\$ 63,003	\$ 64,740	\$ 61,211	\$ 62,461	\$ 59,688
689.42 %	629.93 %	583.71 %	585.20 %	452.46 %	448.66 %

City of Mesa, Arizona

Schedule of Changes in the City's Net Pension/OPEB Liability and Related Ratios

Agent Plans

June 30, 2024

(in thousands)

Personal Safety Personnel Retirement System - Police OPEB

	Reporting Fiscal Year (Measurement Date)			
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)
Total OPEB Liability				
Service Cost	\$ 250	\$ 280	\$ 351	\$ 322
Interest on the Total OPEB Liability	1,568	1,537	1,511	1,477
Changes of Benefit Terms	—	—	—	—
Diff Between Expected and Actual Experience in the Measurement of the OPEB Liability	155	218	100	381
Changes of Assumptions or Other Inputs	—	312	—	—
Benefit Payments, Including Refunds of Employee Contributions	(1,640)	(1,571)	(1,494)	(1,455)
Net Change in Total OPEB Liability	331	776	468	725
Total OPEB Liability - Beginning	22,341	21,565	21,097	20,372
Total OPEB Liability - Ending (a)	22,672	22,341	21,565	21,097
Plan Fiduciary Net Position				
Contributions - Employer	1,050	946	853	934
Contributions - Employee	44	32	88	46
Net Investment Income	784	(448)	2,583	123
Benefit Payments, Including Refunds of Employee Contributions	(1,640)	(1,571)	(1,494)	(1,455)
Administrative Expense	(7)	(8)	(10)	(10)
Net Change in Plan Fiduciary Net Position	231	(1,049)	2,020	(362)
Plan Fiduciary Net Position - As Previously Reported	10,940	11,989	9,969	10,331
Adjustment to Beginning Balance	—	—	—	—
Plan Fiduciary Net Position - Beginning	10,940	11,989	9,969	10,331
Plan Fiduciary Net Position - Ending (b)	11,171	10,940	11,989	9,969
City's Net OPEB Liability - Ending (a) - (b)	\$ 11,501	\$ 11,401	\$ 9,576	\$ 11,128
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	49.27 %	48.97 %	55.59 %	47.25 %
City's Covered Payroll	\$ 73,451	\$ 68,471	\$ 64,419	\$ 63,232
City's Net OPEB Liability as a Percentage of its Covered Payroll	15.66 %	16.65 %	14.87 %	17.60 %

See accompanying notes to pension plan schedules

Reporting Fiscal Year
(Measurement Date)

2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2015
			Information not available
\$ 200	\$ 190	\$ 213	
1,416	1,359	1,356	
—	—	35	
43	472	312	
474	—	(335)	
(1,391)	(1,325)	(1,239)	
742	696	342	
19,630	18,934	18,592	
20,372	19,630	18,934	
736	231	639	
14	—	—	
530	695	1,141	
(1,391)	(1,325)	(1,239)	
(9)	(11)	(10)	
(120)	(410)	531	
10,067	10,477	9,946	
384	—	—	
10,451	10,477	9,946	
10,331	10,067	10,477	
<u>\$ 10,041</u>	<u>\$ 9,563</u>	<u>\$ 8,457</u>	
50.71 %	51.28 %	55.33 %	
\$ 63,993	\$ 63,003	\$ 64,740	
15.69 %	15.18 %	13.06 %	

City of Mesa, Arizona
Schedule of City Pension Contributions
June 30, 2024
(in thousands)

Arizona State Retirement System

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Statutorily Required Contribution	\$ 27,881	\$ 25,129	\$ 23,097	\$ 20,763
City's Contribution in Relation to the Statutorily Required Contribution	<u>27,881</u>	<u>25,129</u>	<u>23,097</u>	<u>20,763</u>
City's Contribution (Deficiency) / Excess	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
City's Covered Payroll	\$ 232,139	\$ 211,155	\$ 192,542	\$ 178,405
City's Contributions as a Percentage of Covered Payroll	12.01%	11.90%	12.00%	11.64%

Public Safety Personnel Retirement System - Fire Pension

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Actuarially Determined Contribution	\$ 26,750	\$ 22,569	\$ 20,178	\$ 19,617
City's Contribution in Relation to the Actuarially Determined Contribution	<u>30,800</u>	<u>26,388</u>	<u>27,797</u>	<u>19,617</u>
City's Contribution (Deficiency) / Excess	<u>\$ 4,050</u>	<u>\$ 3,819</u>	<u>\$ 7,619</u>	<u>\$ —</u>
City's Covered Payroll	\$ 39,896	\$ 39,896	\$ 36,776	\$ 34,198
City's Contributions as a Percentage of Covered Payroll	77.20 %	66.14 %	75.58 %	57.36 %

See accompanying notes to plan schedules

2020	2019	2018	2017	2016	2015
\$ 20,258	\$ 19,124	\$ 17,650	\$ 17,423	\$ 16,955	\$ 16,146
20,258	19,124	17,650	17,423	16,955	16,146
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
\$ 175,767	\$ 169,900	\$ 162,089	\$ 158,958	\$ 155,868	\$ 151,154
11.53%	11.26%	10.89%	10.96%	10.88%	10.68%

2020	2019	2018	2017	2016	2015
\$ 18,035	\$ 16,431	\$ 14,289	\$ 13,490	\$ 11,197	\$ 9,827
18,035	16,431	10,479	13,490	12,735	9,827
<u>\$ —</u>	<u>\$ —</u>	<u>\$ (3,810)</u>	<u>\$ —</u>	<u>\$ 1,538</u>	<u>\$ —</u>
\$ 32,562	\$ 34,136	\$ 32,446	\$ 32,941	\$ 32,453	\$ 31,661
55.39%	48.13 %	32.30 %	40.95 %	39.24 %	31.04 %

City of Mesa, Arizona
Schedule of City Pension Contributions
June 30, 2024
(in thousands)

Public Safety Personnel Retirement System - Police Pension

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Actuarially Determined Contribution	\$ 47,446	\$ 42,430	\$ 37,457	\$ 37,484
City's Contribution in Relation to the Actuarially Determined Contribution	60,346	55,116	53,372	37,484
City's Contribution (Deficiency) / Excess	<u>\$ 12,900</u>	<u>\$ 12,686</u>	<u>\$ 15,915</u>	<u>\$ —</u>
City's Covered Payroll	\$ 83,045	\$ 73,451	\$ 68,471	\$ 64,419
City's Contributions as a Percentage of Covered Payroll	72.67 %	75.04 %	77.95 %	58.19 %

Public Safety Personnel Retirement System - Police OPEB

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Actuarially Determined Contribution	\$ 1,171	\$ 1,024	\$ 838	\$ 713
City's Contribution in Relation to the Actuarially Determined Contribution	1,171	1,024	838	713
City's Contribution (Deficiency) / Excess	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
City's Covered Payroll	\$ 83,045	\$ 73,451	\$ 68,471	\$ 64,419
City's Contributions as a Percentage of Covered Payroll	1.41 %	1.39 %	1.22 %	1.11 %

See accompanying notes to plan schedules.

2020	2019	2018	2017	2016	2015
\$ 34,308	\$ 29,314	\$ 29,048	\$ 26,809	\$ 21,697	\$ 19,680
34,308	29,314	21,726	26,809	21,697	19,680
<u>\$ —</u>	<u>\$ —</u>	<u>\$ (7,322)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
\$ 63,232	\$ 63,993	\$ 63,003	\$ 64,740	\$ 61,211	\$ 62,461
54.26 %	45.81 %	34.48 %	41.41 %	39.32 %	31.51 %

2020	2019	2018	2017	2016 though 2015
\$ 815	\$ 733	\$ 772	\$ 641	Information not available
815	\$ 733	\$ 772	\$ 641	
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	
\$ 63,232	\$ 63,993	\$ 63,003	\$ 64,740	
1.29 %	1.15 %	1.23 %	0.99 %	

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 Amort Period	17 years of unfunded actuarial accrued liability, 17 years of excess
Asset Valuation Method	7-year smoothed market value; 80%/120% market corridor
Actuarial Assumptions:	
Investment Rate of Return	In the 2022 actuarial valuation, the investment rate of return was decreased from 7.3% to 7.2% In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3% In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4% In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5% In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85% PSPRS members with initial membership on or after July 1, 2017: 7%
Project Salary Increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%-8.0% to 3.5%-7.5%. 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% to 9.0% to 4.5% to 8.5%
Wage Growth	In the 2022 actuarial valuation, wage growth was changed from 3.5% to a range of 3.0% - 6.25% In the 2017 actuarial valuation, wage growth was decreased from 4.0%-3.5%. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5% to 4.0%.
Retirement Age	Experienced-based table of rates is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study for the period July 1, 2006-June 30, 2011
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females). In the 2017 actuarial valuation, changed to RP 2014 tables with 75% of MP 2016 fully generational project scaled.

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.



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City of Mesa, Arizona

Schedule of Changes in the City's Total OPEB Liability

June 30, 2024

(in thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total Liability				
Service Cost	\$ 16,117	\$ 24,665	\$ 26,157	\$ 24,165
Interest on the Total Liability	32,007	21,603	25,492	25,425
Changes of Benefit Terms	104,183	—	—	—
Difference Between Expected and Actual Experience in the Measurement of the Liability	26,605	(1,720)	26,062	(2,548)
Changes of Assumptions or Other Inputs	(19,003)	(221,049)	(21,298)	18,858
Benefit Payments, Including Refunds of Employee Contributions	<u>(23,408)</u>	<u>(23,491)</u>	<u>(21,010)</u>	<u>(20,641)</u>
Net Change in Total OPEB Liability	136,501	(199,992)	35,403	45,259
Total OPEB Liability - Beginning	<u>778,045</u>	<u>978,037</u>	<u>942,634</u>	<u>897,375</u>
Total OPEB Liability - Ending	<u>\$ 914,546</u>	<u>\$ 778,045</u>	<u>\$ 978,037</u>	<u>\$ 942,634</u>
City's Covered Employee Payroll	\$ 323,910	\$ 297,789	\$ 277,022	\$ 271,561
City's Contributions as a % of Covered Employee Payroll	7.2 %	7.9 %	7.6 %	7.6 %

Note: The City funds OPEB benefits on a “pay-as-you-go” basis. Therefore, there are no assets accumulated in a trust that meet the criteria of GASB 75. In addition, employer contributions are equal to benefit payments.

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017 through 2015</u>
\$ 20,818	\$ 19,997	\$ 21,430	Information
22,584	22,447	20,112	not
—	—	—	available
34,022	(1,133)	—	
92,823	17,023	(46,955)	
(19,687)	(17,232)	(19,013)	
<u>150,560</u>	<u>41,102</u>	<u>(24,426)</u>	
746,815	705,713	730,139	
<u>\$ 897,375</u>	<u>\$ 746,815</u>	<u>\$ 705,713</u>	
\$ 268,029	\$ 257,537	\$ 256,639	
7.3 %	6.7 %	7.4 %	

City of Mesa, Arizona

Budgetary Comparison Schedule (Non-GAAP Basis)

Combined Governmental & Enterprise Funds

For the Fiscal year Ended June 30, 2024

(In thousands)

	<u>Budgeted Amounts</u>		Actual- Budgetary Basis	Variance with Final Budget
	Original	Final		
City Total Resources	\$2,560,000	\$2,560,000	\$2,401,062	\$158,938
City Total Expenditures	2,560,000	2,560,000	2,158,355	401,645
Net Change in Fund Balances	—	—	242,707	(242,707)
Fund Balance - Beginning	1,105,102	1,105,102	1,105,102	—
Fund Balance - Ending	<u>\$1,105,102</u>	<u>\$1,105,102</u>	<u>\$1,347,809</u>	<u>(242,707)</u>

Note: The City of Mesa's legally adopted budget is at the Citywide level and includes all governmental and proprietary funds. Legal control over the budget derives from State statutes that prohibit the City from exceeding its adopted budget. Transfers between funds and departmental groups may be made upon City Manager approval and do not require Council action or approval.

