



CITY OF MESA, AZ

COMPREHENSIVE ANNUAL FINANCIAL REPORT

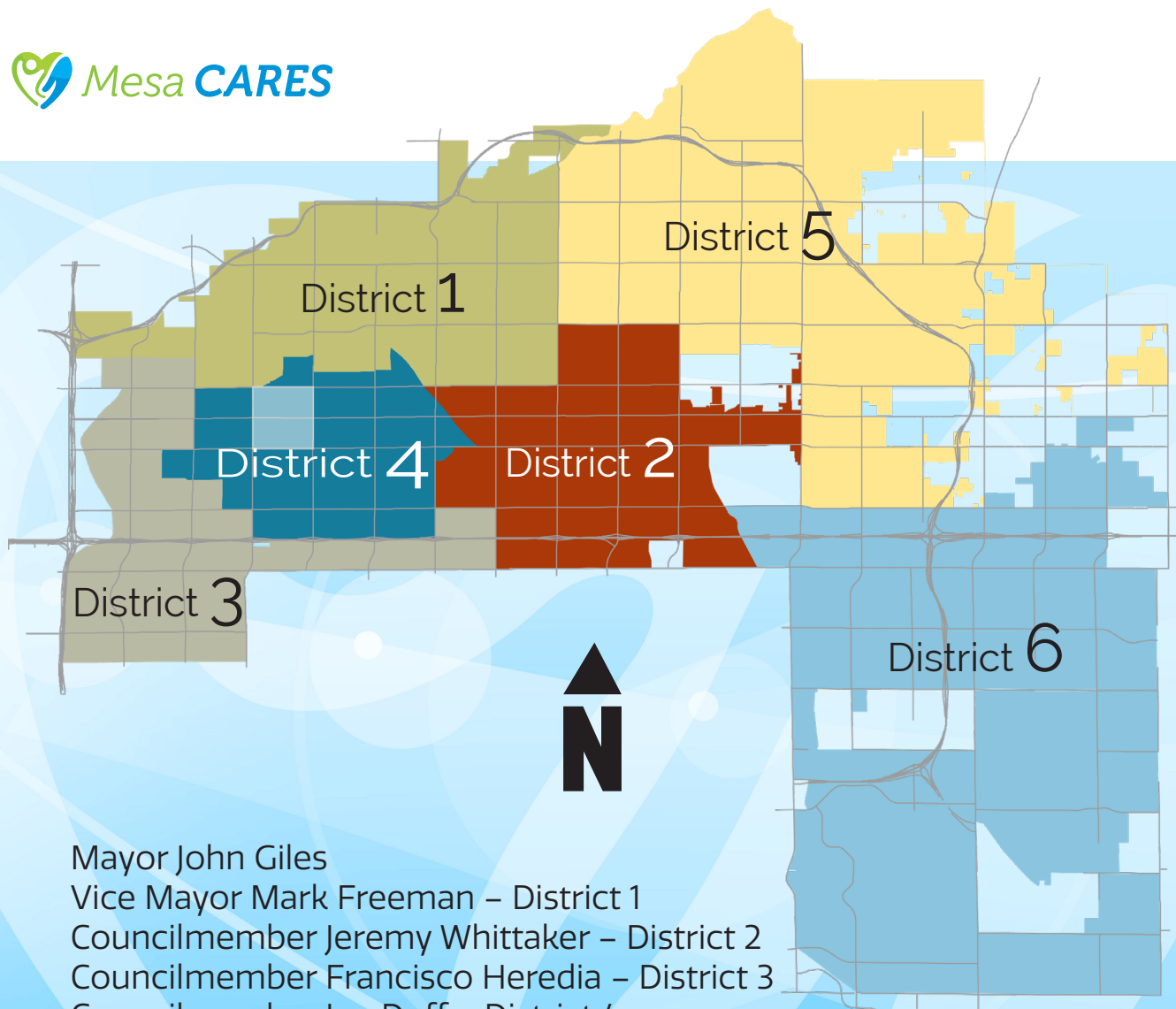


FOR THE FISCAL YEAR ENDED | JUNE 30, 2020



DISTRICT MAP

COMPREHENSIVE ANNUAL FINANCIAL
REPORT 2020

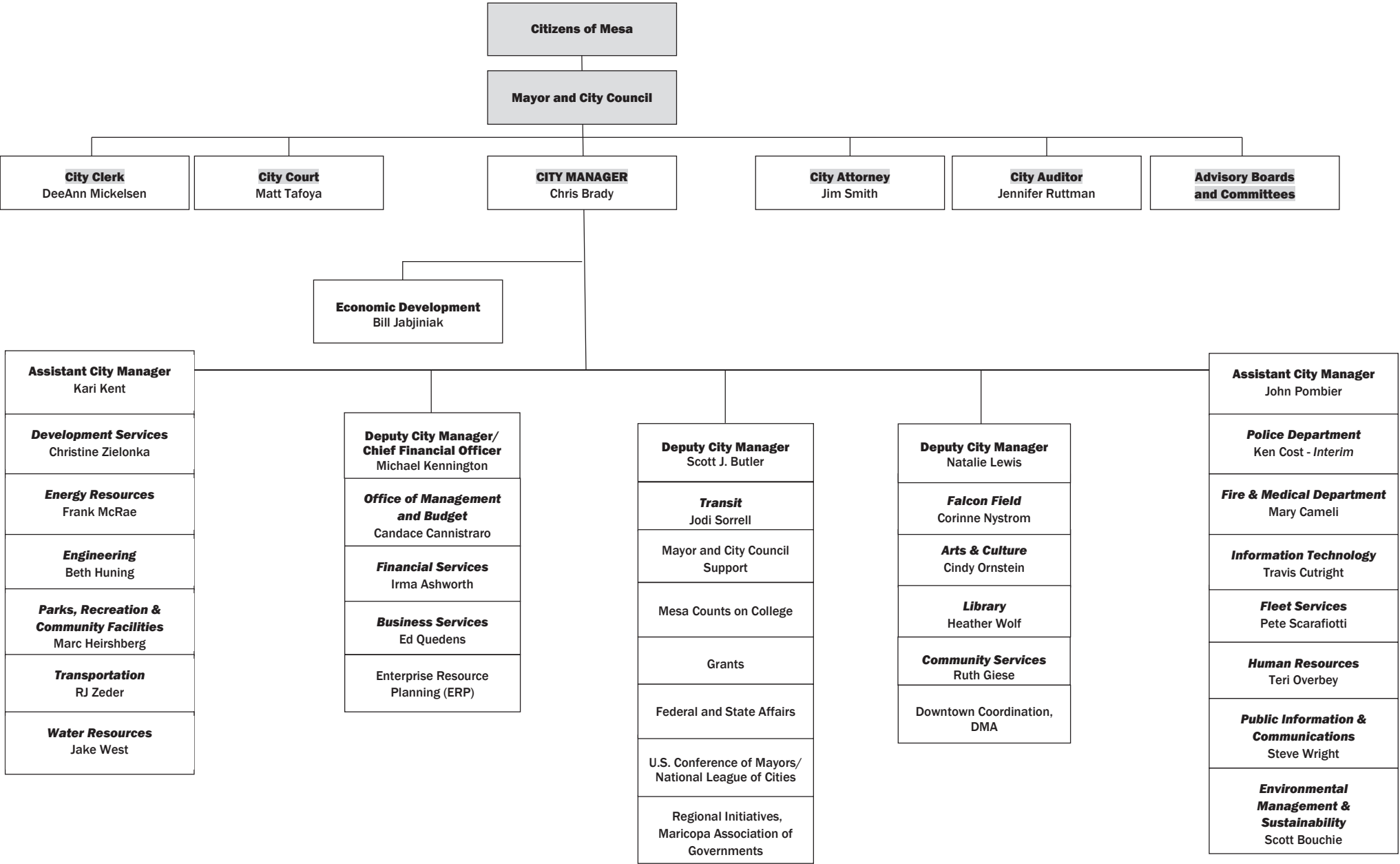


Mayor John Giles
Vice Mayor Mark Freeman – District 1
Councilmember Jeremy Whittaker – District 2
Councilmember Francisco Heredia – District 3
Councilmember Jen Duff – District 4
Vice Mayor David Luna – District 5
Councilmember Kevin Thompson – District 6

Chris Brady, City Manager
Kari Kent, Assistant City Manager
John Pombier, Assistant City Manager

Prepared by: Financial Services Department
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FOR THE FISCAL YEAR ENDED | JUNE 30, 2020





INTRODUCTORY SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2020



MESA CARES SMALL BUSINESS GRANTS

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December 14, 2020

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

The Comprehensive Annual Financial Report of the City of Mesa (the “City”) for the fiscal year ended June 30, 2020 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, 2020, 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, 2020, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor’s report is presented as the first component of the financial section of this report.

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

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A) and should be read in

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

Profile of the City

The City was founded in 1878 and incorporated July 15, 1883 with an approximate population of 300 and an area of one square mile. Today, the City's estimated population is 514,144 compared with the 2010 decennial census count of 439,041. Total land area encompasses 138 square miles. The City is the 35th largest city in the United States and is the third largest city in the State of Arizona. Mesa is located 16 miles east of Phoenix, the State Capitol. The City operates under a charter form of government with citizens electing a Mayor and six Councilmembers to set policy for the City. City Councilmembers are elected from districts and serve terms of four years, with three members being elected every two years. The Mayor is elected at-large every four years. The Mayor and Council are elected on a non-partisan basis, and the Vice Mayor is selected by the City Council.

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

An allocated staff of 4,135 full-time (equivalent) City employees working within 27 different City departments undertakes the various functions of Mesa's city government and its operation. The City provides a full range of municipal services, including police and fire protection, parks and recreation, library, transportation, health and certain social services and general administration; and, the City owns and operates enterprises including operations of electric, gas, water, wastewater, solid waste, airport and a golf course. The Mesa Art Center, which includes 212,755 square feet of performing arts, visual arts and art education facilities, is the largest comprehensive arts campus in the Southwest. The Mesa Art Center was awarded the Venue Excellence Award by the International Association of Venue Managers. This prestigious award recognizes venues such as stadiums, convention centers, arenas, performing arts centers, and academic institutions that demonstrate excellence in the following four criteria: service to the community, team building/professional development, safety and security, and operational excellence.

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

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

Legal control over the budget derives from State statutes that prohibit the City from exceeding its adopted budget in total, and from the resolution itself that sets the limit. The residents of Mesa

approved a Home Rule exemption to the State of Arizona's expenditure limitation requirement. The City can determine the budget level as long as the City can identify resources to cover the expenses.

The budget is annually appropriated for all funds by the City Council 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 COVID-19 pandemic put an end to the nation's longest modern economic expansion. Over the past several months, citizens and small businesses across Arizona have been impacted by the various policies regarding business closures and stay-at-home policies. The City of Mesa received support from the Federal Government from the Coronavirus Aid, Relief, and Economic Security Act to support the City and the community during the COVID-19 emergency. The Mesa CARES program was implemented using the federal funds to support City services and programs such as the Feeding Mesa Program which supplies additional food distribution through non-profits and Mesa-based restaurants and the Small Business Reemergence Program which provides financial assistance to businesses to cover operating expenses such as utilities and rent.

Due to the economic challenges brought on by the pandemic, the City's economic indicator for commercial construction in fiscal year (FY) 2020 fell around 40% from FY 2019 or approximately \$400 million in commercial valuation. Residential construction, however, increased by 1.5% from FY 2019. This represents an increase of approximately \$12 million in dollar valuation.

While the COVID-19 health crisis has had an impact on economic activity, the related stay-at-home policy has influenced Mesa residents to buy local and online more than they would have previously. Beginning in May, we have seen over 20% year over year increases in retail sales tax through the month of September. For the year ending June 30, 2020, retail sales tax was up 20.6% while overall sales tax revenues were up 15.8%. Not surprisingly, tourism was negatively impacted by the pandemic as evidenced by a 15.5% decrease in the transient lodging ('bed') tax.

Conservative budget practices and willingness to respond to economic indicators continues to allow the City to maintain unrestricted fund balance reserve levels as established in the City's financial policies. The FY 2021 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 fall as Fitch Ratings assigned the top rating of AAA to the City's 2020 General Obligation (GO) bonds. S&P maintained their rating of AA for the City's GO bonds and reaffirmed their AA- rating on the City's utility revenue bonds. Moody's maintained their Aa2 rating to both our general obligation and utility revenue bonds.
- At the end of last year, Mesa became the first ever Autism Certified City in the nation by the International Board of Credentialing and Continuing Education Standards (IBCCES). This recognition was the result of nearly a year-long quest to tailor travel experiences for individuals with autism and their families. In total, almost 60 businesses and organizations in Mesa and the surrounding area completed autism certification training.
- Norwegian company Nammo announced its intentions to merge all of its existing smaller units in the U.S. into a single entity in the City of Mesa. The new entity will be called Nammo Defense Systems and will combine the company's manufacturing operations from Arizona, Mississippi, Utah, Pennsylvania and Maryland.
- In March, the Associated General Contractors of America announced that the Gilbert Road Light Rail Extension (GRLRE) was among the most significant construction projects of 2020, and awarded the project the Construction Risk Partners Build America Merit Award for best new highway and transportation project. Just a month prior, the GRLRE project also won the Arizona Chapter of the Associated General Contractors of America Build Arizona Award for Public-New Construction Project over \$50 million.
- In July, Davcon Aviation in partnership with the City began construction of nearly 400,000 square feet of hanger and office space in the Falcon Field district. The 23-acre development will offer significant opportunities for new and expanding aviation businesses.
- Like the rest of the aviation industry, Phoenix-Mesa Gateway Airport saw a near disappearance of passenger traffic due to the COVID-19 outbreak. When compared to the same months a year before, passenger traffic at the airport was down 93% in April and 61% in May. This trend paralleled airport activity throughout the country as people stayed home. However, beginning in June, Gateway Airport started to reverse that trend and has continued to show significant gains in passenger activity throughout the summer. In August 2020, the Airport was down only 35% when compared to last year. In fact, by Labor Day Weekend, more travelers passed through Gateway Airport than last year.
- In August, Amazon announced it will make a significant investment in facilities across the Phoenix-Mesa metro area including a 150,000-square-foot delivery station in Mesa's Falcon District, just east of Boeing's manufacturing facility. Delivery stations power the last mile of Amazon's order fulfillment process. Packages are transported to delivery

stations from Amazon fulfillment and sortation centers, and then loaded into vehicles for delivery to customers.