See accompanying note to budgetary comparison schedule.

City of Mesa, Arizona

Notes to Budgetary Comparison Schedule

June 30, 2024

(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”, a reconciliation is performed. Adjustments necessary to convert the results of operations of the governmental and proprietary funds for the year ended June 30, 2024 on the “GAAP basis” to the “budget basis” as follows:

Net Change in Fund Balance-Budget Basis-	\$	242,707
Bond related		(144,729)
Depreciation and Amortization		7,802
Lease Related items		1,320
Differences in Revenue Recognition		28,494
Payroll and Other Accruals		(8,791)
Pension and OPEB Expense		(14,981)
Joint Venture entities budgeted but not GAAP		(6,482)
Unrealized Gain on Investments		24,283
		<hr/>
Net Change in Fund Balance-GAAP Basis -	\$	<u>133,104</u>

Note: The City of Mesa's legally adopted budget is at the Citywide level and includes all governmental and proprietary funds. Legal control over the budget derives from State statutes that prohibit the City from exceeding its adopted budget. Transfers between funds and departmental groups may be made upon City Manager approval and do not require Council action or approval.



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COMBINING STATEMENTS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED | JUNE 30, 2024

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 1, Eastmark 2 and Cadence Community Facilities Districts which are paid from special assessments levied against the benefited properties.

Development Impact Fees is designed to provide a balance of monies to ensure that new development bears a proportionate share of the cost of improvements to the City's parks, libraries, fire facilities and equipment, police facilities and equipment, 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.

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 federal expenditures of the City's housing assistance programs that provide rent subsidy payments to private sector owners of dwelling units.

Other Restricted Funds accounts for federal and state grant expenditures and other City programs. The principle financing source is federal and state grant revenues.

Public Safety Sales Tax accounts for expenditures of the voter-approved sales tax dedicated to Public Safety.

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

Relief Fund accounts for federal expenditures dedicated to supporting the City's response to COVID 19.

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 bond proceeds to be used for the costs of construction of drains, basins, channels and other storm sewer improvements and street improvements in the Eastmark 1, Eastmark 2 and Cadence Community Facilities Districts.

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

Parks accounts for the bond proceeds to be used for the costs of park facilities and improvements.

Public Safety accounts for the bond proceeds to be used for the cost of public safety facilities.

Streets accounts for the bond proceeds to be used 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 1, Eastmark 2 and Cadence 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.

Excise Tax Obligations accumulates monies for the payment of principal and interest requirements of the City's Excise Tax Obligation Bonds.

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

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



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City of Mesa, Arizona
Combining Balance Sheet
Non-Major Governmental Funds
For the Fiscal year Ended June 30, 2024
(in thousands)

	Special Revenue Funds				
	Cemetery	Community Facilities District	Development Impact Fees	Environmental Compliance	Highway User Revenue
Assets					
Pooled Cash and Investments	\$ 3,001	\$ 1,176	\$ 21,366	\$ 21,668	\$ 36,936
Accounts Receivable, Net	11	—	—	219	—
Accrued Interest Receivable	14	5	—	92	200
Due from Other Governments	—	4	—	—	5,030
Prepaid Costs	—	—	—	10	25
Restricted Assets:					
Pooled Cash and Investments	—	—	—	—	—
Cash with Fiscal Agent	—	—	—	—	—
Accounts Receivable	—	—	—	—	—
Due from Other Governments	—	—	—	—	—
Total Assets	<u>\$ 3,026</u>	<u>\$ 1,185</u>	<u>\$ 21,366</u>	<u>\$ 21,989</u>	<u>\$ 42,191</u>
Liabilities					
Accounts Payable and Accrued	\$ —	\$ 60	\$ 30	\$ 1,273	\$ 2,567
Due to Other Funds	—	—	—	—	—
Customer and Defendant Deposits	—	—	—	—	—
Unearned Revenue	—	70	—	—	—
Payable from Restricted Assets:					
Accrued Interest Payable	—	—	—	—	—
Matured Bonds Payable	—	—	—	—	—
Total Liabilities	<u>—</u>	<u>130</u>	<u>30</u>	<u>1,273</u>	<u>2,567</u>
Deferred Inflows of Resources					
Unavailable Revenue	<u>2</u>	<u>—</u>	<u>—</u>	<u>1</u>	<u>—</u>
Total Deferred Inflows of Resources	<u>2</u>	<u>—</u>	<u>—</u>	<u>1</u>	<u>—</u>
Fund Balance					
Nonspendable	—	—	—	10	25
Restricted	—	1,055	21,336	—	39,599
Committed	3,024	—	—	20,705	—
Assigned	—	—	—	—	—
Unassigned	—	—	—	—	—
Total Fund Balances	<u>3,024</u>	<u>1,055</u>	<u>21,336</u>	<u>20,715</u>	<u>39,624</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,026</u>	<u>\$ 1,185</u>	<u>\$ 21,366</u>	<u>\$ 21,989</u>	<u>\$ 42,191</u>

Special Revenue Funds

Mesa Arts Center Restoration	Mesa Housing Authority	Other Restricted Funds	Public Safety Sales Tax	Quality of Life Sales Tax	Relief Fund	Street Sales Tax	Total Special Revenue Funds
\$ 1,734	\$ 1,531	\$ 17,984	\$ 62,053	\$ 40,053	\$ 38,586	\$ 103,519	\$ 349,607
3	34	460	—	—	169	1,089	1,985
7	—	77	257	164	162	433	1,411
—	2,509	1,558	6,716	6,715	—	8,061	30,593
—	—	374	89	—	939	62	1,499
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
<u>\$ 1,744</u>	<u>\$ 4,074</u>	<u>\$ 20,453</u>	<u>\$ 69,115</u>	<u>\$ 46,932</u>	<u>\$ 39,856</u>	<u>\$ 113,164</u>	<u>\$ 385,095</u>
\$ 131	\$ 1,577	\$ 1,511	\$ 1,512	\$ —	\$ 1,349	\$ 2,257	\$ 12,267
—	—	—	—	—	—	—	—
—	—	—	—	—	—	8,468	8,468
212	1,561	1,267	—	—	36,513	—	39,623
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
<u>343</u>	<u>3,138</u>	<u>2,778</u>	<u>1,512</u>	<u>—</u>	<u>37,862</u>	<u>10,725</u>	<u>60,358</u>
<u>1</u>	<u>—</u>	<u>358</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>186</u>	<u>548</u>
<u>1</u>	<u>—</u>	<u>358</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>186</u>	<u>548</u>
—	—	374	89	—	939	62	1,499
—	936	13,885	67,514	46,932	1,055	102,191	294,503
1,400	—	2,471	—	—	—	—	27,600
—	—	587	—	—	—	—	587
—	—	—	—	—	—	—	—
<u>1,400</u>	<u>936</u>	<u>17,317</u>	<u>67,603</u>	<u>46,932</u>	<u>1,994</u>	<u>102,253</u>	<u>324,189</u>
<u>\$ 1,744</u>	<u>\$ 4,074</u>	<u>\$ 20,453</u>	<u>\$ 69,115</u>	<u>\$ 46,932</u>	<u>\$ 39,856</u>	<u>\$ 113,164</u>	<u>\$ 385,095</u>

City of Mesa, Arizona
Combining Balance Sheet
Non-Major Governmental Funds
For the Fiscal year Ended June 30, 2024
(in thousands)

	Capital Projects Funds					Total Capital Projects Funds
	Community Facilities District	General Capital Projects	Parks	Public Safety	Streets	
Assets						
Pooled Cash and Investments	\$ 338	\$ 94,094	\$ —	\$ —	\$ 58,209	\$ 152,641
Accounts Receivable, Net	—	5	13	—	3	21
Accrued Interest Receivable	—	390	8	—	255	653
Due from Other Governments	—	—	—	—	1,714	1,714
Prepaid Costs	—	166	—	—	—	166
Restricted Assets:						
Pooled Cash and Investments	—	3,383	2,012	—	—	5,395
Cash with Fiscal Agent	—	—	—	—	—	—
Accounts Receivable	—	—	—	—	—	—
Due from Other Governments	—	—	—	—	—	—
Total Assets	<u>\$ 338</u>	<u>\$ 98,038</u>	<u>\$ 2,033</u>	<u>\$ —</u>	<u>\$ 60,181</u>	<u>\$ 160,590</u>
Liabilities						
Accounts Payable and Accrued	\$ —	\$ 10,304	\$ 1,874	\$ 12,797	\$ 692	\$ 25,667
Due to Other Funds	—	—	\$0	14,510	—	14,510
Customer and Defendant Deposits	—	—	—	—	—	—
Unearned Revenue	—	—	—	—	5,414	5,414
Payable from Restricted Assets:						
Accrued Interest Payable	—	—	—	—	—	—
Matured Bonds Payable	—	—	—	—	—	—
Total Liabilities	<u>—</u>	<u>10,304</u>	<u>1,874</u>	<u>27,307</u>	<u>6,106</u>	<u>45,591</u>
Deferred Inflows of Resources						
Unavailable Revenue	—	—	—	—	1,088	1,088
Total Deferred Inflows of Resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,088</u>	<u>1,088</u>
Fund Balance						
Nonspendable	—	166	—	—	—	166
Restricted	338	3,349	159	—	52,987	56,833
Committed	—	—	—	—	—	—
Assigned	—	84,219	—	—	—	84,219
Unassigned	—	—	—	(27,307)	—	(27,307)
Total Fund Balances	<u>338</u>	<u>87,734</u>	<u>159</u>	<u>(27,307)</u>	<u>52,987</u>	<u>113,911</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 338</u>	<u>\$ 98,038</u>	<u>\$ 2,033</u>	<u>\$ —</u>	<u>\$ 60,181</u>	<u>\$ 160,590</u>

(Concluded)

Debt Service Funds					
Community Facilities District	Excise Tax Obligations	General Obligation Bonds	Highway User Revenue Bonds	Total Debt Service Funds	Total Non-Major Governmental Funds
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 502,248
—	—	—	—	—	2,006
42	—	7	—	49	2,113
—	—	—	—	—	32,307
—	—	—	—	—	1,665
9,832	—	4,878	—	14,710	20,105
1,190	2,000	39,581	11,146	53,917	53,917
20,586	—	—	—	20,586	20,586
97	—	1,408	—	1,505	1,505
<u>\$ 31,747</u>	<u>\$ 2,000</u>	<u>\$ 45,874</u>	<u>\$ 11,146</u>	<u>\$ 90,767</u>	<u>\$ 636,452</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 37,934
—	—	—	—	—	14,510
4	—	—	—	4	8,472
—	—	—	—	—	45,037
1,949	695	7,276	656	10,576	10,576
<u>5,950</u>	<u>1,305</u>	<u>32,305</u>	<u>10,490</u>	<u>50,050</u>	<u>50,050</u>
<u>7,903</u>	<u>2,000</u>	<u>39,581</u>	<u>11,146</u>	<u>60,630</u>	<u>166,579</u>
20,623	—	731	—	21,354	22,990
<u>20,623</u>	<u>—</u>	<u>731</u>	<u>—</u>	<u>21,354</u>	<u>22,990</u>
—	—	—	—	—	1,665
3,221	—	5,562	—	8,783	360,119
—	—	—	—	—	27,600
—	—	—	—	—	84,806
—	—	—	—	—	(27,307)
<u>3,221</u>	<u>—</u>	<u>5,562</u>	<u>—</u>	<u>8,783</u>	<u>446,883</u>
<u>\$ 31,747</u>	<u>\$ 2,000</u>	<u>\$ 45,874</u>	<u>\$ 11,146</u>	<u>\$ 90,767</u>	<u>\$ 636,452</u>

City of Mesa, Arizona

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal year Ended June 30, 2024
(in thousands)

	Special Revenue Funds				
	Cemetery	Community Facilities District	Development Impact Fees	Environmental Compliance	Higher User Revenue
Revenues:					
Sales Taxes	\$ —	\$ —	\$ —	\$ —	\$ —
Property Taxes	—	620	—	—	—
Occupancy Taxes	—	—	—	—	—
Special Assessments	—	—	—	—	—
Licenses and Permits	—	—	3,094	—	—
Intergovernmental	—	—	—	—	49,455
Charges for Services	119	—	—	17,890	—
Fines and Forfeitures	—	—	—	—	—
Investment Income (Loss)	194	35	—	1,149	2,984
Contributions	—	—	—	—	—
Miscellaneous Revenues	—	50	—	—	—
Total Revenues	<u>313</u>	<u>705</u>	<u>3,094</u>	<u>19,039</u>	<u>52,439</u>
Expenditures					
Current:					
General Government	—	269	—	3,101	134
Public Safety	—	—	—	—	—
Community Environment	—	—	—	4,702	22,413
Cultural-Recreational	—	—	—	9,041	—
Debt Services:					
Principal Retirement	—	—	—	—	—
Interest on Bonds	—	—	—	—	—
Services Charges	—	—	—	—	—
Cost of Issuance	—	—	—	—	—
Capital Outlay	—	1	—	1,870	25,913
Total Expenditures	<u>—</u>	<u>270</u>	<u>—</u>	<u>18,714</u>	<u>48,460</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>313</u>	<u>435</u>	<u>3,094</u>	<u>325</u>	<u>3,979</u>
Other Financing Sources (Uses):					
Transfers In	—	—	—	—	—
Transfers Out	(207)	—	(3,116)	(5)	(11,817)
Sale of Capital Assets	—	—	—	—	—
Face Amounts of Bonds Issued	—	—	—	—	—
Face Amounts of Leases Issued	—	—	—	—	—
Premium on Issuance of Bonds (Net)	—	—	—	—	0
Total Other Financing Sources (Uses)	<u>(207)</u>	<u>—</u>	<u>(3,116)</u>	<u>(5)</u>	<u>(11,817)</u>
Net Change in Fund Balances	106	435	(22)	320	(7,838)
Fund Balances - Beginning	<u>2,918</u>	<u>620</u>	<u>21,358</u>	<u>20,395</u>	<u>47,462</u>
Fund Balances - Ending	<u>\$ 3,024</u>	<u>\$ 1,055</u>	<u>\$ 21,336</u>	<u>\$ 20,715</u>	<u>\$ 39,624</u>

Special Revenue Funds

Mesa Arts Center Restoration	Mesa Housing Authority	Other Restricted Funds	Public Safety Sales Tax	Quality of Life Sales Tax	Relief	Street Sales Tax	Total Special Revenue Funds
\$ —	\$ —	\$ —	\$ 41,164	\$ 41,173	\$ —	\$ 49,407	\$ 131,744
—	—	—	—	—	—	—	620
—	—	4,516	—	—	—	—	4,516
—	—	—	—	—	—	—	—
—	—	723	—	134	—	268	4,219
—	38,635	18,683	—	—	20,102	89	126,964
—	—	15	—	—	—	4,100	22,124
551	—	783	—	—	—	—	1,334
69	146	1,133	2,769	1,480	3,019	4,414	17,392
—	—	128	—	—	—	—	128
—	—	3,607	—	—	—	1,007	4,664
<u>620</u>	<u>38,781</u>	<u>29,588</u>	<u>43,933</u>	<u>42,787</u>	<u>23,121</u>	<u>59,285</u>	<u>313,705</u>
1	—	7,812	236	237	139	3,563	15,492
—	—	5,460	32,625	32,545	2,035	466	73,131
—	36,346	1,214	—	—	3,644	29,213	97,532
—	—	1,827	—	—	380	—	11,248
—	—	116	—	—	—	—	116
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
357	—	7,739	4,095	—	9,382	8,772	58,129
<u>358</u>	<u>36,346</u>	<u>24,179</u>	<u>36,956</u>	<u>32,782</u>	<u>15,580</u>	<u>42,014</u>	<u>255,659</u>
262	2,435	5,409	6,977	10,005	7,541	17,271	58,046
—	13	9,789	—	—	—	—	9,802
—	—	(7,431)	—	—	(4,400)	(97)	(27,073)
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	13	2,358	—	—	(4,400)	(97)	(17,271)
262	2,448	7,767	6,977	10,005	3,141	17,174	40,775
1,138	(1,512)	9,550	60,626	36,927	(1,147)	85,079	283,414
<u>\$ 1,400</u>	<u>\$ 936</u>	<u>\$ 17,317</u>	<u>\$ 67,603</u>	<u>\$ 46,932</u>	<u>\$ 1,994</u>	<u>\$ 102,253</u>	<u>\$ 324,189</u>

City of Mesa, Arizona

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal year Ended June 30, 2024
(in thousands)

	Capital Projects Funds					Total Capital Projects Funds
	Community Facilities District	General Capital Projects	Parks	Public Safety	Streets	
Revenues:						
Sales Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Property Taxes	—	—	—	—	—	—
Occupancy Taxes	—	—	—	—	—	—
Special Assessments	—	—	—	—	—	—
Licenses and Permits	—	—	—	—	—	—
Intergovernmental	—	—	—	—	5,019	5,019
Charges for Services	—	—	—	—	119	119
Fines and Forfeitures	—	—	—	—	—	—
Investment Income (Loss)	—	2,883	(47)	(102)	770	3,504
Contributions	—	—	—	—	—	—
Miscellaneous Revenues	—	1,692	—	—	—	1,692
Total Revenues	—	4,575	(47)	(102)	5,908	10,334
Expenditures						
Current:						
General Government	—	—	—	—	—	—
Public Safety	—	—	—	—	—	—
Community Environment	—	—	—	—	—	—
Cultural-Recreational	—	—	—	—	—	—
Debt Services:						
Principal Retirement	—	—	—	—	—	—
Interest on Bonds	—	—	—	—	—	—
Services Charges	—	—	—	—	—	—
Cost of Issuance	—	27	249	108	97	481
Capital Outlay	—	59,530	17,388	44,536	14,702	136,156
Total Expenditures	—	59,557	17,637	44,644	14,799	136,637
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	(54,982)	(17,684)	(44,746)	(8,891)	(126,303)
Other Financing Sources (Uses):						
Transfers In	—	76,832	—	—	—	76,832
Transfers Out	—	(123)	—	—	(9,358)	(9,481)
Sale of Capital Assets	—	330	—	—	—	330
Face Amounts of Bonds Issued	—	4,682	43,074	18,729	16,855	83,340
Face Amounts of Leases Issued	—	—	—	—	—	—
Premium on Issuance of Bonds (Net)	—	346	3,179	1,382	1,244	6,151
Total Other Financing Sources (Uses)	—	82,067	46,253	20,111	8,741	157,172
Net Change in Fund Balances	—	27,085	28,569	(24,635)	(150)	30,869
Fund Balances - Beginning	338	60,649	(28,410)	(2,672)	53,137	83,042
Fund Balances - Ending	\$ 338	\$ 87,734	\$ 159	\$ (27,307)	\$ 52,987	\$ 113,911

(Concluded)

Debt Service Funds					
Community Facilities District	Excise Tax Obligations	General Obligation Bonds	Highway User Revenue Bonds	Total Debt Service Funds	Total Nonmajor Governmental Funds
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 131,744
7,957	—	39,081	—	47,038	47,658
—	—	—	—	—	4,516
1,736	—	—	—	1,736	1,736
—	—	—	—	—	4,219
—	—	—	—	—	131,983
—	104	—	—	104	22,347
—	—	624	—	624	1,958
114	—	574	—	688	21,584
—	—	—	—	—	128
—	—	—	—	—	6,356
<u>9,807</u>	<u>104</u>	<u>40,279</u>	<u>—</u>	<u>50,190</u>	<u>374,229</u>
—	—	—	—	—	15,492
—	—	—	—	—	73,131
—	—	—	—	—	97,532
—	—	—	—	—	11,248
—	—	—	—	—	—
5,984	1,305	32,305	10,490	50,084	50,200
3,899	1,389	12,190	1,312	18,790	18,790
7	2	4	1	14	14
—	—	—	—	—	481
—	—	—	—	—	194,285
<u>9,890</u>	<u>2,696</u>	<u>44,499</u>	<u>11,803</u>	<u>68,888</u>	<u>461,184</u>
(83)	(2,592)	(4,220)	(11,803)	(18,698)	(86,955)
—	2,558	3,923	11,803	18,284	80,031
—	—	(634)	—	(634)	(12,301)
—	—	—	—	—	330
—	—	—	—	—	83,340
—	—	—	—	—	—
—	—	2	—	2	6,153
<u>—</u>	<u>2,558</u>	<u>3,291</u>	<u>11,803</u>	<u>17,652</u>	<u>157,553</u>
(83)	(34)	(929)	—	(1,046)	70,598
<u>3,304</u>	<u>34</u>	<u>6,491</u>	<u>—</u>	<u>9,829</u>	<u>376,285</u>
<u>\$ 3,221</u>	<u>\$ —</u>	<u>\$ 5,562</u>	<u>\$ —</u>	<u>\$ 8,783</u>	<u>\$ 446,883</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
Internal Service Funds
Combining Statement of Net Position
June, 30, 2024
(in thousands)