- In August, Commercial Metals Company (CMC) announced that it will be building its second micro mill in Mesa. The mill represents a \$300 million investment by CMC, which expects to create 185 jobs once the plant is fully operational.
- In September, Boeing unveiled plans to build a new fabrication center that will be approximately 155,000 square feet and will be located on 21.5 acres of vacant land within the western part of the existing Boeing campus.
- In September, the International City/County Management Association (ICMA) recognized the City of Mesa for its commitment to data-driven government management and reporting with a Certificate of Distinction in Performance Management. Mesa is among 19 jurisdictions receiving the Certificate of Distinction, and one of only 60 recognized overall. ICMA awards Certificates of Distinction to those agencies that collect and verify data to ensure reliability, train staff in performance measurement, and report data to the public through budgets, newsletters, and/or information provided to elected officials.
- In September, the Center for Digital Government announced the winners of its 4th annual competition, honoring U.S. governments who are leveraging innovative digital services to enhance services and citizen experience. The awards recognize the achievements and best practices of states, cities, and counties that are radically improving the experience of government interaction and pushing the boundaries of how citizen services are delivered. The City of Mesa placed 4th for Overall Government Experience. In addition, special awards were given this year to state, local, and federal government agencies and departments whose methods of response and assistance to employees and citizens in coping with the COVID-19 pandemic were innovative and effective. Mesa was one of five cities to receive this special COVID-19 Response Award for using various digital platforms to deliver Mesa CARES information and encourage program participation via online methods.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2019. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

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

Respectfully submitted,

Michael Kennington,
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 Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO



FINANCIAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL
REPORT 2020



UNITED FOOD BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2020

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, 2020. The reader is encouraged to consider the information presented here in conjunction with the transmittal letter presented on pages V-IX, as well as the financial statements beginning on page 16 and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The City was a direct recipient of Coronavirus Aid Relief and Economic Security Act "CARES Act". As part of the CARES Act, the Relief Fund was established, and the City received \$90 million to assist with its response to the COVID-19 virus. As of June 30, 2020, the City's Relief Fund eligible expenditures were \$42.4 million.
- The City's total revenues increased by \$39.5 million from \$1.07 billion to \$1.11 billion. The increase is primarily from two revenue sources Sales Taxes and Intergovernmental Revenue. The Relief Funds received contributed to the increase in Intergovernmental Revenues.
- The City's Governmental Funds reported a combined ending fund balance of \$444.2 million, a \$89.6 million increase from the previous year. Approximately 57.7 percent of the total governmental fund balance amount, or \$256.4 million, is designated by the City as committed, assigned and unassigned. The remaining 42.3 percent or \$187.9 million is designated as non-spendable or restricted.
- Total fund balance for the General Fund was \$195.1 million, which represents an increase of \$59.2 million over prior year. The increase is a combination of an increase in revenues and a decrease in expenditures, specifically public safety expenditures.
- The City's Enterprise Fund reported combined total net position of \$529 million, which represents a decrease of \$39.3 million over prior year. The decrease is primarily due to an increase in operating expenses and depreciation expense.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The Government-Wide Financial Statements (pages 16-18) are designed to provide a broad overview of the City's finances in a manner similar to private businesses. All the activities of the City are included in these statements.

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

The *Statement of Activities*, Exhibit A-2, presents information showing how the City's net position changed over the most recent fiscal year. All changes to net position are reported at the time that the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This is the accrual basis of accounting. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both the Government-Wide Statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*Governmental Activities*) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (*Business-Type Activities*):

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

Fund Financial Statements

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

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

Proprietary funds - The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only with more detail. Internal Service Funds are used to accumulate and allocate costs internally among the City's various functions.

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 costs of internal service funds are allocated to the various user functions on the government-wide statement of activities. The Internal Service Funds are combined into a single column on the proprietary funds statements. Additional detail of the internal service funds can be found in the combining statements (Exhibits C-3 through C-5).

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 29-92 of this report.

Required Supplementary Information (RSI)

In addition to the financial statements and notes, this report presents certain required supplementary information including the budgetary comparisons statements for the General Fund, 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 93-107 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, 2020 and 2019.

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

	Governmental Activities		Business-Type Activities		Total Government	
	2020	2019	2020	2019	2020	2019
Cash and Other Assets	\$ 1,011,788	\$ 844,824	\$ 587,709	\$ 692,000	\$ 1,599,497	\$ 1,536,824
Capital Assets	1,473,360	1,452,714	1,494,082	1,498,916	2,967,442	2,951,630
Total Assets	<u>2,485,148</u>	<u>2,297,538</u>	<u>2,081,791</u>	<u>2,190,916</u>	<u>4,566,939</u>	<u>4,488,454</u>
Deferred Amounts on Refunding	7,001	7,964	28,789	34,583	35,790	42,547
Deferred Outflows on Pensions & OPEB	284,155	172,454	22,738	11,064	306,893	183,518
Total Deferred Amounts	<u>291,156</u>	<u>180,418</u>	<u>51,527</u>	<u>45,647</u>	<u>342,683</u>	<u>226,065</u>
Non-Current Liabilities, Due Within One Year	34,608	50,068	40,278	37,097	74,886	87,165
Non-Current Liabilities, Due In More Than One Year	458,819	473,609	1,280,544	1,382,361	1,739,363	1,855,970
Net Pension & OPEB Liability	1,652,204	1,440,768	163,426	143,356	1,815,630	1,584,124
Other Liabilities	202,716	140,505	113,618	95,183	316,334	235,688
Total Liabilities	<u>2,348,347</u>	<u>2,104,950</u>	<u>1,597,866</u>	<u>1,657,997</u>	<u>3,946,213</u>	<u>3,762,947</u>
Deferred Inflows on Pensions & OPEB	<u>42,236</u>	<u>64,930</u>	<u>6,502</u>	<u>10,276</u>	<u>48,738</u>	<u>75,206</u>
Net Investment in Capital Assets	1,075,182	1,038,928	213,576	170,427	1,288,758	1,209,355
Restricted Net Position	143,839	103,164	63,113	47,857	206,952	151,021
Unrestricted Net Position	<u>(833,300)</u>	<u>(834,016)</u>	<u>252,261</u>	<u>350,006</u>	<u>(581,039)</u>	<u>(484,010)</u>
Total Net Position	<u>\$ 385,721</u>	<u>\$ 308,076</u>	<u>\$ 528,950</u>	<u>\$ 568,290</u>	<u>\$ 914,671</u>	<u>\$ 876,366</u>

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

	Governmental Activities		Business-Type Activities		Total Government	
	2020	2019	2020	2019	2020	2019
Program Revenues:						
Charges for Services	\$ 77,659	\$ 81,303	\$ 374,855	\$ 375,654	\$ 452,514	\$ 456,957
Operating Grants & Contributions	70,633	25,326	1,632	2,316	72,265	27,642
Capital Grants & Contributions	24,719	13,780	35,896	19,692	60,615	33,472
General Revenues:						
Sales Taxes	219,932	189,871	-	-	219,932	189,871
Property Taxes	45,068	36,013	-	-	45,068	36,013
Occupancy Taxes	2,564	3,246	1,459	1,602	4,023	4,848
Unrestricted Intergovernmental	183,189	175,278	-	-	183,189	175,278
Contributions	36,912	65,189	-	-	36,912	65,189
Unrestricted Investment Income	16,002	13,729	7,618	8,004	23,620	21,733
Gain on Disposal of Capital Assets	-	(27)	(801)	44,056	(801)	44,029
Miscellaneous	16,374	11,531	(3,397)	4,290	12,977	15,821
Total Revenues	693,052	615,239	417,262	455,614	1,110,314	1,070,853
Governmental Activities Expenses:						
General Government	134,299	119,819	-	-	134,299	119,819
Public Safety	384,800	355,752	-	-	384,800	355,752
Community Environment	152,847	119,506	-	-	152,847	119,506
Cultural-Recreational	62,014	58,345	-	-	62,014	58,345
Interest on Long-Term Debt	17,841	18,078	-	-	17,841	18,078
Business-Type Activities:						
Electric	-	-	25,028	22,475	25,028	22,475
Gas	-	-	29,096	33,124	29,096	33,124
Water	-	-	128,244	103,821	128,244	103,821
Wastewater	-	-	80,548	57,468	80,548	57,468
Solid Waste	-	-	41,719	38,524	41,719	38,524
Airport	-	-	6,004	5,029	6,004	5,029
Golf Course	-	-	1,233	2,117	1,233	2,117
Convention Center	-	-	4,150	4,413	4,150	4,413
Hohokam Stadium/Fitch Complex	-	-	2,615	2,748	2,615	2,748
Cubs Stadium	-	-	408	7,867	408	7,867
District Cooling	-	-	1,163	1,186	1,163	1,186
Total Expenses	751,801	671,500	320,208	278,772	1,072,009	950,272
Increase (Decrease) in Net						
Position Before Transfers	(58,749)	(56,261)	97,054	176,842	38,305	120,582
Transfers	136,394	114,535	(136,394)	(114,535)	-	-
Change in Net Position	77,645	58,275	(39,340)	62,307	38,305	120,582
Net Position - Beginning	308,076	249,801	568,290	505,983	876,366	755,784
Net Position - Ending	\$ 385,721	\$ 308,076	\$ 528,950	\$ 568,290	\$ 914,671	\$ 876,366

Analysis of Government-Wide Net Position

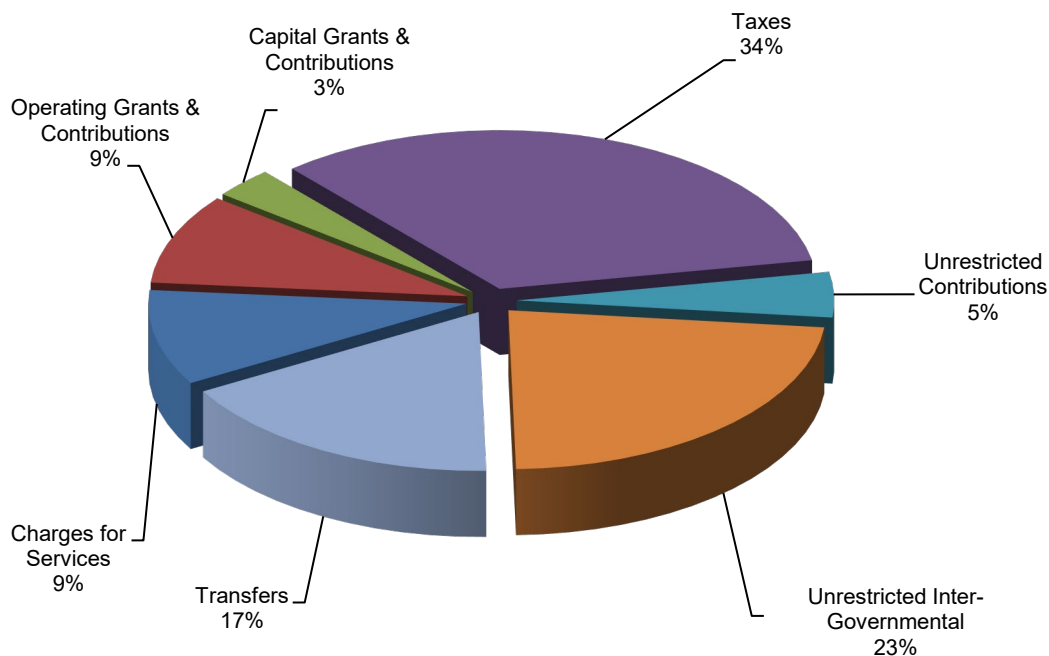
As noted earlier, Net Position may serve over time as a useful indicator of a government's financial position. The City's Net Position increased \$38.3 million from \$876.4 million to \$914.7 million at the end of fiscal year 2020. This is primarily due to an overall increase in revenues of \$39.5 million, primarily from Governmental Activities.

The restricted portion of the City's Net Position saw the largest increase. Restricted Net Position increased \$56 million from \$151 million to \$207 million. Restricted Net Position represents resources that are subject to external restrictions on how they may be used. Such restrictions include debt service payments, public safety, transportation programs, other capital projects and required reserves. The Unrestricted Net Position of (\$581.0) million is primarily due to the impact of the long-term liability associated with pensions and OPEB of (\$1.8 billion).

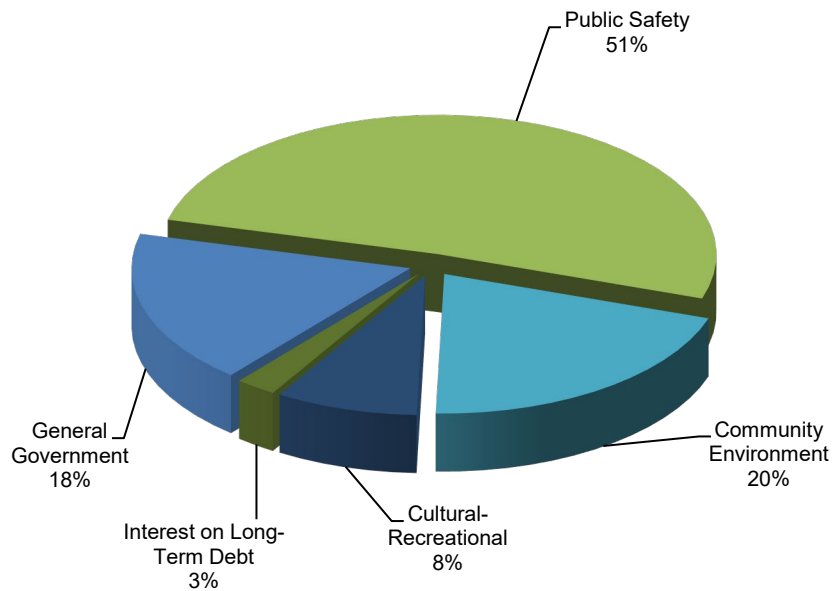
Governmental Activities

As presented in the following two graphs, the largest funding sources, including transfers, for the governmental activities are Taxes (34%), Unrestricted Intergovernmental (23%) and Transfers (17%). The largest users of resources for the governmental activities are Public Safety (51%), Community Environment (20%), and General Government (18%).