	Warehouse, Maintenance and Services	Property and Public Liability Self Insurance	Workers' Compensation Self Insurance	Employee Benefits Self Insurance	Total
Assets					
Current Assets:					
Pooled Cash and Investments	\$ —	\$ 9,839	\$ 9,609	\$ 42,759	\$ 62,207
Accounts Receivable	458	—	—	205	663
Accrued Premiums Receivable	—	—	—	15	15
Accrued Interest Receivable	—	38	39	175	252
Inventory	11,984	—	—	—	11,984
Deposits and Prepaid Costs	10	1,518	306	—	1,834
Total Current Assets	<u>12,452</u>	<u>11,395</u>	<u>9,954</u>	<u>43,154</u>	<u>76,955</u>
Noncurrent Assets:					
Lease Asset	—	—	—	92	92
Capital Assets, Not Being Depreciated	53	—	—	791	844
Capital Assets, Being Depreciated, Net	3,240	—	—	5	3,245
Total Noncurrent Assets	<u>3,293</u>	<u>—</u>	<u>—</u>	<u>888</u>	<u>4,181</u>
Total Assets	<u>15,745</u>	<u>11,395</u>	<u>9,954</u>	<u>44,042</u>	<u>81,136</u>
Deferred Outflows of Resources					
Pensions and OPEB	3,152	297	200	486	4,135
Total Deferred Outflows of Resources	<u>3,152</u>	<u>297</u>	<u>200</u>	<u>486</u>	<u>4,135</u>
Total Assets and Deferred Outflows of Resources	<u>18,897</u>	<u>11,692</u>	<u>10,154</u>	<u>44,528</u>	<u>85,271</u>
Liabilities					
Current Liabilities					
Accounts Payable and Accrued Liabilities	2,067	3	147	2,762	4,979
Claims Payable	—	11,912	27,440	5,771	45,123
Due to Other Funds	3,552	—	—	—	3,552
Current Portion of OPEB Liability	663	39	31	113	846
Current Portion of Compensated Absences	124	13	14	12	163
Total Current Liabilities	<u>6,406</u>	<u>11,967</u>	<u>27,632</u>	<u>8,658</u>	<u>54,663</u>
Long-Term Liabilities					
Lease	—	—	—	103	103
Compensated Absences	759	153	75	137	1,124
Net Pension and OPEB Liability	29,191	2,548	1,759	4,590	38,088
Total Long-Term Liabilities	<u>29,950</u>	<u>2,701</u>	<u>1,834</u>	<u>4,830</u>	<u>39,315</u>
Total Liabilities	<u>36,356</u>	<u>14,668</u>	<u>29,466</u>	<u>13,488</u>	<u>93,978</u>
Deferred Inflows of Resources					
Pensions and OPEB	4,422	292	221	739	5,674
Total Deferred Inflows of Resources	<u>4,422</u>	<u>292</u>	<u>221</u>	<u>739</u>	<u>5,674</u>
Net Position					
Net Investment in Capital Assets	3,293	—	—	888	4,181
Unrestricted	(25,174)	(3,268)	(19,533)	29,413	(18,562)
Total Net Position	<u>\$ (21,881)</u>	<u>\$ (3,268)</u>	<u>\$ (19,533)</u>	<u>\$ 30,301</u>	<u>\$ (14,381)</u>

City of Mesa, Arizona

Internal Service Funds

Combining Statement of Revenue, Expenses and Changes in Net Position

For the Fiscal Year Ended June 30, 2024

(In thousands)

	Warehouse, Maintenance and Services	Property and Public Liability Self Insurance	Workers' Compensation Self Insurance	Employee Benefits Self Insurance	Total
Operating Revenues:					
Charges For Services:					
Warehouse	\$ 9,850	\$ —	\$ —	\$ —	\$ 9,850
Fleet Support Services	32,588	—	—	—	32,588
Printing and Graphics	945	—	—	—	945
Self-Insurance Contributions:					
Employee	—	—	—	13,640	13,640
City	—	9,039	8,045	83,997	101,081
State Retirement System	—	—	—	5,222	5,222
Other	367	—	—	7,544	7,911
Total Operating Revenues	43,750	9,039	8,045	110,403	171,237
Operating Expenses:					
Warehouse, Maintenance & Services:					
Warehouse	10,878	—	—	—	10,878
Fleet Support Services	35,985	—	—	—	35,985
Printing and Graphics	954	—	—	—	954
Self-Insurance:					
Administrative Costs	—	1,446	1,781	9,488	12,715
Claims and Premiums Paid	—	8,286	4,039	107,167	119,492
Total Operating Expenses	47,817	9,732	5,820	116,655	180,024
Operating Income (Loss) Before	(4,067)	(693)	2,225	(6,252)	(8,787)
Depreciation and Amortization	(323)	—	—	(74)	(397)
Operating Income (Loss)	(4,390)	(693)	2,225	(6,326)	(9,184)
Nonoperating Revenues (Expense):					
Investment Income/(Loss)	(200)	367	402	2,300	2,869
Lease Interest Expenses	—	—	—	(3)	(3)
Total Nonoperating Revenues	(200)	367	402	2,297	2,866
Income (Loss) Before Capital	(4,590)	(326)	2,627	(4,029)	(6,318)
Capital Contributions	44	—	—	—	44
Transfers In	—	—	—	—	—
Transfers Out	(61)	—	—	(32)	(93)
Change in Net Position	(4,607)	(326)	2,627	(4,061)	(6,367)
Total Net Position - Beginning	(17,274)	(2,942)	(22,160)	34,362	(8,014)
Total Net Position - Ending	\$ (21,881)	\$ (3,268)	\$ (19,533)	\$ 30,301	\$ (14,381)

City of Mesa, Arizona
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2024
(In thousands)

	Warehouse, Maintenance and Services	Property and Public Liability Self Insurance	Workers' Compensation Self Insurance	Employee Benefits Self Insurance	Total
Cash Flows from Operating Activities:					
Cash Received from Users	\$ 43,711	\$ 9,039	\$ 8,045	\$ 110,574	\$ 171,369
Cash Payments to Suppliers	(37,489)	(7,538)	(5,903)	(113,500)	(164,430)
Cash Payments to Employees	(7,478)	(1,029)	(674)	(1,024)	(10,205)
Net Cash Provided By/(Used For) Operating Activities	<u>(1,256)</u>	<u>472</u>	<u>1,468</u>	<u>\$ (3,950)</u>	<u>(3,266)</u>
Cash Flows From Noncapital Financing Activities:					
Increase in Interfund Payable	1,598	—	—	—	1,598
Transfers Out To Other Funds	(61)	—	—	(32)	(93)
Net Cash Provided By/(Used For) Noncapital Financing Activities	<u>1,537</u>	<u>—</u>	<u>—</u>	<u>(32)</u>	<u>1,505</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition and Construction of Capital Assets	(125)	—	—	(792)	(917)
Principal Paid on Leases	—	—	—	(71)	(71)
Interest Income/(Expense) on Lease	—	—	—	(3)	(3)
Capital Contributions	44	—	—	—	44
Net Cash Provided By/(Used For) Capital and Related Financing Activities	<u>(81)</u>	<u>—</u>	<u>—</u>	<u>(866)</u>	<u>(947)</u>
Cash Flows from Investing Activities:					
Interest Received on Investments	(200)	361	394	2,305	2,860
Net Cash Provided By/(Used For) Investing Activities	<u>(200)</u>	<u>361</u>	<u>394</u>	<u>2,305</u>	<u>2,860</u>
Net Change in Pooled Cash and Investments	—	833	1,862	-2,543	152
Pooled Cash and Investments at Beginning of Year	—	9,006	7,747	45,302	62,055
Pooled Cash and Investments at End of Year	<u>\$ —</u>	<u>\$ 9,839</u>	<u>\$ 9,609</u>	<u>\$ 42,759</u>	<u>\$ 62,207</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided By/(Used For) Operating Activities:					
Operating Income/(Loss)	\$ (4,390)	\$ (693)	\$ 2,225	\$ (6,326)	\$ (9,184)
Adjustments to Reconcile Operating Income/(Loss) Net Cash Provided By/(Used For) Operating					
Depreciation and Amortization	323	—	—	74	397
Changes in Assets and Liabilities:					
(Increase)/Decrease in Receivables	(39)	—	—	171	132
(Increase)/Decrease in Inventory	(1,872)	—	—	—	(1,872)
(Increase)/Decrease in Deposits and Prepaid Costs	(10)	(316)	(9)	—	(335)
(Increase)/Decrease in Deferred Outflows	302	66	39	97	504
Increase/(Decrease) in Accounts Payable	864	(2)	(18)	745	1,589
Increase/(Decrease) in Pension and OPEB Liability	3,754	24	65	147	3,990
Increase/(Decrease) in Deferred Inflows	(415)	(72)	(46)	(200)	(733)
Increase/(Decrease) in Other Accrued Expenses	227	1,465	(788)	1,342	2,246
Total Adjustments	<u>3,134</u>	<u>1,165</u>	<u>(757)</u>	<u>2,376</u>	<u>5,918</u>
Net Cash Provided By/(Used for) Operating Activities	<u>\$ (1,256)</u>	<u>\$ 472</u>	<u>\$ 1,468</u>	<u>\$ (3,950)</u>	<u>\$ (3,266)</u>



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SUPPLEMENTAL INFORMATION

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED | JUNE 30, 2024

City of Mesa, Arizona
Supplemental Information
Budgetary Comparison Schedule (Non-GAAP Basis)
Cadence Community Facilities Districts
For the Fiscal Year Ended June 30, 2024
(in thousands)

	Budgeted Amounts		Actual - Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Property Taxes	\$ 1,040	\$ 1,040	\$ 1,041	\$ 1
Special Assessments	307	307	324	17
Investment Income	—	—	21	21
Contributions	41	41	—	(41)
Total Revenues	1,388	1,388	1,386	(2)
Expenditures:				
Current:				
General Government	1,046	1,046	35	1,011
Debt Service:				
Principal Retirement	765	765	599	166
Interest on Bonds	475	475	635	(160)
Service Charges	3	3	2	1
Cost of Issuance	130	130	—	130
Capital Outlay	870	870	—	870
Total Expenditures	3,289	3,289	1,271	2,018
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,901)	(1,901)	115	2,016
Other Financing Uses:				
Face Amount of Bonds Issued	1,900	1,900	—	1,900
Premium on Issuance of Bonds	—	—	—	—
Total Other Financing Uses	1,900	1,900	—	1,900
Net Change in Fund Balances	(1)	(1)	115	116
Fund Balance - Beginning	479	479	479	—
Fund Balance - Ending	\$ 478	\$ 478	\$ 594	\$ 116

Note: Cadence is a blended component unit. Budget is approved by the Board at the District Level.

City of Mesa, Arizona
 Supplemental Information
 Budgetary Comparison Schedule (Non-GAAP Basis)
 Eastmark 1 Community Facilities Districts
 For the Fiscal year Ended June 30, 2024
 (in thousands)

	Budgeted Amounts		Actual - Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Property Taxes	\$ 7,076	\$ 7,076	\$ 7,037	\$ (39)
Special Assessments	2,208	2,208	1,364	(844)
Investment Income	—	—	179	179
Contributions	2	2	—	(2)
Total Revenues	9,286	9,286	8,580	(706)
Expenditures:				
Current:				
General Government	3,519	3,519	219	3,300
Debt Service:				
Principal Retirement	4,577	4,577	5,179	(602)
Interest on Bonds	4,189	4,189	3,017	1,172
Service Charges	5	5	5	—
Cost of Issuance	450	450	—	450
Capital Outlay	14,444	14,444	—	14,444
Total Expenditures	27,184	27,184	8,420	18,764
Excess (Deficiency) of Revenues Over (Under) Expenditures	(17,898)	(17,898)	160	18,058
Other Financing Uses:				
Face Amount of Bonds Issued	17,900	17,900	—	17,900
Premium on Issuance of Bonds	—	—	—	—
Total Other Financing Uses	17,900	17,900	—	17,900
Net Change in Fund Balances	2	2	160	158
Fund Balance - Beginning	2,981	2,981	2,981	—
Fund Balance - Ending	\$ 2,983	\$ 2,983	\$ 3,141	\$ 158

Note: Eastmark 1 is a blended component unit. Budget is approved by the Board at the District Level.

City of Mesa, Arizona
 Supplemental Information
 Budgetary Comparison Schedule (Non-GAAP Basis)
 Eastmark 2 Community Facilities Districts
 For the Fiscal year Ended June 30, 2024
 (in thousands)

	Budgeted Amounts		Actual - Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Property Taxes	\$ 492	\$ 492	\$ 499	\$ 7
Special Assessments	344	344	48	(296)
Investment Income	—	—	8	8
Contributions	82	82	—	(82)
Total Revenues	918	918	555	(363)
Expenditures:				
Current:				
General Government	824	824	9	815
Debt Service:				
Principal Retirement	409	409	206	203
Interest on Bonds	389	389	248	141
Service Charges	1	1	1	—
Cost of Issuance	250	250	—	250
Capital Outlay	2,494	2,494	—	2,494
Total Expenditures	4,367	4,367	464	3,903
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,449)	(3,449)	91	3,540
Other Financing Uses:				
Face Amount of Bonds Issued	3,450	3,450	—	3,450
Premium on Issuance of Bonds	—	—	—	—
Total Other Financing Uses	3,450	3,450	—	3,450
Net Change in Fund Balances	1	1	91	90
Fund Balance - Beginning	287	287	287	—
Fund Balance - Ending	\$ 288	\$ 288	\$ 378	\$ 90

Note: Eastmark 2 is a blended component unit. Budget is approved by the Board at the District Level.



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STATISTICAL SECTION

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED | JUNE 30, 2024



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City of Mesa, Arizona

Table 1

Net Position By Components

Last Ten Fiscal Years

(accrual basis of accounting)

(in thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
GOVERNMENTAL ACTIVITIES				
Net Investment in Capital Assets	\$ 1,317,166	\$ 1,229,376	\$ 1,246,582	\$ 1,184,908
Restricted	382,409	357,673	249,626	203,284
Unrestricted	<u>(914,825)</u>	<u>(848,807)</u>	<u>(889,238)</u>	<u>(841,670)</u>
Total Governmental Activities Net Position	<u>\$ 784,750</u>	<u>\$ 738,242</u>	<u>\$ 606,970</u>	<u>\$ 546,522</u>
BUSINESS-TYPE ACTIVITIES				
Net Investment in Capital Assets	\$ 82,964	\$ 92,703	\$ 24,204	\$ 30,965
Restricted	122,088	114,531	95,840	70,940
Unrestricted	<u>269,392</u>	<u>245,653</u>	<u>324,907</u>	<u>318,490</u>
Total Business-type Activities	<u>\$ 474,444</u>	<u>\$ 452,887</u>	<u>\$ 444,951</u>	<u>\$ 420,395</u>
PRIMARY GOVERNMENT				
Net Investment in Capital Assets	\$ 1,400,130	\$ 1,322,079	\$ 1,270,786	\$ 1,215,873
Restricted	504,497	472,204	345,466	274,224
Unrestricted	<u>(645,433)</u>	<u>(603,154)</u>	<u>(564,331)</u>	<u>(523,180)</u>
Total Primary Government	<u>\$ 1,259,194</u>	<u>\$ 1,191,129</u>	<u>\$ 1,051,921</u>	<u>\$ 966,917</u>

**Table 1
(Concluded)**

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 1,075,182	\$ 1,038,928	\$ 1,019,888	\$ 986,354	\$ 965,148	\$ 932,660
143,839	103,164	88,305	88,721	81,941	72,170
<u>(833,300)</u>	<u>(834,016)</u>	<u>(858,392)</u>	<u>(711,367)</u>	<u>(666,986)</u>	<u>(666,758)</u>
<u>\$ 385,721</u>	<u>\$ 308,076</u>	<u>\$ 249,801</u>	<u>\$ 363,708</u>	<u>\$ 380,103</u>	<u>\$ 338,072</u>
\$ 213,576	\$ 170,427	\$ 266,012	\$ 247,598	\$ 302,521	\$ 327,743
63,113	47,857	40,440	43,046	49,139	47,576
<u>252,261</u>	<u>350,006</u>	<u>199,531</u>	<u>228,160</u>	<u>158,756</u>	<u>160,934</u>
<u>\$ 528,950</u>	<u>\$ 568,290</u>	<u>\$ 505,983</u>	<u>\$ 518,804</u>	<u>\$ 510,416</u>	<u>\$ 536,253</u>
\$ 1,288,758	\$ 1,209,355	\$ 1,285,900	\$ 1,233,952	\$ 1,267,669	\$ 1,260,403
206,952	151,021	128,745	131,767	131,080	119,746
<u>(581,039)</u>	<u>(484,010)</u>	<u>(658,861)</u>	<u>(483,207)</u>	<u>(508,230)</u>	<u>(505,824)</u>
<u>\$ 914,671</u>	<u>\$ 876,366</u>	<u>\$ 755,784</u>	<u>\$ 882,512</u>	<u>\$ 890,519</u>	<u>\$ 874,325</u>

City of Mesa, Arizona

Table 2

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(in thousands)

EXPENSES	2024	2023	2022	2021
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 225,391	\$ 192,361	\$ 183,241	\$ 175,608
Public Safety	525,883	430,268	416,563	409,549
Community Environment	192,205	157,270	195,594	172,840
Cultural-Recreational	107,468	100,791	86,824	66,020
Interest on Long-term Debt	16,793	16,138	14,720	18,201
Total Governmental Activities Expenses	1,067,740	896,827	896,942	842,218
BUSINESS-TYPE ACTIVITIES:				
Electric	49,009	48,672	43,206	30,259
Gas	46,078	51,105	43,125	41,386
Water	151,246	128,558	119,329	126,797
Wastewater	89,096	82,752	89,219	77,488
Solid Waste	55,972	51,213	41,001	45,848
Airport	13,302	7,671	6,002	5,958
Golf Course	—	—	—	—
Convention Center	—	—	—	—
Hohokam Stadium/Fitch Complex	—	—	—	—
Cubs Stadium	—	—	—	—
District Cooling	1,570	1,528	1,703	1,299
Interest on Long-term Debt	—	—	—	—
Total Business-type Activities Expenses	406,273	371,499	343,585	329,035
Total Primary Government Expenses	\$1,474,013	\$ 1,268,326	\$ 1,240,527	\$ 1,171,253

Table 2
(Continued)

2020	2019	2018	2017	2016	2015
\$ 134,299	\$ 119,819	\$ 105,140	\$ 101,301	\$ 96,860	\$ 102,396
384,800	355,752	334,905	379,505	305,376	302,633
152,847	119,506	113,916	104,173	117,120	101,531
62,014	58,345	54,828	55,739	54,967	52,430
17,841	18,078	19,514	19,279	20,424	23,939
<u>751,801</u>	<u>671,500</u>	<u>628,303</u>	<u>659,997</u>	<u>594,747</u>	<u>582,929</u>
25,028	22,475	25,573	26,561	27,647	28,495
29,096	33,124	31,636	37,109	31,549	32,104
128,244	103,821	101,005	95,608	95,574	101,863
80,548	57,468	74,157	71,782	73,877	71,161
41,719	38,524	37,988	37,911	36,586	36,979
6,004	5,029	5,308	5,125	4,865	2,863
1,233	2,117	1,965	2,028	2,575	2,210
4,150	4,413	4,481	4,711	4,252	3,715
2,615	2,748	3,174	3,687	2,913	1,200
408	7,867	5,870	6,042	5,271	8,581
1,163	1,186	1,181	1,268	1,182	885
—	—	—	—	—	4,124
<u>320,208</u>	<u>278,772</u>	<u>292,338</u>	<u>291,832</u>	<u>286,291</u>	<u>294,180</u>
<u>\$ 1,072,009</u>	<u>\$ 950,272</u>	<u>\$ 920,641</u>	<u>\$ 951,829</u>	<u>\$ 881,038</u>	<u>\$ 877,109</u>

City of Mesa, Arizona

Table 2

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(in thousands)

PROGRAM REVENUES	2024	2023	2022	2021
GOVERNMENTAL ACTIVITIES:				
Charges for services:				
Licenses and Permits	\$ 39,954	\$ 46,116	\$ 48,574	\$ 42,635
Charges for Services	82,356	70,224	65,920	41,394
Fines and Forfeitures	8,787	8,968	9,672	8,573
Other activities	919	936	966	8,145
Operating Grants and Contributions	78,057	75,436	105,858	100,923
Capital Grants and Contributions	14,618	24,611	44,369	10,696
Total Governmental Activities Program Revenues	<u>224,691</u>	<u>226,291</u>	<u>275,359</u>	<u>212,366</u>
BUSINESS-TYPE ACTIVITIES:				
Charges for services:				
Electric	50,234	48,208	52,613	32,666
Gas	58,932	70,556	57,313	45,141
Water	184,360	167,806	163,263	169,473
Wastewater	98,598	95,665	93,727	87,573
Solid Waste	71,773	69,269	66,132	64,344
Airport	4,798	4,973	4,808	4,007
Golf Course	—	—	—	—
Convention Center	—	—	—	—
Hohokam Stadium/Fitch Complex	—	—	—	—
Cubs Stadium	—	—	—	—
District Cooling	1,323	1,427	1,487	1,158
Economic Investment	—	—	—	—
Operating Grants and Contributions	236	268	452	452
Capital Grants and Contributions	56,440	21,796	30,888	34,719
Total Business-type Activities Program Revenues	<u>526,694</u>	<u>479,968</u>	<u>470,683</u>	<u>439,533</u>
Total Primary Government Program Revenues	<u>\$ 751,385</u>	<u>\$ 706,259</u>	<u>\$ 746,042</u>	<u>\$ 651,899</u>
NET (EXPENSE) REVENUE				
Governmental Activities	\$ (843,049)	\$ (670,536)	\$ (621,583)	\$ (629,852)
Business-type Activities	<u>120,421</u>	<u>108,469</u>	<u>127,098</u>	<u>110,498</u>
Total Primary Government Net Expense	<u>\$ (722,628)</u>	<u>\$ (562,067)</u>	<u>\$ (494,485)</u>	<u>\$ (519,354)</u>

Table 2
(Continued)

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 24,126	\$ 23,812	\$ 25,119	\$ 23,152	\$ 23,254	\$ 20,892
40,489	43,214	40,222	38,348	38,178	36,260
9,253	10,838	10,436	9,873	11,049	10,505
3,791	3,439	2,979	1,330	9,385	5,741
70,633	25,326	34,446	26,955	26,361	26,418
24,719	13,780	23,618	24,451	35,925	75,907
<u>173,011</u>	<u>120,409</u>	<u>136,820</u>	<u>124,109</u>	<u>144,152</u>	<u>175,723</u>
29,855	29,986	31,425	33,534	32,254	33,601
39,986	43,547	39,171	39,752	38,962	39,422
152,266	144,896	147,667	138,335	130,674	121,205
81,464	84,220	83,078	79,056	79,523	77,172
63,267	62,432	60,522	58,117	55,354	52,748
4,018	4,339	3,983	3,846	3,623	3,454
—	1,608	1,635	1,545	1,645	1,737
2,595	3,153	2,809	3,299	2,798	2,475
40	75	51	54	63	2
221	250	238	291	201	202
1,143	1,148	1,215	1,231	1,234	1,274
—	—	—	—	—	—
1,632	2,316	2,406	158	267	157
35,896	19,692	23,474	28,711	16,929	18,107
<u>412,383</u>	<u>397,662</u>	<u>397,674</u>	<u>387,929</u>	<u>363,527</u>	<u>351,556</u>
<u>\$ 585,394</u>	<u>\$ 518,071</u>	<u>\$ 534,494</u>	<u>\$ 512,038</u>	<u>\$ 507,679</u>	<u>\$ 527,279</u>
\$ (578,790)	\$ (551,091)	\$ (491,483)	\$ (535,888)	\$ (450,595)	\$ (407,206)
<u>92,175</u>	<u>118,890</u>	<u>105,336</u>	<u>96,097</u>	<u>77,236</u>	<u>57,376</u>
<u>\$ (486,615)</u>	<u>\$ (432,201)</u>	<u>\$ (386,147)</u>	<u>\$ (439,791)</u>	<u>\$ (373,359)</u>	<u>\$ (349,830)</u>