**Revenues by Source Including Transfers – Governmental Activities
For the Fiscal Year Ended June 30, 2020**

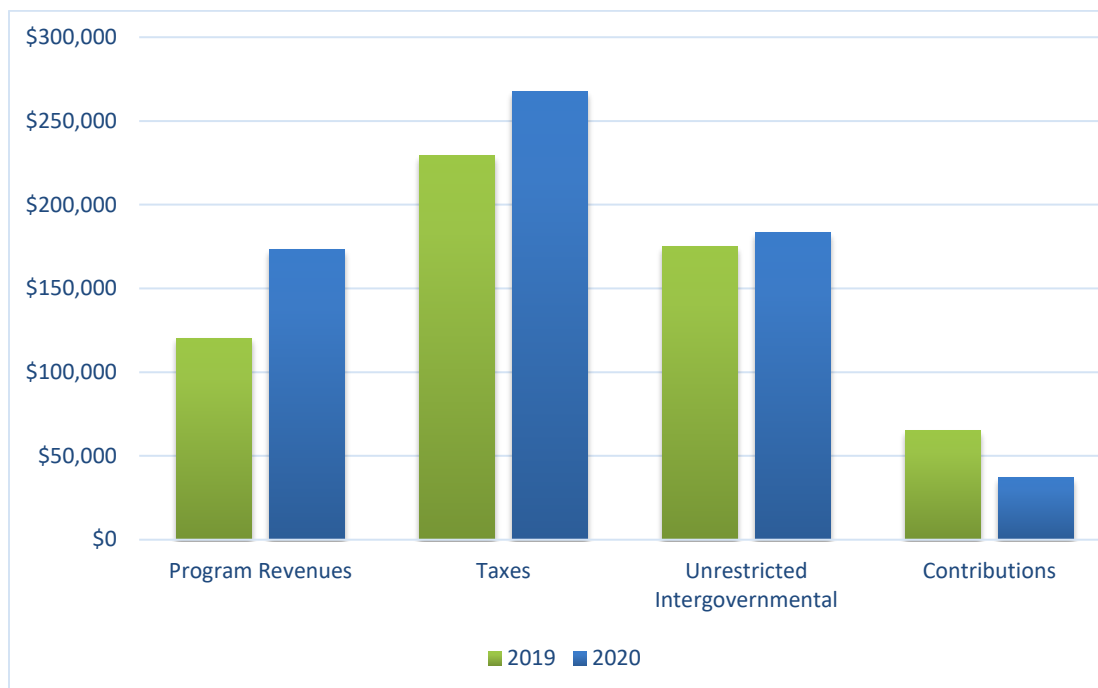


**Functional Expenses – Governmental Activities
For the Fiscal Year Ended June 30, 2020**

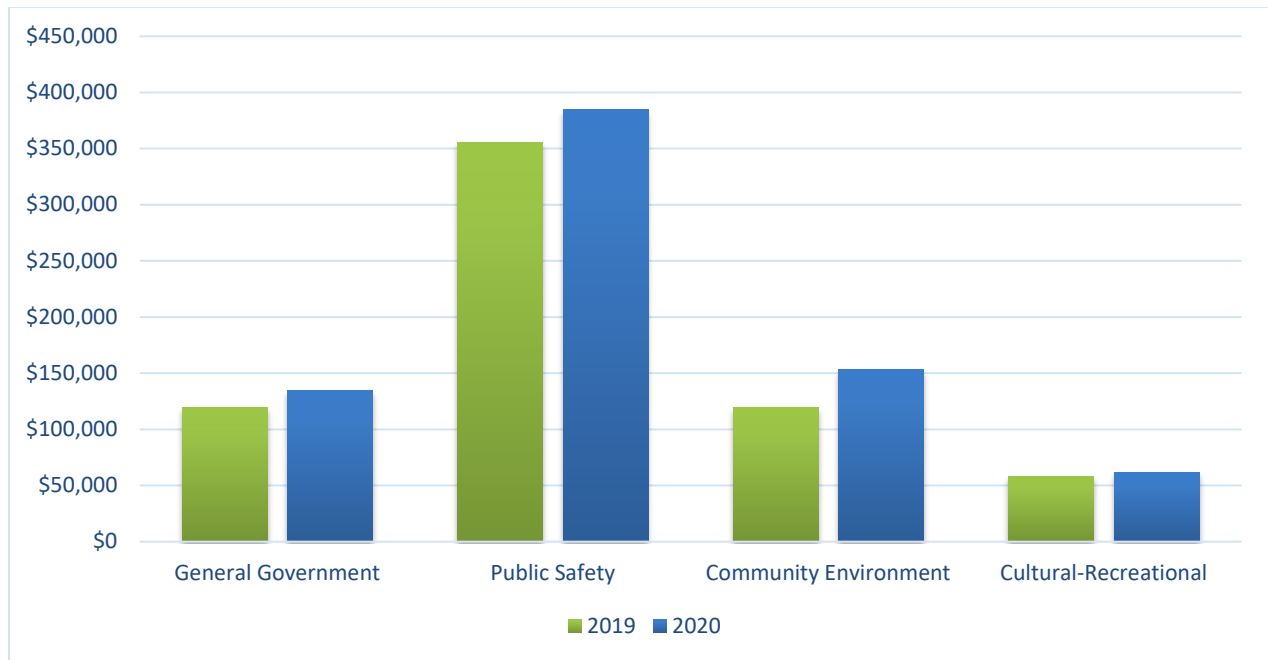


The following two graphs compare Governmental Activities revenues and expenses from fiscal year 2020 to fiscal year 2019.

**Governmental Activities Revenues
For Fiscal Years 2020 and 2019
(In thousands of dollars)**



Governmental Activities Functional Expenses
For Fiscal Years 2020 and 2019
(In thousands of dollars)



Total governmental activities revenues increased \$77.9 million from \$615.2 million to \$693.1 million. Total governmental expenses increased by \$80.3 million from \$671.5 million to \$751.8 million.

Key factors in this change include:

- Sales Tax revenues were stronger than expected, increasing \$30 million. The COVID-19 pandemic contributed to larger than expected retail sales, as City residents stayed home and shopped locally.
- Program Revenues, which include federal grants, increased \$52.6 million. \$42.4 million of this increase is attributed to the CARES act Relief Fund revenues recognized.
- Community Environment and Public Safety were the two largest functional expenses in current year. The increase can be attributed to CARES act Relief Fund expenditures and an increase in public safety salary and related benefits.

Fund Financial Statement Analysis

As previously mentioned, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following is a brief discussion of some of the funds within the Governmental Activities.

General Fund

The General Fund is the chief operating fund of the City and accounts for many of the major functions of the government including general government, public safety, community environment and cultural-

recreational. Total fund balance of the General Fund was \$195.1 million, while unassigned fund balance was \$130.3 million.

Total fund balance of the City's General Fund increased by \$59.2 million during the current fiscal year from \$135.9 million to \$195.1 million. The combination of an increase in revenues and decrease in expenditures contributed to the overall increase:

- Revenues increased by \$14.4 million primarily in Sales Tax revenues (\$7.8 million) due to better than expected retail sales; and in Intergovernmental Revenues (\$10 million) due to increase in urban shared revenues and state shared sales tax.
- Expenditures decreased by \$21.6 million primarily due to Relief Fund eligible expenses being recorded in the Relief Fund instead of the General Fund.
- Net Transfers into the General Fund increased by \$17.7 million, this is primarily due to an increase in the transfers from the Enterprise Fund.

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 \$249.2 million, with much of the fund balance in either Restricted or Committed.

Total fund balance of the Non-Major Governmental Funds increased by \$30.5 million during the current fiscal year from \$218.7 million to \$249.2 million. The increase is in the Public Safety Tax, Quality of Life Sales Tax and Street Sales Tax funds. Consistent with the General Fund, these funds saw an increase in sales tax revenue.

Budgetary Highlights

The City's annual budget is the legally adopted expenditure control document of the City. Budgetary comparison schedules are required for the General Fund and can be found in Exhibit B-5. This schedule compares the original adopted budget, the budget as amended throughout the year, and the actual expenditures prepared on a budgetary basis.

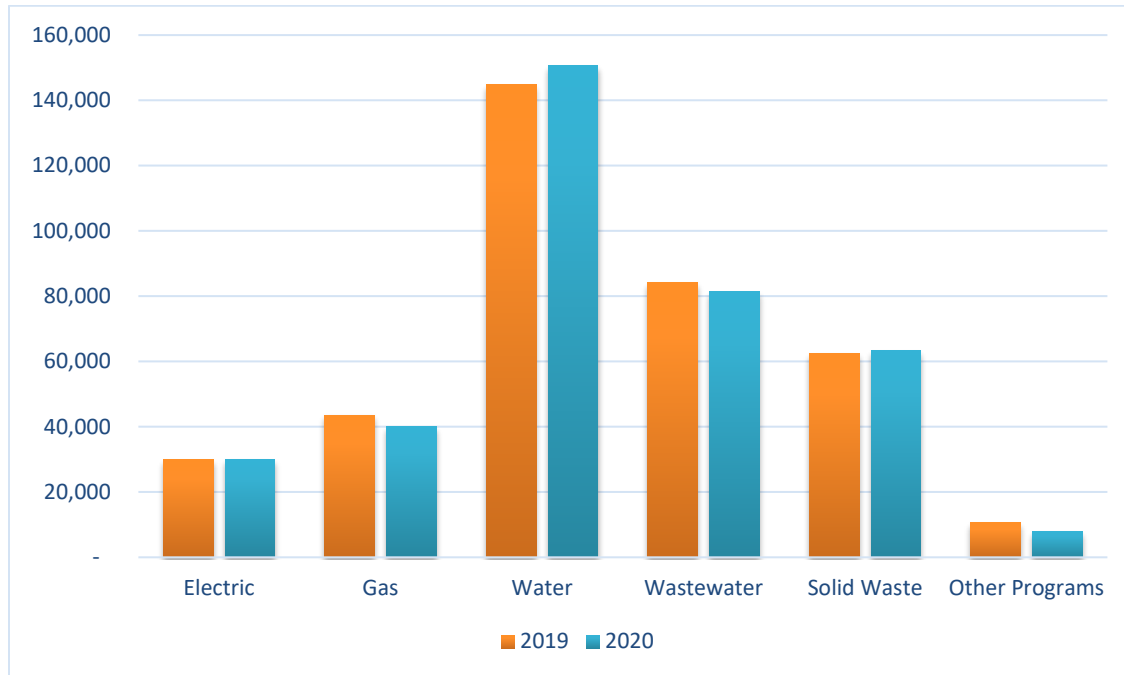
Amendments to the adopted budget may occur throughout the year in a legally permissible manner (see Note 1.f. of the notes to the financial statements for more information on budget policies). No amendments increasing the City's total adopted budget of \$1.83 billion occurred during fiscal year 2020.

General Fund revenues of \$336.9 million, on a budgetary basis, were less than the budgeted revenues of \$351.4 million. Intergovernmental revenues and Charges for Services came in under budgeted. Expenditures of \$384.5 million were less than the budgeted expenditures of \$469.8 million. Savings were primarily in capital outlay, general government, and public safety.

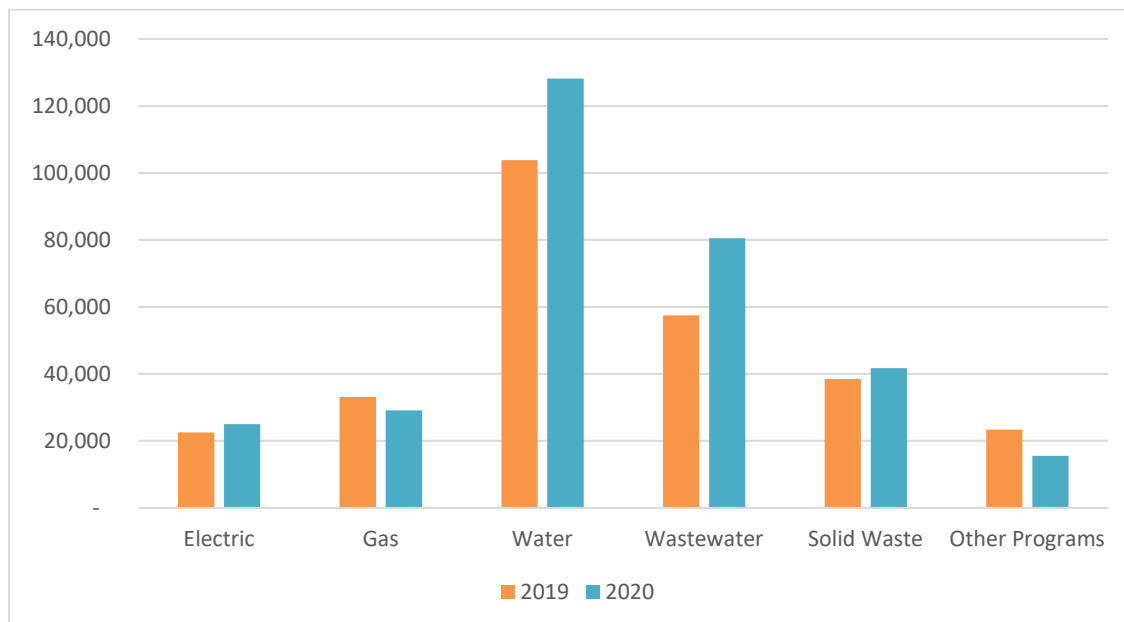
Business-type Activities

The following two graphs compare Business-Type Activities revenues and expenses from fiscal year 2020 to fiscal year 2019. As presented the charts, the largest funding sources and users of resources for the Business-Type Activities are Electric, Gas, Water, Wastewater, and Solid Waste.