City of Mesa, Arizona

Table 2

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(in thousands)

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
GOVERNMENTAL ACTIVITIES:				
Sales Taxes	\$ 329,821	\$ 331,144	\$ 301,862	\$ 253,825
Property Taxes	47,924	46,906	52,005	47,247
Occupancy Taxes	6,837	7,319	6,427	3,990
Unrestricted Intergovernmental Revenues	290,065	246,412	211,534	206,397
Contributions Not Restricted to Specific Programs	27,428	31,799	7,771	19,052
Investment Income (Loss)	46,922	8,542	(29,788)	2,308
Miscellaneous	13,226	8,233	14,758	21,315
Gain (Loss) on Sale of Capital Assets	200	1,854	1,856	17,229
Transfers	<u>127,134</u>	<u>119,599</u>	<u>115,607</u>	<u>113,982</u>
Total Governmental Activities	<u>889,557</u>	<u>801,808</u>	<u>682,032</u>	<u>685,345</u>
BUSINESS-TYPE ACTIVITIES:				
Occupancy Taxes	—	—	—	—
Utility Development Fees	7,395	14,142	21,021	—
Investment Income (Loss)	13,092	3,672	(9,155)	45
Gain (Loss) on Sale of Capital Assets	—	—	—	—
Miscellaneous	7,783	1,252	1,199	192
Transfers	<u>(127,134)</u>	<u>(119,599)</u>	<u>(115,607)</u>	<u>(113,982)</u>
Total Business-type Activities	<u>(98,864)</u>	<u>(100,533)</u>	<u>(102,542)</u>	<u>(113,745)</u>
Total Primary Government	<u>\$ 790,693</u>	<u>\$ 701,275</u>	<u>\$ 579,490</u>	<u>\$ 571,600</u>
Change in Net Position				
Governmental Activities	\$ 46,508	\$ 131,272	\$ 60,448	\$ 55,493
Business-type Activities	<u>21,557</u>	<u>7,936</u>	<u>24,556</u>	<u>(3,247)</u>
Total Primary Government	<u>\$ 68,065</u>	<u>\$ 139,208</u>	<u>\$ 85,004</u>	<u>\$ 52,246</u>

Table 2
(Concluded)

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 219,932	\$ 189,871	\$ 169,024	\$ 159,735	\$ 151,826	\$ 146,337
45,068	36,013	35,571	34,684	33,825	33,241
2,564	3,246	2,628	2,536	2,331	2,081
183,189	175,278	167,540	158,916	149,350	145,266
36,912	65,189	80,312	46,817	44,928	47,761
16,002	13,729	1,912	448	2,210	1,786
16,374	11,531	5,418	11,161	6,008	7,844
—	(27)	(2,462)	(1,411)	—	—
136,394	114,535	116,006	106,607	102,148	94,427
<u>656,435</u>	<u>609,365</u>	<u>575,949</u>	<u>519,493</u>	<u>492,626</u>	<u>478,743</u>
1,459	1,602	1,192	1,085	1,161	999
—	—	—	—	—	—
7,618	8,004	1,691	983	3,020	1,141
(801)	44,056	261	16,364	(6,145)	5,157
(3,397)	4,290	1,915	466	1,039	233
<u>(136,394)</u>	<u>(114,535)</u>	<u>(116,006)</u>	<u>(106,607)</u>	<u>(102,148)</u>	<u>(94,427)</u>
<u>(131,515)</u>	<u>(56,583)</u>	<u>(110,947)</u>	<u>(87,709)</u>	<u>(103,073)</u>	<u>(86,897)</u>
<u>\$ 524,920</u>	<u>\$ 552,782</u>	<u>\$ 465,002</u>	<u>\$ 431,784</u>	<u>\$ 389,553</u>	<u>\$ 391,846</u>
\$ 77,645	\$ 58,275	\$ 84,466	\$ (16,395)	\$ 42,031	\$ 71,537
<u>(39,340)</u>	<u>62,307</u>	<u>(5,611)</u>	<u>8,388</u>	<u>(25,837)</u>	<u>(29,521)</u>
<u>\$ 38,305</u>	<u>\$ 120,582</u>	<u>\$ 78,855</u>	<u>\$ (8,007)</u>	<u>\$ 16,194</u>	<u>\$ 42,016</u>

City of Mesa, Arizona

Table 3

Fund Balance, Governmental Funds

Last Ten Fiscal Years

(accrual basis of accounting)

(in thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
GENERAL FUND				
Nonspendable	\$ 4,860	\$ 4,299	\$ 3,185	\$ 2,680
Restricted	—	—	—	—
Committed	8,628	8,978	4,313	18,529
Assigned	215,138	184,499	171,743	79,024
Unassigned	<u>194,106</u>	<u>177,640</u>	<u>152,526</u>	<u>188,375</u>
Total General Fund	<u>\$ 422,732</u>	<u>\$ 375,416</u>	<u>\$ 331,767</u>	<u>\$ 288,608</u>
ALL OTHER GOVERNMENTAL FUNDS				
Nonspendable	\$ 1,665	\$ 997	\$ 723	\$ 928
Restricted (1)	360,119	332,645	296,748	274,623
Committed	27,600	27,011	25,677	66,679
Assigned	84,806	63,609	39,153	897
Unassigned	<u>(27,307)</u>	<u>(47,977)</u>	<u>(12,709)</u>	<u>(11,517)</u>
Total All Other Governmental Funds	<u>\$ 446,883</u>	<u>\$ 376,285</u>	<u>\$ 349,592</u>	<u>\$ 331,610</u>

Table 3
(Concluded)

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 2,301	\$ 794	\$ 2,304	\$ 2,145	\$ 4,035	\$ 3,490
—	26	—	146	184	184
19,910	14,016	10,377	528	227	126
42,515	30,869	28,346	19,367	10,703	—
130,342	90,190	89,347	92,240	79,657	74,145
<u>\$ 195,068</u>	<u>\$ 135,895</u>	<u>\$ 130,374</u>	<u>\$ 114,426</u>	<u>\$ 94,806</u>	<u>\$ 77,945</u>
\$ 576	\$ 1,196	\$ 135	\$ 37	\$ 77	\$ 138
184,980	159,745	132,462	112,105	95,701	172,316
63,866	57,432	41,641	30,928	28,580	30,092
786	459	22	2	6	—
(1,043)	(134)	(176)	(69)	(155)	(31)
<u>\$ 249,165</u>	<u>\$ 218,698</u>	<u>\$ 174,084</u>	<u>\$ 143,003</u>	<u>\$ 124,209</u>	<u>\$ 202,515</u>

City of Mesa, Arizona

Table 4

Fund Balance, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(in thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
REVENUES				
Sales Taxes	\$ 329,821	\$ 331,144	\$ 301,862	\$ 253,825
Property Taxes	47,658	47,003	51,926	47,253
Occupancy Taxes	6,837	7,319	6,427	3,990
Special Assessments	1,736	1,830	1,830	1,832
Licenses and Permits	39,954	46,116	48,574	42,635
Intergovernmental	382,740	345,790	347,578	316,871
Charges for Services	82,356	70,224	65,920	41,394
Fines and Forfeitures	8,787	8,968	9,672	8,573
Investment Income	44,051	8,227	(27,716)	2,287
Contributions	147	107	1,081	130
Miscellaneous	14,818	8,367	7,332	7,036
Total Revenues	<u>\$ 958,905</u>	<u>\$875,095</u>	<u>\$ 814,486</u>	<u>\$ 725,826</u>
EXPENDITURES				
Current				
General Government	133,471	122,514	110,608	98,423
Public Safety	434,589	390,553	365,887	308,271
Community Environment	125,473	107,001	127,637	127,421
Cultural-Recreational	78,162	70,381	62,542	45,596
Debt Service				
Principal	53,749	53,495	54,032	45,793
Interest	19,288	18,732	19,283	17,443
Service Charges	14	13	12	14
Cost of Issuance	481	572	540	2,038
Capital Outlay	213,194	176,745	167,628	156,985
Total Expenditures	<u>\$ 1,058,421</u>	<u>\$ 940,006</u>	<u>\$ 908,169</u>	<u>\$ 801,984</u>
Excess of Revenues Under Expenditures	<u>(99,516)</u>	<u>(64,911)</u>	<u>(93,683)</u>	<u>(76,158)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	219,576	189,252	143,814	185,897
Transfers Out	(92,349)	(73,332)	(28,207)	(71,915)
Sale of Capital Asset	579	2,019	2,004	21,597
Face Amount of Bonds Issued	83,340	11,975	34,155	106,637
Financing of Leases	131	4,780	—	—
Premium on Issuance of Bonds (Net)	6,153	559	3,059	20,193
Issuance of Refunding Bonds	—	—	—	38,395
Payment to Refunding Bond Agent	—	—	—	(48,661)
Total Other Financing Sources (Uses)	<u>217,430</u>	<u>135,253</u>	<u>154,825</u>	<u>252,143</u>
Net Change in Fund Balances	<u>\$ 117,914</u>	<u>\$ 70,342</u>	<u>\$ 61,142</u>	<u>\$ 175,985</u>
Debt Service as a percentage of Noncapital Expenditures	8.44 %	8.73 %	9.26%	9.08%

Table 4
(Concluded)

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 219,932	\$ 189,871	\$ 169,024	\$ 159,735	\$ 151,826	\$ 146,337
44,970	36,005	35,616	34,675	34,765	34,022
2,564	3,246	2,628	2,536	2,331	2,081
1,661	1,274	1,174	2,125	1,433	1,264
24,126	23,812	25,119	23,152	23,254	20,892
277,396	213,051	223,800	200,820	191,360	185,529
40,489	43,214	40,222	38,348	38,178	36,260
9,253	10,838	10,436	9,873	11,049	10,505
14,026	10,840	1,608	331	1,483	1,793
2,295	255	429	360	961	1,344
9,487	6,688	5,547	4,348	3,994	6,587
<u>\$ 646,199</u>	<u>\$ 539,094</u>	<u>\$ 515,603</u>	<u>\$ 476,303</u>	<u>\$ 460,634</u>	<u>\$ 446,614</u>
96,141	98,009	90,209	86,360	79,448	81,066
291,674	277,313	266,459	261,892	254,528	243,570
90,207	76,623	73,404	68,403	65,559	60,512
47,639	48,636	46,143	43,744	43,651	40,365
46,929	39,511	34,738	32,587	107,383	28,367
18,208	18,185	18,477	17,994	18,905	23,269
14	19	14	15	14	13
838	874	1,023	1,271	1,505	657
120,602	92,637	76,279	82,062	91,784	74,150
<u>\$ 712,252</u>	<u>\$ 651,807</u>	<u>\$ 606,746</u>	<u>\$ 594,328</u>	<u>\$ 662,777</u>	<u>\$ 551,969</u>
<u>(66,053)</u>	<u>(112,713)</u>	<u>(91,143)</u>	<u>(118,025)</u>	<u>(202,143)</u>	<u>(105,355)</u>
163,801	147,590	176,572	139,516	122,572	123,044
(27,407)	(33,055)	(66,208)	(31,931)	(24,298)	(45,324)
—	—	—	—	—	—
18,361	47,008	26,745	47,682	46,530	18,999
—	—	—	—	—	—
938	1,305	1,063	4,613	2,283	2,952
—	—	—	47,450	43,304	17,555
—	—	—	(50,891)	(49,693)	(20,058)
<u>155,693</u>	<u>162,848</u>	<u>138,172</u>	<u>156,439</u>	<u>140,698</u>	<u>97,168</u>
<u>\$ 89,640</u>	<u>\$ 50,135</u>	<u>\$ 47,029</u>	<u>\$ 38,414</u>	<u>\$ (61,445)</u>	<u>\$ (8,187)</u>
10.39%	10.07%	10.03%	9.88%	22.12%	10.81%

City of Mesa, Arizona

Table 5

Sales tax Collections by Category

Last Ten Fiscal Years

(in thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Retail Sales	\$ 168,775	\$ 169,720	\$ 162,691	\$ 143,435
Rentals	54,491	51,391	47,574	38,149
Utilities	21,609	19,982	18,412	17,511
Restaurants & Bars	28,318	27,812	25,615	21,716
Communications	3,360	3,493	4,026	4,730
Amusements	2,861	2,716	2,354	1,351
Publishing	523	478	943	477
Miscellaneous	1,770	1,381	1,127	1,154
Printing & Advertising	659	632	553	479
Contracting	47,454	53,532	38,567	24,821
Total	<u>\$ 329,820</u>	<u>\$ 331,137</u>	<u>\$ 301,862</u>	<u>\$ 253,823</u>
City Direct Tax Rate (1)	2.00%	2.00%	2.00%	2.00%

(1) Mesa tax rate increased from 1.75% to 2.00% effective March 1, 2019.

Source: City of Mesa Tax & Licensing Division

Table 5
(Concluded)

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 115,525	\$ 95,806	\$ 84,640	\$ 79,716	\$ 76,160	\$ 71,996
35,885	31,754	28,003	26,340	25,578	25,102
16,287	14,964	14,199	13,575	13,251	13,111
19,345	17,961	16,065	15,002	14,240	13,708
5,162	4,365	3,876	4,432	4,229	4,796
1,755	1,941	1,624	1,581	1,561	1,542
463	408	362	526	688	747
1,131	943	986	1,313	1,068	771
495	507	413	446	428	461
23,867	21,222	18,856	16,806	14,623	14,103
<u>\$ 219,915</u>	<u>\$ 189,871</u>	<u>\$ 169,024</u>	<u>\$ 159,737</u>	<u>\$ 151,826</u>	<u>\$ 146,337</u>
2.00%	2.00%	1.75%	1.75%	1.75%	1.75%

City of Mesa, Arizona

Table 6

**Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Maricopa County</u>	<u>State of Arizona</u>
2015	1.75 %	0.70 %	5.60 %
2016	1.75 %	0.70 %	5.60 %
2017	1.75 %	0.70 %	5.60 %
2018	1.75 %	0.70 %	5.60 %
2019	2.00 %	0.70 %	5.60 % (1)
2020	2.00 %	0.70 %	5.60 %
2021	2.00 %	0.70 %	5.60 %
2022	2.00 %	0.70 %	5.60 %
2023	2.00 %	0.70 %	5.60 %
2024	2.00 %	0.70 %	5.60 %

(1): The City of Mesa increased its tax to 2.00% effective 3/1/19

Source: City of Mesa Tax & Licensing Office



mesa·az

City of Mesa, Arizona

Table 7

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(in thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Governmental Activities				
General Obligation Bonds	\$ 352,848	\$ 298,366	\$ 335,174	\$ 353,434
Highway User Revenue Bonds	18,977	29,916	40,420	51,141
Excise Tax Revenue Obligation Bonds	36,495	38,387	40,245	42,078
Special Assessment Bonds	—	—	—	—
Community Facilities District	96,350	102,630	95,193	86,134
Leases	22,077	24,714	23,025	—
Subscription-Based Information Technology Arrangements	1,900	2,866	—	—
Notes Payable	—	—	—	—
Business-type Activities				
Utility System Revenue Bonds	1,124,964	1,198,362	1,322,930	1,382,558
Utility Revenue Obligations	348,085	155,366	92,203	16,977
General Obligation Bonds	—	—	—	28
Notes Payable	827	983	1,135	1,285
Total Primary Government	<u>\$ 2,002,523</u>	<u>\$ 1,851,590</u>	<u>\$ 1,950,325</u>	<u>\$ 1,933,635</u>
Percentage of Personal Income (1)	9.58%	9.44%	9.74%	12.21%
Per Capita (1)	\$ 3,911	\$ 3,616	\$ 3,832	\$ 3,837

(1) Information on personal income and population is presented on Table 12.

Table 7
(Concluded)

	2020	2019	2018	2017	2016	2015
\$	334,609	\$ 370,479	\$ 365,519	\$ 374,443	\$ 350,560	\$ 336,716
	58,750	67,905	76,620	84,995	92,895	100,285
	—	49,025	4,902	94,060	94,060	94,060
	219	438	1,005	1,340	2,085	2,830
	57,307	40,631	28,813	19,172	19,315	10,974
	—	—	—	—	—	—
	—	—	—	—	—	—
	—	—	—	—	—	77,835
	1,242,670	1,279,020	1,227,355	1,161,755	1,063,710	1,007,455
	—	—	—	—	—	—
	151	191	236	191	390	474
	1,431	1,574	1,714	1,851	1,985	2,116
\$	1,695,137	\$ 1,809,263	\$ 1,706,164	\$ 1,737,807	\$ 1,625,000	\$ 1,632,745
	10.99%	12.26%	12.62%	13.74%	13.79%	14.42%
\$	3,298	\$ 3,541	\$ 3,406	\$ 3,525	\$ 3,421	\$ 3,534

City of Mesa, Arizona

Table 8

Ratios of General Bonded Debt Outstanding
June 30, 2024

Year	Secondary Assessed Value (1)	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Secondary Assessed Value	Per Capita (2)
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
2019	3,277,965	373,827	4,853	368,974	11.26%	722
2020	3,516,377	334,760	3,535	331,225	9.42%	644
2021	3,736,210	353,462	7,568	345,894	9.26%	686
2022	3,990,099	335,174	8,095	327,079	8.20%	643
2023	4,233,637	298,366	6,491	291,875	6.89%	570
2024	4,517,096	352,848	5,562	347,286	7.69%	665

Source: (1) Maricopa County Finance Department Assessor's Office.
(2) Population figures are found on Table 12.

City of Mesa, Arizona

Table 9

Direct and Overlapping Governmental Activities Debt

June 30, 2024

(in thousands)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable to City of Mesa	
		Percent (1)	Amount
Debt repaid with property taxes			
Maricopa County Community College District	\$ 87,320	8.25%	7,208
Maricopa Special Health Care District	574,205	8.21%	47,135
Mesa Unified School District No. 4	264,330	86.55%	228,770
Gilbert Unified School District No. 41	131,680	27.93%	36,781
Queen Creek Unified School District No. 95	113,840	39.05%	44,457
Higley Unified School District No. 60	69,865	2.65%	1,851
Tempe Union High School District No. 213	107,905	0.47%	509
Tempe Elementary School District No. 3	141,985	1.11%	1,571
Eastmark Community Facilities District No. 1	59,445	100.00%	59,445
Eastmark Community Facilities District No. 2	5,220	100.00%	5,220
Cadence Community Facilities District	12,670	100.00%	12,670
Other Debt:			
Maricopa County	207,350	8.25%	17,116
Subtotal, overlapping debt			462,733
City direct debt (2)			<u>528,647</u>
Total Direct and Overlapping Debt			<u><u>\$ 991,380</u></u>

(1) Proportion applicable to the City is computed on the ratio of net assessed limited property valuation for fiscal year 2024

(2) Includes: General Obligation Bonds, Highway User Revenue Bonds, Excise Tax Revenue Obligations, Community Facilities District Bonds, Unamortized Bond Premiums, Lease and SBITA liabilities

Source: Hilltop Securities Inc.

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 10

Legal Debt Margin Information

Last Ten Fiscal Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
6% Limitation (1)				
Legal Debt Limitation	\$ 485,080	\$ 378,486	\$ 353,301	\$ 317,794
General Obligation Bonds Outstanding	4,926	808	852	2,715
Total Debt Margin Available	<u>\$ 480,154</u>	<u>\$ 377,678</u>	<u>\$ 352,449</u>	<u>\$ 315,079</u>
Total Net Debt Applicable to the 6% Limit as A Percentage of the 6% Legal Debt Limitation	1.02 %	0.21 %	0.24 %	0.85 %
20% Limitation (2)				
Legal Debt Limitation	\$ 1,616,935	\$ 1,261,620	\$ 1,177,671	\$ 1,059,313
General Obligation Bonds Outstanding	331,064	284,147	318,098	331,690
Total Debt Margin Available	<u>\$ 1,285,871</u>	<u>\$ 977,473</u>	<u>\$ 859,573</u>	<u>\$ 727,623</u>
Total Net Debt Applicable to the 20% Limit as A Percentage of the 20% Legal Debt Limitation	20.47 %	22.52 %	27.01 %	31.31 %
Total Margin Available	<u>\$ 1,766,025</u>	<u>\$ 1,355,151</u>	<u>\$ 1,212,022</u>	<u>\$ 1,042,702</u>
Full Cash Net Assessed Value	<u>\$ 8,084,674</u>	<u>\$ 6,308,100</u>	<u>\$ 5,888,354</u>	<u>\$ 5,296,564</u>

(1) Under Arizona law, cities can issue General Obligation Bonds for general municipal purposes up to an amount not exceeding 6 percent of the full cash net 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 the full cash net valuation.

Table 10
(Concluded)

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 285,114 450	\$ 196,678 518	\$ 182,934 724	\$ 173,297 846	\$ 165,475 1,047	\$ 169,270 1,275
<u>\$ 284,664</u>	<u>\$ 196,160</u>	<u>\$ 182,210</u>	<u>\$ 172,451</u>	<u>\$ 164,428</u>	<u>\$ 167,995</u>
0.16%	0.26%	0.40%	0.49%	0.63%	0.75%
\$ 950,381 334,609	\$ 655,593 370,152	\$ 609,779 365,031	\$ 577,658 373,909	\$ 551,583 349,903	\$ 564,235 343,370
<u>\$ 615,772</u>	<u>\$ 285,441</u>	<u>\$ 244,748</u>	<u>\$ 203,749</u>	<u>\$ 201,680</u>	<u>\$ 220,865</u>
35.21%	56.46%	59.86%	64.73%	63.44%	60.86%
<u>\$ 900,436</u>	<u>\$ 481,601</u>	<u>\$ 426,958</u>	<u>\$ 376,200</u>	<u>\$ 366,108</u>	<u>\$ 388,860</u>
<u>\$4,751,903</u>	<u>\$4,329,347</u>	<u>\$3,983,671</u>	<u>\$3,707,067</u>	<u>\$2,757,913</u>	<u>\$2,821,173</u>

City of Mesa, Arizona

Table 11

Pledged-Revenue Coverage

Last Ten Fiscal Years

(in thousands)

Utility System Revenue Bonds

Fiscal Year	Operating Revenues (1)	Operating Expenses	Net Available Revenue	Debt Service		Coverage Ratio
				Principal	Interest	
2015	311,506	209,677	101,829	21,860	46,423	1.49
2016	323,099	218,706	104,393	25,800	44,794	1.48
2017	348,794	225,257	123,537	13,885	47,187	2.02
2018	361,863	228,933	132,930	31,354	50,739	1.62
2019	365,081	257,166	107,915	21,450	50,695	1.50
2020	366,838	285,610	81,228	36,350	55,061	0.89
2021	399,197	273,305	125,892	41,770	51,098	1.36
2022	433,048	281,381	151,667	47,890	53,469	1.50
2023	451,504	309,470	142,034	47,935	48,045	1.48
2024	463,897	337,544	126,353	49,390	45,659	1.33

Utility System Revenue Obligations

Fiscal Year	Operating Revenues (1)	Operating Expenses	Net Available Revenue	Debt Service		Coverage Ratio
				Principal	Interest	
2015	—	—	—	—	—	—
2016	—	—	—	—	—	—
2017	—	—	—	—	—	—
2018	—	—	—	—	—	—
2019	—	—	—	—	—	—
2020	—	—	—	—	—	—
2021	—	—	—	—	—	—
2022	433,048	281,381	151,667	—	666	227.73
2023	451,504	309,470	142,034	3,725	6,461	21.98
2024	463,897	337,544	126,353	8,460	12,171	6.12

(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.