Charges for Services – Business-type Activities



Expenses – Business-Type Activities



Total Business-Type Activities program and general revenues decreased by \$38.3 million from \$455.6 million to \$417.3 million. The decrease is primarily related to fiscal year 2019 having a higher than expected gain on sale of assets of \$44 million. In fiscal year 2020, there was a small loss on sale of assets of \$801 thousand.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities amounts to \$3.0 billion (net of accumulated depreciation/amortization) as of June 30, 2020. This net investment in capital assets includes land, buildings, other improvements, machinery and equipment, intangibles, and infrastructure. Infrastructure assets are items that are normally immovable and have value only to the City, such as streets, street lighting systems, and storm drainage systems.

The following table provides a breakdown of the City's capital assets at June 30, 2020 and 2019:

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

	Governmental Activities		Business-Type Activities		Total Government	
	2020	2019	2020	2019	2020	2019
Land	\$ 401,549	\$ 391,527	\$ 32,234	\$ 32,234	\$ 433,783	\$ 423,761
Infrastructure - Nondepr	3,597	3,585	17,666	17,666	21,263	21,251
Buildings	230,125	235,341	87,300	87,608	317,425	322,949
Other Improvements	98,412	94,070	70,892	73,335	169,304	167,405
Machinery & Equipment	62,416	62,762	37,955	37,500	100,371	100,262
Intangibles	420	177	4,025	4,152	4,445	4,329
Infrastructure	510,861	527,116	1,087,158	1,100,685	1,598,019	1,627,801
Construction-in-Progress	165,980	138,136	156,851	145,736	322,831	283,872
Total	<u>\$ 1,473,360</u>	<u>\$ 1,452,714</u>	<u>\$ 1,494,082</u>	<u>\$ 1,498,916</u>	<u>\$ 2,967,442</u>	<u>\$ 2,951,630</u>

The City's total capital asset balances at June 30, 2020 were overall consistent with prior year balances. Increases in Construction-in-progress (\$39.0 million) and Land (\$10.0 million) were offset by decreases in Infrastructure assets (\$29.8 million). Some of the larger current year project expenditures include Mesa Drive Phase II (\$14.3 million); State Route 24 Williams Field Road Enhancements (\$6.5 million); City Center ASU Master Plan and Utility Improvements (\$7.7 million); Fire Apparatus Replacement (\$5.3 million); and Police Radios (\$4.0 million). The remaining projects primarily relate to street and transportation projects, water projects and wastewater projects. The Land acquisitions in current year are parcel and easement acquisitions related to the extension of the light rail. The decrease in Infrastructure is due to depreciation expense exceeding the additions in current year by \$32 million.

Additional information on the City's capital assets can be found in Note 7 of the notes to the basic financial statements.

Debt Administration

At the end of the fiscal year 2020, the City had total long-term bond obligations and notes payable outstanding of \$1.7 billion. Of this amount, \$334.8 million comprises debt backed by the full faith and credit of the City and the remaining \$1.36 billion represents bonds secured by specified revenue sources (i.e., Utility System Revenue, Highway User Revenue, Sales Tax). The City's outstanding long-term debt (considering new borrowings, debt retirements, and defeasance) decreased \$114 million. The change in debt includes new borrowings during the fiscal year totaling \$18.4 million, defeasance of \$49 million, and principal payments of \$83.5 million.

The City's total outstanding debt includes \$57.3 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, 2020 and 2019.

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

	Governmental Activities		Business-Type Activities		Total Government	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	\$334,609	\$370,479	\$ 151	\$ 191	\$ 334,760	\$ 370,670
Utility System Revenue Bonds	-	-	1,242,670	1,279,020	1,242,670	1,279,020
Highway User Revenue Fund Bond	58,750	67,905	-	-	58,750	67,905
Excise Tax Obligations	-	-	-	49,025	-	49,025
Special Assessment Bonds						
with Governmental Commitment	219	438	-	-	219	438
Community Facility District	57,307	40,631	-	-	57,307	40,631
Notes Payable	-	-	1,431	1,574	1,431	1,574
Total	<u>\$450,885</u>	<u>\$479,453</u>	<u>\$ 1,244,252</u>	<u>\$1,329,810</u>	<u>\$ 1,695,137</u>	<u>\$ 1,809,263</u>

The City's current bond ratings are as follows:

	Standard and Poor's Corporation	Moody's Investors Service	Fitch Ratings
General Obligation Bonds	AA	Aa2	AAA
Highway User Revenue Bonds	AA	A2	N/A
Utility Systems Revenue Bonds	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 at June 30, 2020 was \$284.7 million in the 6% capacity and \$615.8 million in the 20% capacity. Additional information on the City's long-term obligations can be found in Note 8 of the notes to the basic financial statements and Table X in the Statistical Section.

ECONOMIC FACTORS

On May 4, 2020, the City Council approved a \$1.9 billion budget, which is an increase of \$80 million compared to prior year's budget. The fiscal year 2021 budget includes \$1.58 billion for operations and \$330.7 million for scheduled bond capital improvements.

The adopted fiscal year 2021 budget continues the City's fiscally conservative approach and reinforces the City's effort to invest in economic development, improve public safety and attract and retain excellent employees. Conservative budget practices and willingness to respond to economic indicators continues to allow the City to maintain unrestricted fund balance reserve levels as established in the City's financial policies.

REQUESTS FOR INFORMATION

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





BASIC FINANCIAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL
REPORT 2020



CANNED FOOD DRIVE

CITY OF MESA, ARIZONA
EXHIBIT A-1
STATEMENT OF NET POSITION
JUNE 30, 2020
(in thousands)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Pooled Cash and Investments	\$ 544,298	\$ 71,213	\$ 615,511
Accounts Receivable, Net	10,464	39,656	50,120
Accrued Interest Receivable	1,984	830	2,814
Due from Other Governments	45,409	2,300	47,709
Inventory	7,587	-	7,587
Prepaid and Deposits	4,055	2,693	6,748
Restricted Assets:			
Pooled Cash and Investments	6,703	103,164	109,867
Cash with Fiscal Agent	53,860	63,924	117,784
Accounts Receivable, Net	16,825	-	16,825
Due from Other Governments	1,388	-	1,388
Customer Deposits	-	4,403	4,403
Joint Venture Construction Deposits	-	9,326	9,326
Investment in Joint Ventures	319,215	290,200	609,415
Capital Assets, Not Being Depreciated	571,126	206,751	777,877
Capital Assets, Being Depreciated, Net	902,234	1,287,331	2,189,565
Total Assets	<u>2,485,148</u>	<u>2,081,791</u>	<u>4,566,939</u>
DEFERRED OUTFLOWS OF RESOURCES			
Debt Refunding	7,001	28,789	35,790
Pensions and OPEB	284,155	22,738	306,893
Total Deferred Outflows of Resources	<u>291,156</u>	<u>51,527</u>	<u>342,683</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	42,553	7,726	50,279
Claims Payable	44,661	-	44,661
Customer and Defendant Deposits	7,956	-	7,956
Liabilities Payable from Restricted Assets	107,546	105,892	213,438
Noncurrent Liabilities:			
Due Within One Year	34,608	40,278	74,886
Due in More Than One Year:			
Bonds Payable	432,056	1,276,390	1,708,446
Compensated Absences	26,763	4,154	30,917
Net Pension and OPEB Liability	1,652,204	163,426	1,815,630
Total Liabilities	<u>2,348,347</u>	<u>1,597,866</u>	<u>3,946,213</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions and OPEB	42,236	6,502	48,738
Total Deferred Inflows of Resources	<u>42,236</u>	<u>6,502</u>	<u>48,738</u>
NET POSITION			
Net Investment in Capital Assets	1,075,182	213,576	1,288,758
Restricted For:			
Bond Indentures	-	34,664	34,664
Construction	-	9,326	9,326
Debt Service	30,206	19,123	49,329
Public Safety	43,529	-	43,529
Transportation Programs	63,436	-	63,436
Other Programs	6,668	-	6,668
Unrestricted	(833,300)	252,261	(581,039)
Total Net Position	<u>\$ 385,721</u>	<u>\$ 528,950</u>	<u>\$ 914,671</u>

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

CITY OF MESA, ARIZONA

EXHIBIT A-2

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(in thousands)

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 134,299	\$ 14,211	\$ 859	\$ 23,114
Public Safety	384,800	33,235	7,359	300
Community Environment	152,847	19,757	61,414	1,227
Cultural-Recreational	62,014	10,456	1,001	78
Interest on Long-Term Debt	17,841	-	-	-
Total Governmental Activities	<u>751,801</u>	<u>77,659</u>	<u>70,633</u>	<u>24,719</u>
Business-type Activities:				
Electric	25,028	29,855	83	346
Gas	29,096	39,986	82	3,230
Water	128,244	152,266	1,112	18,974
Wastewater	80,548	81,464	355	10,716
Solid Waste	41,719	63,267	-	1,287
Airport	6,004	4,018	-	1,343
Golf Course	1,233	-	-	-
Convention Center	4,150	2,595	-	-
Hohokam Stadium/Fitch Complex	2,615	40	-	-
Cubs Stadium	408	221	-	-
District Cooling	1,163	1,143	-	-
Total Business-type Activities	<u>320,208</u>	<u>374,855</u>	<u>1,632</u>	<u>35,896</u>
Total Government	<u>\$ 1,072,009</u>	<u>\$ 452,514</u>	<u>\$ 72,265</u>	<u>\$ 60,615</u>

General Revenues:

Sales Taxes

Property Taxes

Occupancy Taxes

Unrestricted Intergovernmental Revenues

Contributions Not Restricted to Specific Programs

Investment Income

Gain (Loss) on Sale of Capital Assets

Miscellaneous Revenues (Expenses)

Transfers

Total General Revenues and Transfers

Change in Net Position

Total Net Position - Beginning

Net Position - Ending

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

EXHIBIT A-2
(Continued)

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (96,115)	\$ -	\$ (96,115)
(343,906)	-	(343,906)
(70,449)	-	(70,449)
(50,479)	-	(50,479)
(17,841)	-	(17,841)
<u>(578,790)</u>	<u>-</u>	<u>(578,790)</u>
-	5,256	5,256
-	14,202	14,202
-	44,108	44,108
-	11,987	11,987
-	22,835	22,835
-	(643)	(643)
-	(1,233)	(1,233)
-	(1,555)	(1,555)
-	(2,575)	(2,575)
-	(187)	(187)
-	(20)	(20)
<u>-</u>	<u>92,175</u>	<u>92,175</u>
(578,790)	92,175	(486,615)
219,932	-	219,932
45,068	-	45,068
2,564	1,459	4,023
183,189	-	183,189
36,912	-	36,912
16,002	7,618	23,620
-	(801)	(801)
16,374	(3,397)	12,977
136,394	(136,394)	-
<u>656,435</u>	<u>(131,515)</u>	<u>524,920</u>
77,645	(39,340)	38,305
<u>308,076</u>	<u>568,290</u>	<u>876,366</u>
<u>\$ 385,721</u>	<u>\$ 528,950</u>	<u>\$ 914,671</u>

CITY OF MESA, ARIZONA
EXHIBIT A-3
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020
(in thousands)

	General Fund	Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Pooled Cash and Investments	\$ 189,167	\$ 288,846	\$ 478,013
Accounts Receivable, Net	1,980	7,435	9,415
Accrued Interest Receivable	628	1,100	1,728
Due from Other Governments	21,065	24,344	45,409
Due from Other Funds	1,031	-	1,031
Advances to Other Funds	-	495	495
Prepaid Costs	2,301	576	2,877
Restricted Assets:			
Pooled Cash and Investments	-	6,703	6,703
Cash with Fiscal Agent	-	53,860	53,860
Accounts Receivable	-	16,825	16,825
Due from Other Governments	-	1,388	1,388
Total Assets	<u>\$ 216,172</u>	<u>\$ 401,572</u>	<u>\$ 617,744</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 17,833	\$ 20,959	\$ 38,792
Due to Other Funds	-	261	261
Advances from Other Funds	-	495	495
Customer and Defendant Deposits	830	7,126	7,956
Payable from Restricted Assets:			
Accrued Interest Payable	-	9,300	9,300
Unearned Revenue	1,704	49,933	51,637
Matured Bonds Payable	-	46,609	46,609
Total Liabilities	<u>20,367</u>	<u>134,683</u>	<u>155,050</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	737	17,724	18,461
Total Deferred Inflows of Resources	<u>737</u>	<u>17,724</u>	<u>18,461</u>
FUND BALANCES			
Nonspendable	2,301	576	2,877
Restricted	-	184,980	184,980
Committed	19,910	63,866	83,776
Assigned	42,515	786	43,301
Unassigned	130,342	(1,043)	129,299
Total Fund Balances	<u>195,068</u>	<u>249,165</u>	<u>444,233</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 216,172</u>	<u>\$ 401,572</u>	<u>\$ 617,744</u>

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

CITY OF MESA, ARIZONA

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

JUNE 30, 2020

(in thousands)

Fund Balances - total governmental funds	\$ 444,233
--	------------

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

Capital assets used in governmental activities are not financial resources and therefore not reported in the governmental funds.	1,470,707
--	-----------