Table 11
(Concluded)

Fiscal Year	Special Assessment Bonds				Community Facility District Bonds			
	Debt Service				Debt Service			
	Revenues	Principal	Interest	Coverage Ratio	Revenues	Principal	Interest	Coverage Ratio
2015	827	744	178	0.90	672	232	456	0.98
2016	790	745	138	0.89	1,320	489	832	1.00
2017	1,041	745	98	1.23	1,612	645	914	1.03
2018	289	335	68	0.72	2,261	984	1,197	1.04
2019	261	567	49	0.42	3,010	2,125	1,690	0.79
2020	288	219	19	1.21	4,324	1,685	2,321	1.08
2021	232	219	6	1.03	5,940	2,881	3,029	1.01
2022	—	—	—	—	7,387	3,667	3,446	1.03
2023	—	—	—	—	8,920	4,836	3,735	1.03
2024	—	—	—	—	9,693	5,984	3,899	0.98

Fiscal Year	Highway Project Advancement Notes				Excise Tax Revenue Obligations Series 2013			
	Debt Service				Debt Service			
	Revenues	Principal	Interest	Coverage Ratio	Revenues (2)	Principal	Interest	Coverage Ratio
2015	234,183	—	3,892	60.17	234,183	—	4,703	49.79
2016	242,020	77,835	324	3.10	242,020	—	4,703	51.46
2017	—	—	—	—	254,857	—	4,703	54.19
2018	—	—	—	—	269,998	45,035	3,852	5.52
2019	—	—	—	—	282,502	—	2,451	115.26
2020	—	—	—	—	298,110	49,025	1,226	5.93
2021	—	—	—	—	—	—	—	—
2022	—	—	—	—	—	—	—	—
2023	—	—	—	—	—	—	—	—
2024	—	—	—	—	—	—	—	—

Fiscal Year	Highway User Revenue Fund Revenue Bonds				Excise Tax Revenue Obligations Series 2020			
	Debt Service				Debt Service			
	Revenues	Principal	Interest	Coverage Ratio	Revenues (2)	Principal	Interest	Coverage Ratio
2015	33,952	6,305	5,158	2.96	—	—	—	—
2016	35,383	7,390	4,844	2.89	—	—	—	—
2017	38,048	7,900	4,473	3.08	—	—	—	—
2018	39,477	8,375	4,080	3.17	—	—	—	—
2019	42,406	8,715	3,663	3.43	—	—	—	—
2020	42,099	9,155	3,243	3.40	—	—	—	—
2021	45,049	9,645	2,796	3.62	354,315	645	861	235.27
2022	47,989	10,075	2,314	3.87	389,868	1,185	1,483	146.13
2023	48,007	10,000	1,812	3.87	437,250	1,245	1,442	162.73
2024	52,439	10,490	656	4.70	504,685	1,305	1,389	187.34

City of Mesa, Arizona

Table 12

Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Median Age	Public School Enrollment (1)	Unemployment Rate (2)
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 %
2019	511,334	14,753,009	28,852	36.3	62,593	4.6 %
2020	514,144	15,423,806	29,999	36.3	62,490	9.7 %
2021	504,258	15,509,968	30,758	36.6	57,876	6.6 %
2022	509,475	18,217,807	35,758	37.8	58,595	3.4 %
2023	512,498	19,609,198	38,262	38.1	57,909	3.9 %
2024	511,648	20,897,751	40,844	37.9	57,311	3.5 %

Sources:

- (1) Arizona Department of Education
- (2) Bureau of Labor Statistics

City of Mesa, Arizona

Table 13

Principal Employers

Current Year and Nine Years Ago

Employer	2024			2015		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Mesa Unified School District 4	7,650	1	3.90%	8500	2	5.30%
Banner Health	6,140	2	3.13%	9573	1	5.97%
City of Mesa	4,410	3	2.25%	3545	4	2.21%
The Boeing Company	3,780	4	1.92%	4700	3	2.93%
Walmart	2,830	5	1.44%	2507	5	1.56%
Maricopa County Community College	1,840	6	0.94%	1002	8	0.62%
Frys Food Stores	1,230	7	0.63%	1087	7	0.68%
Dexcom	1,150	8	0.59%			
Home Depot	1,130	9	0.58%	963	9	0.60%
Gilbert Unified School District 41	1,100	10	0.56%	1300	6	0.81%
Maricopa County Government				902	10	0.56%
Total	<u>31,260</u>		<u>15.94%</u>	<u>36,829</u>		<u>21.24%</u>

Source: Maricopa Association of Governments

(1)

City of Mesa, Arizona

Table 14

Full-Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

Function/Program	2024	2023	2022	2021
General Government	938	944	870	854
Public Safety	2137	2,088	1,933	1,882
Community Environment	214	212	180	194
Cultural-Recreational	389	381	345	313
Energy Resources	135	124	121	116
Water Resources	284	279	261	265
Solid Waste	150	153	158	148
Airport	13	14	13	11
Total	4,260	4,194	3,880	3,782

Source: City of Mesa Human Resources

Table 14
(Concluded)

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
848	865	826	811	860	876
1,870	1,758	1,711	1,707	1,647	1,656
187	189	195	194	189	182
320	340	315	289	599	338
116	117	120	118	116	116
271	264	257	249	238	240
147	147	148	147	138	127
11	12	11	11	11	10
<u>3,770</u>	<u>3,690</u>	<u>3,582</u>	<u>3,526</u>	<u>3,798</u>	<u>3,545</u>

City of Mesa, Arizona

Table 15

Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2024	2023	2022	2021
Police				
Major Crimes	10,050	10,333	11,491	12,132
Traffic Accidents	10,123	9,335	9,597	6,402
Fire				
Fires	1,274	1,270	1,184	1,428
Rescue or Emergency	63,839	60,508	62,249	55,878
False Alarms	1,515	1,549	1,435	1,190
Hazardous Conditions	794	665	546	543
Other Calls	10,968	11,434	13,848	12,464
Libraries				
Number of Registered Borrowers	105,999	92,180	77,688	85,827
Total Attendance	649,237	579,666	473,261	116,499
Access to Electronic Resources	1,307,988	1,403,603	1,149,289	980,380
Electric Connections	18,154	17,851	17,573	17,558
Gas Connections	77,050	74,354	72,182	70,281
Water				
Connections	160,456	159,783	156,290	153,586
Average Daily Consumption (mgd)*	78.60	76.56	84.86	85.91
Peak Daily Consumption (mg)**	119.40	113.78	118.92	124.77
Wastewater				
Connections	135,843	134,757	132,412	130,775
Average Daily Sewage Treatment (mgd)*	35.50	33.60	34.40	33.60
Solid Waste				
Customers Served	143,274	142,332	141,110	137,537
Refuse Collected (tons)	267,977	273,190	254,442	245,542
Recyclables Collected (tons)	31,152	30,610	35,734	40,176
Green Waste Collected (tons)	14,509	13,711	14,337	10,921
Falcon Field				
Average Number of Aircraft Based	806	812	797	821
Aircraft Operations (annual)	361,264	348,168	319,892	336,631

* mgd - millions of gallons per day

** mg - millions of gallons

Table 15
(Concluded)

2020	2019	2018	2017	2016	2015
11,716	11,559	12,347	13,151	13,208	14,795
6,267	6,637	6,599	6,966	6,968	6,622
1,113	1,004	1,144	1,153	1,053	1,083
54,478	54,139	53,183	50,024	49,743	45,832
1,210	1,373	1,087	989	1,083	1,106
518	505	471	488	507	534
15,520	14,337	11,536	14,034	10,613	8,964
106,062	117,974	119,489	121,340	122,810	125,336
671,069	1,131,120	1,061,875	1,067,207	1,157,394	1,166,131
1,073,373	1,159,536	1,131,101	1,272,859	1,345,977	1,549,150
17,026	17,018	17,066	16,991	16,854	16,702
68,624	65,993	63,969	62,010	60,384	59,216
151,634	148,877	146,172	144,276	141,824	139,560
89.77	78.66	79.26	78.59	78.55	79.55
128.91	117.77	117.47	119.73	116.62	113.45
127,763	127,000	130,343	128,782	126,359	124,142
33.60	34.50	34.60	34.10	34.30	33.30
136,739	134,777	131,991	129,479	127,517	122,552
244,697	241,307	232,756	232,812	236,849	233,754
39,697	32,227	32,367	35,546	35,499	35,541
13,643	20,236	16,688	19,639	20,602	21,151
724	752	717	689	663	702
349,300	326,255	288,122	289,801	270,702	241,848

City of Mesa, Arizona

Table 16

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Function/Program	2024	2023	2022	2021
Police Stations				
Stations	8	8	8	8
Vehicular Patrol Units	401	326	301	298
Fire Stations	21	21	21	20
Libraries	4	3	3	3
Parks and Recreation				
Developed Parks (acres)	2,166	2,100	2,074	2,023
Undeveloped Acres	351	370	397	394
Swimming Pools	9	9	9	9
Recreation Facilities	6	6	6	6
Community Environment				
Streets (miles)				
Paved	1,518	1,638	1,629	1,625
Unpaved	1	1	1	1
Storm Sewers (miles)	460	456	452	405
Gas Mains (miles)	1,521	1,481	1,454	1,431
Water				
Mains (miles)	2,637	2,518	2,502	2,486
Storage Capacity (millions of gallons) (1)	109	109	109	109
Wastewater				
Mains (miles)	1,849	1,830	1,812	1,827
Treatment Capacity (millions of gallons per day)	70	70	70	70
Solid Waste				
Collection Trucks	99	95	96	91
Golf Courses	1	1	1	1

Note 1: The decrease in FY 2020 is due to Reservoir DWR2 being out of service for rehabilitation.

Table 16
(Concluded)

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
8	8	8	8	8	8
300	287	281	281	287	292
20	20	20	20	20	20
4	4	4	4	4	4
2,139	1,929	1,929	1,918	1,901	1,901
719	861	861	475	633	633
9	9	9	9	9	9
6	6	5	5	4	4
1,485	1,482	1,476	1,387	1,427	1,427
1	1	1	1	1	1
402	398	397	394	423	423
1,384	1,363	1,346	1,325	1,311	1,311
2,462	2,435	2,401	2,398	2,364	2,364
109	112	112	112	112	112
1,789	1,788	1,784	1,778	1,781	1,781
70	60	60	60	60	60
90	77	77	75	73	74
1	1	1	1	1	1



mesa·az



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