Other assets used in governmental activities are not financial resources and therefore not reported in the governmental funds.	319,446
--	---------

Deferred outflows related to deferred amounts on refunding and pensions are not financial resources and therefore not reported in the funds.	286,267
--	---------

Long-term liabilities, including bonds payable and net pension liabilities are not due and payable in the current period and therefore not reported in the governmental funds.	(2,109,535)
--	-------------

Deferred inflows relating to pensions represent a future acquisition of net position that is not reported in the funds. Also, because the focus of governmental funds is on short term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by unavailable revenue in the funds.	(22,368)
--	----------

Internal service funds are used by management to charge the costs of certain activities to individual funds.	(3,029)
--	---------

Net position of the governmental activities - statement of net position	<u>\$ 385,721</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF MESA, ARIZONA

EXHIBIT A-5STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(in thousands)

	General Fund	Non-major Governmental Funds	Total Governmental Funds
REVENUES			
Sales Taxes	\$ 132,277	\$ 87,655	\$ 219,932
Property Taxes	-	44,970	44,970
Occupancy Taxes	27	2,537	2,564
Special Assessments	-	1,661	1,661
Licenses and Permits	19,057	5,069	24,126
Intergovernmental	148,478	128,918	277,396
Charges for Services	20,403	20,086	40,489
Fines and Forfeitures	7,284	1,969	9,253
Investment Income	4,894	9,132	14,026
Contributions	-	2,295	2,295
Miscellaneous Revenue	6,048	3,439	9,487
Total Revenues	<u>338,468</u>	<u>307,731</u>	<u>646,199</u>
EXPENDITURES			
Current:			
General Government	86,829	9,312	96,141
Public Safety	226,388	65,286	291,674
Community Environment	22,244	67,963	90,207
Cultural-Recreational	39,164	8,475	47,639
Debt Service:			
Principal	-	46,929	46,929
Interest on Bonds	-	18,208	18,208
Service Charges	-	14	14
Cost of Issuance	-	838	838
Capital Outlay	11,678	108,924	120,602
Total Expenditures	<u>386,303</u>	<u>325,949</u>	<u>712,252</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(47,835)</u>	<u>(18,218)</u>	<u>(66,053)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	134,084	29,717	163,801
Transfers Out	(27,076)	(331)	(27,407)
Face Amount of Bonds Issued	-	18,361	18,361
Premium on Issuance of Bonds (Net)	-	938	938
Total Other Financing Sources (Uses)	<u>107,008</u>	<u>48,685</u>	<u>155,693</u>
Net Change in Fund Balances	59,173	30,467	89,640
Fund Balance - Beginning	<u>135,895</u>	<u>218,698</u>	<u>354,593</u>
Fund Balances - Ending	<u>\$ 195,068</u>	<u>\$ 249,165</u>	<u>\$ 444,233</u>

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

CITY OF MESA, ARIZONA

EXHIBIT A-6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(in thousands)

Net change in fund balances - total governmental funds	\$ 89,640
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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.	2,479
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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.	(75,734)
---	----------

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 \$85,108 exceeded depreciation (\$64,330) in the current period.	20,778
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The net effect of miscellaneous transactions involving capital assets (e.g., donations, transfers and disposals) is to increase net position.	(287)
---	-------

Change in equity in Joint Venture	13,349
-----------------------------------	--------

The issuance of long-term debt (e.g., bonds and capital leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes financial resources of governmental funds. Neither transaction has any effect on net position.	28,568
--	--------

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.	281
--	-----

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.	(1,429)
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Change in net position of the governmental activities - statement of activities	<u>\$ 77,645</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF MESA, ARIZONA

EXHIBIT A-7

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2020

(in thousands)

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
ASSETS		
Current Assets:		
Pooled Cash and Investments	\$ 71,213	\$ 66,285
Accounts Receivable (Net of Allowances)	39,656	852
Accrued Premiums Receivable	-	197
Accrued Interest Receivable	830	256
Due from Other Governments	2,300	-
Inventory	-	7,587
Prepaid Costs	2,648	878
Deposits	45	69
Restricted Assets:		
Pooled Cash and Investments	103,164	-
Cash with Fiscal Agents	63,924	-
Customer Deposits	4,403	-
Joint Venture Construction Deposits	9,326	-
Total Current Assets	<u>297,509</u>	<u>76,124</u>
Noncurrent Assets:		
Investment in Joint Ventures	290,200	-
Capital Assets, Not Being Depreciated	206,751	419
Capital Assets, Being Depreciated, Net	1,287,331	2,234
Total Noncurrent Assets	<u>1,784,282</u>	<u>2,653</u>
Total Assets	<u>2,081,791</u>	<u>78,777</u>
DEFERRED OUTFLOWS OF RESOURCES		
Refundings	28,789	-
Pensions and OPEB	22,738	4,889
Total Deferred Outflows of Resources	<u>51,527</u>	<u>4,889</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,133,318</u>	<u>\$ 83,666</u>

(Continued)

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

CITY OF MESA, ARIZONA
EXHIBIT A-7 (Continued)
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020
(in thousands)

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Funds
LIABILITIES		
Current Liabilities-Payable From Current Assets:		
Accounts Payable and Accrued Liabilities	\$ 7,726	\$ 3,760
Due to Other Funds	-	770
Claims Payable	-	44,661
Current Liabilities-Payable From Restricted Assets:		
Accounts Payable and Accrued Liabilities	4,678	-
Interest Payable	27,534	-
Unearned Revenue	703	-
Matured Bonds Payable	36,390	-
Customer Deposits and Prepayments	36,587	-
Current Portion of Long-Term Liabilities:		
Current Portion of Bonds Payable	39,723	-
Current Portion of Notes Payable	146	-
Current Portion of Compensated Absences	409	143
Total Current Liabilities	<u>153,896</u>	<u>49,334</u>
Long-Term Liabilities:		
Bonds Payable	1,275,105	-
Notes Payable	1,285	-
Compensated Absences	4,154	771
Net Pension and OPEB Liability	163,426	35,182
Total Long-Term Liabilities	<u>1,443,970</u>	<u>35,953</u>
Total Liabilities	<u>1,597,866</u>	<u>85,287</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions and OPEB	6,502	1,407
Total Deferred Inflows of Resources	<u>6,502</u>	<u>1,407</u>
NET POSITION		
Net Investment in Capital Assets	213,576	2,653
Restricted For:		
Bond Indentures	34,664	-
Construction	9,326	-
Debt Service	19,123	-
Unrestricted	252,261	(5,682)
Total Net Position	<u>\$ 528,950</u>	<u>\$ (3,029)</u>

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

CITY OF MESA, ARIZONA

EXHIBIT A-8

STATEMENT OF REVENUES, EXPENSES

AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(in thousands)

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
Operating Revenues:		
Electric Sales Pledged as Security for Revenue Bonds	\$ 29,855	\$ -
Gas Sales Pledged as Security for Revenue Bonds	39,986	-
Water Sales Pledged as Security for Revenue Bonds	152,266	-
Wastewater Charges Pledged as Security for Revenue Bonds	81,464	-
Solid Waste Charges Pledged as Security for Revenue Bonds	63,267	-
Airport Fees	4,018	-
Convention Center Fees	2,595	-
Hohokam Stadium/Fitch Complex Fees	40	-
Cubs Stadium Fees	221	-
District Cooling Charges	1,143	-
Charges For Services	-	30,118
Self-Insurance Contributions	-	97,653
Other Revenue	-	6,636
Total Operating Revenues	<u>374,855</u>	<u>134,407</u>
Operating Expenses:		
Electric	20,134	-
Gas	20,346	-
Water	61,941	-
Wastewater	77,894	-
Solid Waste	38,191	-
Airport	3,683	-
Golf Course	1,111	-
Convention Center	3,866	-
Hohokam Stadium/Fitch Complex	936	-
Cubs Stadium	2,633	-
District Cooling	754	-
Warehouse, Maintenance & Services	-	31,200
Self-Insurance	-	106,587
Total Operating Expenses	<u>231,489</u>	<u>137,787</u>
Operating Income (Loss) Before Depreciation and Amortization	143,366	(3,380)
Depreciation and Amortization	<u>(75,456)</u>	<u>(263)</u>
Operating Income (Loss)	<u>67,910</u>	<u>(3,643)</u>

(Continued)

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

CITY OF MESA, ARIZONA

EXHIBIT A-8 (Continued)

STATEMENT OF REVENUES, EXPENSES

AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(in thousands)

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
Nonoperating Revenues (Expenses):		
Investment Income Pledged as Security for Revenue Bonds	6,614	-
Investment Income Unpledged	1,004	1,976
Intergovernmental	1,632	-
Interest Expense:		
Bonds	(52,927)	-
Notes Payable and Other Long-Term Obligations	(35)	-
Bond Administrative Costs	(11)	-
Gain/(Loss) on Disposal of Capital Assets	(801)	177
Net Gain from Joint Venture	36,272	-
Utility Development Fees	14,601	-
Bond Issuance Costs	(34)	-
Occupancy Tax	1,459	-
Miscellaneous Revenue	75	-
Total Nonoperating Revenues (Expenses)	<u>7,849</u>	<u>2,153</u>
Income before Transfers and Capital Contributions	75,759	(1,490)
Capital Contributions	21,295	61
Transfers In	377	-
Transfers Out	<u>(136,771)</u>	<u>-</u>
Change in Net Position	(39,340)	(1,429)
Total Net Position - Beginning	<u>568,290</u>	<u>(1,600)</u>
Total Net Position - Ending	<u>\$ 528,950</u>	<u>\$ (3,029)</u>

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

CITY OF MESA, ARIZONA

EXHIBIT A-9

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(in thousands)

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 375,061	\$ -
Cash Received from Users	-	134,164
Cash Payments to Suppliers	(182,572)	(130,024)
Cash Payments to Employees	(43,398)	(8,590)
Other Non-Operating Revenue	75	
Net Cash Provided By (Used For) Operating Activities	149,166	(4,450)
Cash Flows From Noncapital Financing Activities:		
Intergovernmental	815	-
Transient Occupancy Tax	1,459	-
Transfers In from Other Funds	377	770
Transfers Out to Other Funds	(136,771)	-
Net Cash Used For Noncapital Financing Activities	(134,120)	770
Cash Flows From Capital and Related Financing Activities:		
Payment to Refunded Bond Escrow Agent	(54,233)	-
Proceeds From Sale of Capital Assets	14	-
Acquisition and Construction of Capital Assets	(54,514)	(180)
Principal Paid on Bonds and Notes Maturities	(21,639)	-
Interest Paid on Bonds and Notes	(52,662)	-
Bond Issuance Costs	(34)	-
Developer Contributions and Capital Grants	17,618	-
Net Cash Used For Capital and Related Financing Activities	(165,450)	(180)
Cash Flows From Investing Activities:		
Interest Received on Investments	8,076	2,036
Net Cash Provided By Investing Activities	8,076	2,036
Net Change in Pooled Cash and Investments	(142,328)	(1,824)
Total Cash and Investments at Beginning of Year	380,629	68,109
Total Cash and Investments at End of Year	\$ 238,301	\$ 66,285

(Continued)

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

CITY OF MESA, ARIZONA
EXHIBIT A-9 (Continued)
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(in thousands)

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:		
Operating Income	\$ 67,910	\$ (3,643)
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:		
Depreciation and Amortization	75,456	263
Miscellaneous Revenue	75	-
Changes in Assets and Liabilities:		
(Increase)/Decrease in Receivables	(2,449)	(242)
(Increase)/Decrease in Inventory	-	(851)
(Increase)/Decrease in Deposits and Prepaid Costs	3,418	(223)
Increase/(Decrease) in Accounts Payable	(346)	969
Increase/(Decrease) in Unearned Revenue	414	-
Increase/(Decrease) in Pension and OPEB Liability	20,070	3,849
Increase (Decrease) in Deferred Outflows	(11,674)	(2,472)
Increase (Decrease) in Deferred Inflows	(3,774)	(837)
Increase/(Decrease) in Other Accrued Expenses	66	(1,263)
Total Adjustments	81,256	(807)
Net Cash Provided By (Used For) Operating Activities	\$ 149,166	\$ (4,450)
Noncash Transactions Affecting Financial Position:		
Contributions of Capital Assets	\$ 18,278	\$ -
Gain (Loss) on Disposal of Capital Assets	(801)	-
Amortization of Bond Premium	13,144	-
Amortization of Deferred Amounts on Refunding	(11,002)	-

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The City of Mesa, Arizona, (the City) was incorporated July 15, 1883 with an approximate population of 300 and an area of one square mile. Today, the City's estimated population is 514,144 within an area of approximately 141 square miles. The City's charter was adopted August 18, 1967 providing for a Council-Manager form of government. The City provides a full range of municipal services including police and fire protection, parks and recreation, library, transportation, health and certain social services and general administration. In addition, the City owns and operates an enterprise whose activities include operations of electricity, gas, water, wastewater, and solid waste utilities, an airport, golf course, convention center, two stadiums and district cooling.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

a. Reporting Entity

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

Community Facilities District ("Districts") The City has 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 Eastmark Community Facilities District #1. The board of directors for Eastmark Community Facilities District #2 and Cadence Community Facilities District include the City Council plus two additional members from the public. The City Manager of the City currently serves as the Manager for all 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.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The City contributed \$1.5 million to the PMGAA operating and capital budget during this fiscal year.

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

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

c. **Basic Financial Statements**

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

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements. Certain charges between the Enterprise Fund’s utility systems and the various functional activities are not eliminated, as this would distort the direct costs and program revenues reported for the various functions concerned.

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

The government-wide statement of activities demonstrates the degree to which the direct expenses of the various functional activities and segments of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific functional activity (General Government, Public Safety, Cultural-Recreational, etc.) or segment. Expenses reported for the

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

various functional activities or segments include indirect expenses, such as overhead costs. Interest on long-term debt is not allocated to the various functions in the governmental activities. Program revenues include charges to customers or applicants who directly benefit from goods, services or privileges provided by a given function or segment. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment, including special assessments. Taxes and other items not properly included as program revenues are reported as general revenues. The general revenues support the net costs of the functions and segments not covered by program revenues.

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

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

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

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

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

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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 government-wide statement of activities and the revenues and expenses within the internal service funds are eliminated from the government-wide financial statements to avoid any doubling up effect of these revenues and expenses.

e. **Fund Accounting**

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

The City reports the following major governmental fund:

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The City reports the following non-major governmental funds:

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

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

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

f. **Budgets and Budgetary Accounting**

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

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

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

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

The legally adopted budget consists of all funds. Governmental debt service expenditures are budgeted in the Special Revenue Funds or Debt Service Funds. A budget schedule for the General Fund is presented in the Required Supplementary Information Section, and the other funds are located in the Supplementary Information Section.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

On June 3, 1980, the voters of Arizona approved an expenditure limitation for all local governments. This limitation restricts the growth of expenditures to a percentage determined by population and inflation, with certain expenditures excluded from the limitation.

The State Economic Estimates Commission determines and publishes, prior to April 1st of each year, the expenditure limitation for the following fiscal year for each governmental unit. Fiscal year 1979-80 is the base year for calculations.

Budgets for all funds are adopted in accordance with the requirements of the Arizona Constitution, Arizona Revised Statutes and the Mesa City Charter. There are certain differences between the basis used for budgetary purposes and that used for reporting in accordance with generally accepted accounting principles. For additional detail, see the notes to budgetary comparison schedule. Budgeted amounts are as originally adopted by the City Council on June 3, 2019.

g. **Use of Estimates**

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

h. **Pooled Cash and Investments**

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

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

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

Interest income from investments is recorded as revenue within the fund that made the investment.

i. **Inventories**

Inventories consist of expendable supplies held for consumption. The warehouse inventory is valued at the lower of average cost or market, while fleet support services inventory is valued at cost on a first-in, first out (FIFO) basis. The cost of inventory is reported as an expenditure at the time individual items are consumed.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

j. **Capital Assets**

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

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

Depreciation has been provided using the straight-line method based on the estimated useful lives of the assets.

The estimated useful lives are as follows:

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

Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation) or net realizable value, if lower, as of the date of the transfer.

k. **Compensated Absences**

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

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

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

The Property and Public Liability, Workers' Compensation and Employee Benefits Internal Service Funds establish claim liabilities based on actuarial estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

that have been incurred but not reported. Adjustments to claim liabilities are charged or credited to expenses in the periods in which they are made.

m. **Long-Term Obligations**

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position.

Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

n. **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.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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.

The Mayor and Council has established a minimum fund balance policy for the General Fund of eight to ten percent of budgeted expenditures. The fund balance in the General Fund as of June 30, 2020 as reported in Exhibit B-5 is 43.2% of General Fund expenditures budgeted for fiscal year 2019-2020.

p. **Statement of Cash Flows**

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

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

q. **Contingency Services**

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

Any balance of a contingency 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, 2020 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 is "unlimited" and the limited property value is used in determining the tax rate.

In fiscal year 2019-2020, current property tax collections were \$40,724,766 or 98.72% 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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

within 60 days and the remaining balance is reported as unavailable revenue. The receivable at June 30, 2020 was \$1,099,177 of which \$557,293 was recorded as revenue and \$541,884 as unavailable revenue.

s. **New Accounting Pronouncements**

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

GASB Statement No. 90, *Majority Equity Interest*, modifies previous guidance for reporting a government's majority interest in a legally separate organization. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The City implemented this Statement in fiscal year 2020 with no effect.

GASB Statement No. 91, *Conduit Debt Obligations*. This Statement defines conduit debt obligations for accounting and financial reporting purposes and establishes related standards for recognition, measurement, and disclosure for issuers. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2022.

GASB Statement No. 92 *Omnibus 2020*, establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The City will implement this Statement in fiscal year 2021.

Implementation Guide No. 2020-1, *Implementation Guidance Update – 2020*, provides guidance that clarifies, explains or elaborates on GASB Statements and Interpretations. The requirements of this Implementation Guide are effective for reporting periods beginning after June 15, 2021. The requirements of this Implementation Guide will be implemented in fiscal year 2022.

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

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, 2020

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	\$ 478,013	\$ -	\$ 66,285	\$ -	\$ 544,298
Account and Misc Receivables, Net	9,074	-	1,049	-	10,123
Accrued Interest Receivable	1,728	-	256	-	1,984
Due from Other Governments	45,750	-	-	-	45,750
Due from Other Funds	1,031	-	-	-	1,031
Advances to Other Funds	495	-	-	(495)	-
Inventory	-	-	7,587	-	7,587
Prepaid and Deposits	2,877	231	947	-	4,055
Restricted Assets:			-		
Pooled Cash and Investments	6,703	-	-	-	6,703
Cash with Fiscal Agent	53,860	-	-	-	53,860
Accounts Receivable	16,825	-	-	-	16,825
Due from Other Governments	1,388	-	-	-	1,388
Investment in Joint Ventures	-	319,215	-	-	319,215
Capital Assets	-	1,470,707	2,653	-	1,473,360
Total Assets	<u>617,744</u>	<u>1,790,153</u>	<u>78,777</u>	<u>(495)</u>	<u>2,486,179</u>
Deferred Outflows of Resources					
Deferred Amounts on Refunding	-	7,001	-	-	7,001
Pensions and OPEB	-	279,266	4,889	-	284,155
Total Deferred Outflows of Resources	<u>-</u>	<u>286,267</u>	<u>4,889</u>	<u>-</u>	<u>291,156</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 617,744</u>	<u>\$ 2,076,420</u>	<u>\$ 83,666</u>	<u>\$ (495)</u>	<u>\$ 2,777,335</u>
Liabilities					
Accounts Payable and Accrued Liabilities	\$ 38,792	\$ -	\$ 3,761	\$ -	\$ 42,553
Claims Payable	-	-	44,661	-	44,661
Due To Other Funds	261	-	770	-	1,031
Advances from Other Funds	495	-	-	(495)	-
Customer and Defendant Deposits	7,956	-	-	-	7,956
Restricted Bond Interest Payable	9,300	-	-	-	9,300
Restricted Unearned Revenue	51,637	-	-	-	51,637
Matured Bonds Payable	46,609	-	-	-	46,609
Pension and OPEB	-	1,617,022	35,182	-	1,652,204
Long-term Liabilities	-	492,513	914	-	493,427
Total Liabilities	<u>155,050</u>	<u>2,109,535</u>	<u>85,288</u>	<u>(495)</u>	<u>2,349,378</u>
Deferred Inflows of Resources					
Unavailable Revenue	18,461	(18,461)	-	-	-
Pension	-	40,829	1,407	-	42,236
Total Deferred Inflows of Resources	<u>18,461</u>	<u>22,368</u>	<u>1,407</u>	<u>-</u>	<u>42,236</u>
Fund Balance/Net Position					
Total Fund Balance/Net Position	<u>444,233</u>	<u>(55,483)</u>	<u>(3,029)</u>	<u>-</u>	<u>385,721</u>
Total Liabilities and Fund Balance/Net Position	<u>\$ 617,744</u>	<u>\$ 2,076,420</u>	<u>\$ 83,666</u>	<u>\$ (495)</u>	<u>\$ 2,777,335</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

- (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>319,215</u>
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When capital assets (land, buildings, equipment, etc.) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds, and thus a reduction in fund balance. However, the statement of net position includes those capital assets among the assets of the City as a whole.

Costs of capital assets	\$	2,584,433
Accumulated depreciation		<u>(1,113,726)</u>
Total	\$	<u>1,470,707</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	\$	450,885
Compensated absences		28,503
Post-employment benefits		769,201
Unamortized bond premiums		13,125
Pension liability		<u>847,821</u>
Total	\$	<u>2,109,535</u>

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

Deferred charge on refunding	\$	7,001
Pensions and OPEB		<u>279,266</u>
Total	\$	<u>286,267</u>

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

Deferred Inflows – Pensions & OPEB	\$	<u>40,829</u>
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CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Prepaid Cost of Issuance	<u>\$ 231</u>
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Unavailable revenues shown on the governmental fund statements are not deferred on the statement of net position.

Unavailable property tax revenues	\$ (542)
Unavailable special assessment revenue	(16,832)
Receivables not yet collected	<u>(1,087)</u>
Total	<u>\$ (18,461)</u>

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

Internal Service Funds total	<u>\$ (3,029)</u>
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CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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 Sources							
Revenues:							
Sales Taxes	\$ 219,932	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 219,932
Property Taxes	44,970	98	-	-	-	-	45,068
Occupancy Taxes	2,564	-	-	-	-	-	2,564
Special Assessments	1,661	2,130	-	-	-	-	3,791
Licenses and Permits	24,126	-	-	-	-	-	24,126
Intergovernmental	277,396	-	-	-	-	-	277,396
Charges for Services	40,489	-	-	-	-	-	40,489
Fines and Forfeitures	9,253	-	-	-	-	-	9,253
Investment Income	14,026	-	-	1,976	-	-	16,002
Contributions	2,295	-	14,602	21,160	-	-	38,057
Miscellaneous	9,487	251	-	6,636	-	-	16,374
Other Sources:							
Transfers In	163,801	-	-	-	-	(27,407)	136,394
Face Amount of Bonds Issued	18,361	-	-	-	(18,361)	-	-
Premiums on Issuance of Bonds	938	-	-	-	(938)	-	-
Total Revenue and Other Sources	<u>\$ 829,299</u>	<u>\$ 2,479</u>	<u>\$ 14,602</u>	<u>\$ 29,772</u>	<u>\$ (19,299)</u>	<u>\$ (27,407)</u>	<u>\$ 829,446</u>
Expenditures/Expenses and Other Financing Uses							
Expenditures/Expenses:							
Current:							
General Government	\$ 96,141	8,351	16,126	13,681	-	\$ -	\$ 134,299
Public Safety	291,674	62,228	19,057	11,841	-	-	384,800
Community Environment	90,207	2,218	56,280	4,142	-	-	152,847
Cultural-Recreational	47,639	2,937	9,901	1,537	-	-	62,014
Debt Service:							
Principal	46,929	-	-	-	(46,929)	-	-
Interest on Bonds	18,208	-	-	-	(988)	-	17,220
Service Charge	14	-	-	-	-	-	14
Cost of Issuance	838	-	-	-	(231)	-	607
Capital Outlay	120,602	-	(120,602)	-	-	-	-
Other Financing Uses:							
Transfers Out	27,407	-	-	-	-	(27,407)	-
Total Expenditures\Expenses & Other Financing Uses	<u>739,659</u>	<u>75,734</u>	<u>(19,238)</u>	<u>31,201</u>	<u>(48,148)</u>	<u>(27,407)</u>	<u>751,801</u>
Net Change for the Year	<u>\$ 89,640</u>	<u>\$ (73,255)</u>	<u>\$ 33,840</u>	<u>\$ (1,429)</u>	<u>\$ 28,849</u>	<u>\$ -</u>	<u>\$ 77,645</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Property tax revenue	\$	98
Special assessment revenue		2,130
Unavailable revenue		251
Total	\$	<u>2,479</u>

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

Accrual of long-term compensation absences	\$	(767)
OPEB Expense		37,384
Pension Expense		39,117
Total	\$	<u>75,734</u>

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

Capital outlay for capital assets	\$	85,108
Depreciation expense		(64,330)
Total	\$	<u>20,778</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	\$	13,349
Loss on Disposal		(287)
Total	\$	<u>13,062</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	\$	29,772
Expenditures and other uses		(31,201)
Change in net position	\$	<u>(1,429)</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

- (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.

Community Facilities District Bonds	(18,361)
Principal repayments	46,929
Total	<u>\$ 28,568</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.

Amortization of deferred refunding amounts	\$ (963)
Amortization of bond premiums	1,951
Premiums on bonds	(938)
Prepaid bond issuance costs	241
Amortization of bond issuance costs	(10)
Total	<u>\$ 281</u>

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

Transfers out	\$ (27,407)
Transfers in	27,407
Total	<u>\$ -</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

3. FUND BALANCE

As of June 30, 2020, 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	\$ 2,301	\$ 576	\$ 2,877
Nonspendable Sub-total	2,301	576	2,877
Restricted:			
Capital Projects	-	58,831	58,831
Community Facility District	-	114	114
Coronavirus Relief	-	873	873
Court	-	1,749	1,749
Debt Service	-	12,832	12,832
Fire	-	11,497	11,497
Library	-	126	126
Police	-	32,032	32,032
Spring Training & Tourism	-	3,792	3,792
Transportation Programs	-	63,134	63,134
Restricted Sub-total	-	184,980	184,980
Committed To:			
Arts & Culture	-	1,477	1,477
Capital Projects	-	26,726	26,726
Cemetery	667	7,882	8,549
Economic Development	45	-	45
Environmental Compliance	-	17,857	17,857
Fire	8,799	-	8,799
Parks & Recreation	-	117	117
Police	10,399	-	10,399
Technology	-	1,966	1,966
Vehicle Replacement	-	7,841	7,841
Committed To Sub-total	19,910	63,866	83,776
Assigned To:			
Development Services	279	-	279
Economic Development	4,651	-	4,651
Fire	398	-	398
General Government	34,639	786	35,425
Parks & Recreation	846	-	846
Police	1,470	-	1,470
Sustainability	148	-	148
Transit	84	-	84
Assigned To Sub-total	42,515	786	43,301
Unassigned	130,342	(1,043)	129,299
Total Fund Balances	\$ 195,068	\$ 249,165	\$ 444,233

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

4. POOLED CASH AND INVESTMENTS

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

Cash on Hand	\$	137
Carrying Amount of City Deposits		27,097
Investment in Insured Cash Sweep Accounts		15,827
Investments in Local Govt Invest Pool		132,772
Cash with Custodian (1)		20,000
Cash with Fiscal Agent (2)		117,784
Long-Term Investments		529,545
Total City Pooled Cash and Investments	\$	<u>843,162</u>

(1) Represents cash sent by the City to Custodian on June 30, 2020 for investing purposes

(2) Represents cash sent by the City to fiscal agents on June 30, 2020 for debt service payments due to bondholders on July 1, 2020.

Deposits

At year-end, the City's cash totaled \$27,234,550 which included \$137,151 of petty cash. The carrying amount of the City's deposits was \$27,097,399 and the bank balance was \$28,432,364. The difference of \$1,334,965 represents outstanding checks and deposits in transit.

Custodial Risk

Cash deposits are subject to custodial risk. Custodial risk is the risk that in the event of bank failure, the City's deposits may not be returned. To mitigate this risk, on July 1, 2014 Arizona House Bill 2619 Arizona Revised Statute (§35-1201 et. seq.) went into effect establishing a pooled collateral program for public deposits and creating a Statewide Collateral Pool Administrator (the "Administrator") in the State Treasurer's Office. The purpose of this Bill is to ensure that public deposits of governmental entities placed with participating banks are backed with collateral of 102% of the amount on deposit less applicable FDIC Deposit Insurance. The Administrator will monitor, audit and report on each bank's compliance. Collateral under this program is pledged in the name of the Administrator and the City's current bank is a participant in this program. The City's cash balances on deposit as of June 30, 2020 are covered under House Bill 2619.

Investments

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

Interest Rate Risk

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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 is primarily invested in securities issued by the U.S. Treasury and by U.S. Government agencies that carry a minimum "A" or better rating, at the time of purchase, from Moody's or Standard & Poor's or other nationally recognized rating agency.

The City's portfolio also invests in Corporate Notes rated "A" or better by Moody's or Standard & Poor's and participates in the State Treasurer's Investment Pool (LGIP), which is overseen according to Arizona State Statute by the State Board of Investment. Within the State Treasurer's Investment Pools, the City participates in Investment Pool 7. Pool 7 is a short-term fund which invests only in products backed by the full faith and credit of the United States Government. The Pool carries a weighted average credit rating of AAA. The City also maintains short-term investments in FDIC Insured Cash Sweep Accounts held by one local bank. The City invests in its own Special Improvement District bonds that have no credit rating.

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, 2020 (in thousands):

Investment Type	S & P Rating	Fair value
U.S. Treasuries	AA+	\$ 238,150
U.S. Agencies	AA+	166,653
U.S Agency Collateralized Mortgage Obligation	AA+	3,593
U.S Treasury & Agency Short Term Obligation	AA+	929
Corporate Notes	AA+	4,574
Corporate Notes	A-	24,933
Corporate Notes	A	18,136
Corporate Notes	AA-	8,704
Corporate Notes	A+	16,249
Corporate Notes	AA	4,826
Corporate Notes	BBB+	12,850
Corporate Notes	NR*	2,498
Corporate Notes	BBB-	2,353
Negotiable Certificate of Deposit	A	2,339
Negotiable Certificate of Deposit	A-1	7,963
Negotiable Certificate of Deposit	AA-	4,810
Negotiable Certificate of Deposit	A+	2,396
Negotiable Certificate of Deposit	A-1+	1,979
First American Gov't Obligation MM Fund	AAAm	5,386
City of Mesa Special Imp District Bonds	NR	224
Total		<u>\$ 529,545</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Fair Value of Investments

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

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

At June 30, 2020, the City had the following recurring fair value measurements (in thousands):

		<u>Fair Value Measurements Using:</u>		
<u>Investment by Fair Value Level</u>	<u>Fair Value</u> <u>6/30/2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Debt Securities</u>				
U.S. Treasuries & Agencies	\$ 404,803	\$ -	\$ 404,803	\$ -
U.S. Treasury & Agency Short Term Obligation	929		929	
Federal Agency Collateralized Mortgage Obligations	3,593	-	3,593	-
Corporate Notes	95,124	-	95,124	-
Negotiable Certificates of Deposit	19,486		19,486	
City of Mesa Special Improvement District Bonds	224	-	224	-
Total Debt Securities at Fair Value	<u>\$ 524,159</u>	<u>\$ -</u>	<u>\$ 524,159</u>	<u>\$ -</u>
<u>Investments Measured at Fair Value</u>				
Arizona State Treasurers Investment Pool 7	132,772			
First American Gov't Obligation MM Fund	<u>5,386</u>			
Total Investments Measured At Fair Value	<u>\$ 662,317</u>			
<u>Amortized Cost Securities</u>				
FDIC Insured Cash Sweep Money Market Funds	<u>\$ 15,827</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 at June 30, 2020.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The City's investment maturities on June 30, 2020 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>1-2</u>	<u>2-3</u>	<u>More than 3</u>	
U.S. Treasuries & Agencies	\$ 404,803	\$ 31,097	\$ 147,857	\$ 201,513	\$ 24,336	76.44%
U.S. Treasury & Agency Short Term Obligation	929	929				0.18%
Federal Agency Collateralized Mortgage Obligations	3,593			3,593		0.68%
Corporate Notes	95,124	7,596	55,707	26,561	5,260	17.96%
Negotiable Certificates of Deposit	19,486	9,941	2,339	7,206		3.68%
First American Gov't Obligation MM Fund	5,386	5,386				1.02%
City of Mesa Special Imp District Bonds	224	224				0.04%
Total	\$ 529,545	\$ 55,173	\$ 205,903	\$ 238,873	\$ 29,596	100.00%

On June 30, 2020 the following investments had callable dates:

<u>Corporate Notes</u>	<u>Date</u>	<u>Fair Value</u>
3M	2/1/2022	\$ 732
American Express Credit	4/20/2022	23,440
Bank of America	10/1/2020	2,234
Chevron	2/3/2022	1,161
Cisco Systems	8/20/2021	2,035
Citigroup	11/8/2021	1,159
Exxon Mobil	1/6/2022	1,542
Goldman Sachs	4/26/2021	1,267
US Bancorp	2/15/2022	2,427
United Parcel Service	4/16/2022	932
General Dynamics	4/15/2023	950
Honeywell	7/8/2022	1,024
JP Morgan Chase	4/1/2022	3,215
PNC Financial Services	11/9/2021	1,190
Charles Schwab	4/21/2021	1,263
 <u>U.S. Treasuries & Agencies</u>	 <u>Date</u>	 <u>Fair Value</u>
Federal Farm Credit Banks	7/21/2020	\$ 2,000
Federal Farm Credit Banks	8/4/2020	2,500
Federal Farm Credit Banks	4/22/2021	3,002
Federal Farm Credit Banks	7/21/2020	4,000
Federal Home Loan Mortgage Corp.	10/30/2020	4,000
Federal Home Loan Mortgage Corp.	10/29/2020	4,000
Federal Home Loan Mortgage Corp.	10/21/2020	2,000
Federal Home Loan Mortgage Corp.	10/23/2020	4,000

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

5. ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS

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

<u>Fund</u>	<u>Receivables</u>	<u>Allowance</u>	<u>Net</u>
Governmental Activities:			
General Fund:			
Other Customers	7,439	(5,459)	1,980
Due from Other Governments:	21,065		21,065
Non-Major Governmental Funds:			
Other Customers	7,435	-	7,435
Restricted-Spec. Assessments	16,825	-	16,825
Restricted-Due from Other Governments	1,388	-	1,388
Due from Other Governments			
Sales Tax Revenues	16,042		16,042
Other	8,302		8,302
Internal Service Funds:			
Premiums	197	-	197
Other Customers	852	-	852
Total Governmental Activities	<u>\$ 79,545</u>	<u>\$ (5,459)</u>	<u>\$74,086</u>
Business-Type Activities:			
Utility Customers	\$ 36,532	\$ (1,857)	\$34,675
Other Customers	5,092	(111)	4,981
Due from Other Governments	2,300	-	2,300
Total Business-type Activities	<u>\$ 43,924</u>	<u>\$ (1,968)</u>	<u>\$41,956</u>

Unbilled Accounts Receivable

Unbilled utility service receivables are recorded in the year in which the services are provided. At June 30, 2020, unbilled utility service receivables are recorded in the Enterprise Fund as follows (in thousands):

Electric	\$ 2,218
Gas	1,123
Water	9,385
Wastewater	4,496
Solid Waste	2,923
	<u>\$20,145</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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 and business-type 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		Business Type
	General	Non-Major	Activities
<u>Unearned Revenue</u>	<u>Fund</u>	<u>Funds</u>	<u>Enterprise</u>
Advance ticket sales	\$ 186	\$ 10	\$ 220
Grants received prior to meeting all eligibility requirements	-	49,850	-
Amounts paid in advance	1,518	73	483
	<u>\$ 1,704</u>	<u>\$ 49,933</u>	<u>\$ 703</u>

	General	Non-Major
<u>Unavailable Revenue</u>	<u>Fund</u>	<u>Funds</u>
Receivables not yet collected	\$ 737	\$ 350
Delinquent Property Taxes	-	542
Special Assessments not yet due	-	16,832
	<u>\$ 737</u>	<u>\$ 17,724</u>

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The following interfund activities are included in the fund financial statements at June 30, 2020 (in thousands):

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 1,031	\$ -
Non-major Governmental Funds	-	261
Proprietary Funds	-	770
Total Governmental Funds	<u>1,031</u>	<u>1,031</u>

Interfund balances at June 30, 2020 are short-term loans used to cover temporary cash deficits in various funds and are expected to be repaid within one year.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
Governmental Funds:		
Ambulance Transport	-	495
Public Safety Sales Tax	495	-
Total Governmental Funds	<u>495</u>	<u>495</u>

The Advances at June 30, 2020 are an advance from the Public Safety Sales Tax Fund to the Ambulance Transport Fund for property acquisition. The advances outstanding at June 30, 2020 are not expected to be repaid within one year.

The following interfund transfers are reflected in the fund financial statements for the year ended June 30, 2020 (in thousands):

Transfers In	Transfers Out			
	Non-major			Total
	Fund	General Fund	Governmental Funds	Enterprise Fund
General Fund	\$ -	\$ 331	\$ 133,753	\$ 134,084
Non-major Governmental Funds	26,699	-	3,018	29,717
Enterprise Fund	377	-	-	377
Total	\$ 27,076	\$ 331	\$ 136,771	\$ 164,178

The transfer from business-type activities to governmental activities on the government-wide statement of activities is a \$122,802,000 operational subsidy from the Enterprise Fund to the General Fund. The remaining interfund transfers generally fall within one of the two following categories: 1) debt service payments made from a debt service fund but funded from an operating fund; and 2) subsidy transfers. Other items transferred from the Enterprise Fund to the Governmental Funds that don't fall into the above categories include proceeds from a land sale and the operations of non-utility funds.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

7. CAPITAL ASSETS

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2020 follows (in thousands):

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020
Governmental Activities:				
Non-depreciable Assets:				
Land	\$ 391,527	\$ 13,510	\$ (3,488)	\$ 401,549
Infrastructure	3,585	12	-	3,597
Construction-in-Progress	138,136	90,826	(62,982)	165,980
Total Non-depreciable Assets	533,248	104,348	(66,470)	571,126
Depreciable Assets:				
Buildings	351,749	1,945	-	353,694
Other Improvements	210,596	11,748	(813)	221,531
Machinery & Equipment	218,096	13,757	(1,605)	230,248
Intangibles	23,397	728	-	24,125
Infrastructure	1,176,299	19,469	(79)	1,195,689
Total Depreciable Assets	1,980,137	47,647	(2,497)	2,025,287
Less Accumulated Depreciation for:				
Buildings	(116,408)	(7,161)	-	(123,569)
Other Improvements	(116,526)	(7,224)	631	(123,119)
Machinery & Equipment	(155,334)	(13,999)	1,501	(167,832)
Intangibles	(23,220)	(485)	-	(23,705)
Infrastructure	(649,183)	(35,724)	79	(684,828)
Total Accum. Depreciation	(1,060,671)	(64,593)	2,211	(1,123,053)
Total Depreciable Assets, net	919,466	(16,946)	(286)	902,234
Governmental Activities				
Capital Assets, net	<u>\$1,452,714</u>	<u>\$ 87,402</u>	<u>\$ (66,756)</u>	<u>\$ 1,473,360</u>

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

General Government	\$ 6,502
Public Safety	11,497
Community Environment	36,741
Cultural-Recreational	9,590
Capital assets held by the City's Internal Service funds are charged to the various functions based on their usage of assets	263
	<u>\$64,593</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020
Business-type Activities:				
Non-depreciable Assets:				
Land	\$ 32,234	\$ -	\$ -	\$ 32,234
Water Rights	17,560	-	-	17,560
Collections of Art	106	-	-	106
Construction-in-Progress	145,736	60,168	(49,053)	156,851
Total Non-depreciable Assets	195,636	60,168	(49,053)	206,751
Depreciable Assets:				
Buildings	121,807	2,470	-	124,277
Other Improvements	136,607	1,894	-	138,501
Machinery & Equipment	101,424	7,463	(990)	107,897
Intangibles	27,549	-	-	27,549
Infrastructure	2,001,333	48,255	(1,274)	2,048,314
Total Depreciable Assets	2,388,720	60,082	(2,264)	2,446,539
Less Accumulated Depreciation for:				
Buildings	(34,199)	(2,778)	-	(36,977)
Other Improvements	(63,272)	(4,337)	-	(67,609)
Machinery & Equipment	(63,924)	(7,008)	990	(69,942)
Intangibles	(23,397)	(127)	-	(23,524)
Infrastructure	(900,649)	(61,206)	699	(961,156)
Total Accum. Depreciation	(1,085,441)	(75,456)	1,689	(1,159,208)
Total Depreciable Assets, net	1,303,279	(15,374)	(575)	1,287,331
Business-type Activities				
Capital Assets, net	\$1,498,916	\$ 44,794	\$ (49,628)	\$ 1,494,082

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

Electric	\$ 3,287
Gas	4,300
Water	37,346
Wastewater	18,978
Solid Waste	3,191
Airport	2,321
Golf Course	118
Convention Center	286
Hohokam Stadium/Fitch Complex	1,796
Cubs Stadium	3,424
District Cooling	409
	<u>\$ 75,456</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

<u>Governmental Activities</u>	<u>Construction in Progress</u>	<u>Commitments</u>
General Government	\$ 134,043	\$ 56,288
Public Safety	14,554	2,005
Community Environment	12,459	3,035
Cultural-Recreational	4,505	2,723
Warehouse, Maintenance & Services	419	-
Total	<u>\$ 165,980</u>	<u>\$ 64,051</u>
<u>Business-type Activities</u>	<u>Construction in Progress</u>	<u>Commitments</u>
Electric	\$ 16,868	\$ 6,793
Gas	29,338	2,232
Water	52,564	9,773
Wastewater	48,909	4,019
Solid Waste	2,121	3,373
Airport	6,325	481
Golf Course	-	54
Convention Center	628	292
Spring Training	98	50
Total	<u>\$ 156,851</u>	<u>\$ 27,067</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

8. LONG-TERM OBLIGATIONS

a. Changes in Long-Term Obligations

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

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 370,479	\$ -	\$ (35,870)	\$ 334,609	\$ 20,407
Highway User Revenue Bonds	67,905	-	(9,155)	58,750	9,645
Special Assessment Bonds					
with Governmental Commitment	438	-	(219)	219	219
Community Facility District	40,631	18,361	(1,685)	57,307	1,683
Total Bonds Payable	479,453	18,361	(46,929)	450,885	31,954
Unamortized Premiums	14,138	938	(1,951)	13,125	-
Compensated Absences	30,086	23,078	(23,747)	29,417	2,654
Governmental Activities Total	\$ 523,677	\$ 42,377	\$ (72,627)	\$ 493,427	\$ 34,608
Business-type Activities:					
Bonds Payable:					
Revenue Bonds	\$ 1,279,020	\$ -	\$ (36,350)	\$ 1,242,670	\$ 39,680
General Obligation Bonds	191	-	(40)	151	43
Excise Tax Revenue Obligations	49,025	-	(49,025)	-	-
Total Bonds Payable	1,328,236	-	(85,415)	1,242,821	39,723
Notes Payable	1,574		(143)	1,431	146
Unamortized Bond Premiums	85,151	-	(13,144)	72,007	-
Compensated Absences	4,497	3,845	(3,779)	4,563	409
Business-type Activities Total	\$ 1,419,458	\$ 3,845	\$ (102,481)	\$ 1,320,822	\$ 40,278

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, \$914,000 of internal service funds compensated absences are included in the above amounts.

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

b. Bonds Payable

At June 30, 2020, long-term bonds payable consisted of:

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

General Obligation Bonds

Bonds Outstanding
(In Thousands)

\$15,915,000 2007 general obligation serial bonds, (partially refunded by 2016 general obligation refunding bonds), due in annual installments ranging from \$615,000 to \$5,500,000, plus semi-annual interest ranging from 4.125 percent to 6.0 percent through July 1, 2022.	\$ 1,400
\$15,450,000 2008 general obligation serial bonds, (partially refunded by 2017 general obligation refunding bonds), due in annual installments ranging from \$375,000 to \$6,675,000, plus semi-annual interest ranging from 4.25 percent to 5.0 percent through July 1, 2021.	625
\$30,865,000 2010 general obligation bonds due in annual installments ranging from \$1,115,000 to \$13,225,000, plus semi-annual interest ranging from 4.75 percent to 5.85 percent through July 1, 2030.	29,750
\$29,320,000 2011 general obligation serial bonds due in annual installments ranging from \$800,000 to \$6,825,000, plus semi-annual interest ranging from 2 percent to 4.25 percent through July 1, 2031.	17,675
\$27,290,000 2012 general obligation serial bonds due in annual installments ranging from \$840,000 to \$8,550,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2032.	20,150
\$31,665,000 2012 general obligation refunding serial bonds due in annual installments ranging from \$270,000 to \$7,620,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2022.	4,515
\$8,915,000 2013 general obligation refunding serial bonds due in annual installments ranging from \$30,000 to \$3,250,000, plus semi-annual interest ranging from .7 percent to 5 percent through July 1, 2024.	7,590
\$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.	45,700
\$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.	26,175

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

\$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.	\$ 5,915
\$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.	32,525
\$20,475,000 2016 general obligation refunding serial bonds due in annual installments ranging from \$60,000 to \$5,300,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2027.	20,235
\$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.	16,479
\$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.	38,405
\$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.	44,055
\$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.	7,050
\$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.	<u>\$ 16,365</u>

Total General Obligation Bonds **\$ 334,609**

Street and Highway User Revenue Bonds

\$9,585,000 2004 street and highway user revenue bonds (partially refunded by street and highway user revenue refunding bonds, series 2005), due in annual principal installments ranging from \$100,000 to \$225,000, plus semi-annual interest ranging from 4.00 percent to 5.00 percent through July 1, 2022.	\$ 375
\$23,800,000 2005 street and highway user revenue refunding bonds, due in annual principal installments ranging from \$25,000 to \$8,000,000, plus semi-annual interest ranging from 2.75 percent to 5.0 percent through July 1, 2023.	8,000

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

\$10,225,000 2005 street and highway user revenue bonds, partially refunded by street and highway users revenue refunding bond series 2013, due in annual principal installments ranging from \$50,000 to \$8,500,000, plus semi-annual interest ranging from 4.0 percent to 5.0 percent through July 1, 2023. \$ 400

\$11,675,000 2006 street and highway user revenue bonds, partially refunded by street and highway users revenue refunding bond series 2015, due in annual installments ranging from \$850,000 to \$9,850,000, plus semi-annual interest ranging from 4.50 percent to 5.25 percent through July 1, 2024. 1,825

\$10,675,000 2007 street and highway user revenue bonds, 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. 3,000

\$36,090,000 2012 street and highway user revenue refunding bonds, due in annual installments ranging from \$665,000 to \$9,700,000, plus semi-annual interest ranging from 3.0 percent to 5.0 percent through July 1, 2022. 19,095

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

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

Total Street and Highway User Revenue Bonds \$ 58,750

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

\$5,025,000 2005 special assessment district bonds, due in annual principal installments of \$219,000, plus semi-annual interest of 5.80 percent, through January 1, 2021. \$ 219

Community Facilities District

\$2,712,000 2013 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 1 Special Assessment Revenue Bonds, due in annual 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. \$ 2,080

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

\$3,250,000 2014 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$65,000 to \$225,000, plus semi-annual interest ranging from 3 percent to 5 percent through July 15, 2038.	\$ 2,750
\$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.	2,732
\$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.	1,685
\$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.	5,890
\$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.	765
\$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.	914
\$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.	460
\$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.	7,415
\$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.	1,252

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\$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.	\$ 711
\$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.	345
\$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.	9,350
\$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. 945	945
\$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.	280
\$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.	1,822
\$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.	240
\$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.	1,929
\$1,235,000 2019 Second Series, Cadence Community Facilities District (City of Mesa, Arizona) General Obligation Bonds, due in annual principal	

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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. \$ 1,200

\$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. 13,835

\$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. 707

Total Community Facilities District Bonds \$ **57,307**

Total bonds payable recorded in governmental activities \$ **450,885**

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

General Obligation Bonds

\$516,840 2012 general obligation refunding serial bonds, due in annual principal installments ranging from \$15,399 to \$269,748, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2022. \$ 75

\$105,501 2016 general obligation refunding serial bonds, due in annual principal installments ranging from \$4,600 to \$16,399, plus semi-annual interest ranging from .85 percent to 3 percent through July 1, 2029. 76

Total General Obligation Bonds \$ **151**

Utility Systems Revenue Bonds

\$64,625,000 2004 utility systems revenue serial bonds, (partially refunded by 2006 (Series 2) and 2016 utility systems revenue refunding bonds), due in annual principal installments ranging from \$1,125,000 to \$11,000,000, plus semi-annual interest ranging from 5.00 percent to 6.00 percent through July 1, 2022. \$ 2,250

\$91,200,000 2005 utility systems revenue serial bonds, (partially refunded by 2006, 2012 & 2016 utility systems revenue refunding bonds), due in annual principal installments ranging from \$750,000 to \$24,000,000, plus semi-annual interest ranging from 4.125 percent to 5.0 percent through July 1, 2023. 10,750

\$105,400,000 2006 utility systems revenue serial bonds, (partially refunded by 2006 (Series 2), 2014, 2016, 2017 and 2018 utility systems revenue refunding bonds), due in annual principal installments ranging

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from \$8,650,000 to \$36,750,000, plus semi-annual interest ranging from 4.375 percent to 5.0 percent through July 1, 2024.	\$ 7,595
\$61,300,000 2006 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$2,075,000 to \$18,000,000, plus semi-annual interest ranging from 4.0 percent to 5.0 percent through July 1, 2021.	18,000
\$127,260,000 2006 (Series 2) utility systems revenue refunding serial and term bonds, (partially refunded by 2017 utility systems revenue refunding bonds), due in annual principal installments ranging from \$50,000 to \$25,845,000, plus semi-annual interest ranging from 4.0 percent to 5.25 percent through July 1, 2024.	53,670
\$65,550,000 2007 utility systems revenue serial bonds, (partially refunded by 2016 and 2017 utility systems revenue refunding bonds), due in annual principal installments ranging from \$2,500,000 to \$41,800,000, plus semi-annual interest ranging from 4.25 percent to 6.25 percent through July 1, 2025.	6,315
\$52,875,000 2008 utility systems revenue serial bonds, (partially refunded by 2016 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.	2,125
\$50,380,000 2010 utility systems revenue serial bonds, due in one principal installment, plus semi-annual interest of 6.10 percent through July 1, 2034.	50,380
\$53,950,000 2011 utility systems revenue serial bonds, due in one principal installment, plus semi-annual interest of 5.0 percent through July 1, 2035.	53,950
\$67,300,000 2012 utility systems revenue serial bonds, due in one principal installment, plus semi-annual interest of 4.0 percent through July 1, 2036.	67,300
\$31,580,000 2012 utility systems revenue refunding serial bonds, (partially refunded by 2017 utility systems revenue refunding bonds), due in annual principal installments ranging from \$7,440,000 to \$9,150,000, plus semi-annual interest ranging from 4.0 percent to 5 percent through July 1, 2021.	7,465
\$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

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\$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.	\$ 95,775
\$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.	29,220
\$90,500,000 2016 utility systems revenue serial bonds, due in annual principal installments ranging from \$1,000,000 to \$22,550,000, plus semi-annual interest ranging from 3 percent to 5 percent through July 1, 2040.	89,500
\$138,035,000 2016 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$3,375,000 to \$44,890,000, plus semi-annual interest ranging from 4 percent to 5 percent through July 1, 2032.	138,035
\$123,875,000 2017 utility systems revenue serial bonds, due in annual principal installments ranging from \$2,000,000 to \$18,900,000, plus semi-annual interest ranging from 3 percent to 5 percent through July 1, 2041.	123,875
\$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.	75,435
\$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.	106,120
\$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.	90,825
\$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.	54,025
\$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.	\$ <u>76,385</u>
Total Utility Systems Revenue Bonds	\$ <u>1,242,670</u>
Total bonds payable recorded in business-type activities	\$ <u>1,242,821</u>

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The following tables summarize the City's debt service requirements to maturity for its long-term bonds payable at June 30, 2020 (in thousands). The deferred amounts on refundings are not included.

Governmental Activities

General Obligation Bonds				Highway User Revenue Bonds			
Fiscal Year	Principal	Interest	Total	Fiscal Year	Principal	Interest	Total
2021	\$ 20,407	\$ 11,635	\$ 32,042	2021	\$ 9,645	\$ 2,796	\$ 12,441
2022	21,121	10,953	32,074	2022	10,075	2,315	12,390
2023	21,820	10,257	32,077	2023	10,000	1,812	11,812
2024	22,654	9,511	32,165	2024	10,490	1,312	11,802
2025	24,290	8,743	33,033	2025	10,880	785	11,665
2026-2030	129,217	29,917	159,134	2026-2030	7,660	500	8,160
2031-2035	80,470	8,607	89,077	2031-2035	-	-	-
2036-2040	14,630	819	15,449	2036-2040	-	-	-
TOTALS	\$ 334,609	\$ 90,442	\$ 425,051	TOTALS	\$ 58,750	\$ 9,520	\$ 68,270

Special Assessment Bonds				Community Facilities District			
Fiscal Year	Principal	Interest	Total	Fiscal Year	Principal	Interest	Total
2021	\$ 219	\$ 6	\$ 225	2021	\$ 1,683	\$ 2,420	\$ 4,103
2022	-	-	-	2022	1,747	2,364	4,111
2023	-	-	-	2023	1,812	2,303	4,115
2024	-	-	-	2024	1,878	2,238	4,116
2025	-	-	-	2025	1,965	2,171	4,136
2026-2030	-	-	-	2026-2030	11,067	9,632	20,699
2031-2035	-	-	-	2031-2035	13,659	7,063	20,722
2036-2040	-	-	-	2036-2040	15,686	3,624	19,310
2041-2045	-	-	-	2041-2045	7,810	647	8,457
TOTALS	\$ 219	\$ 6	\$ 225	TOTALS	\$ 57,307	\$ 32,462	\$ 89,769

Business-type Activities

General Obligation Bonds				Revenue Bonds			
Fiscal Year	Principal	Interest	Total	Fiscal Year	Principal	Interest	Total
2021	\$ 43	\$ 5	\$ 48	2021	\$ 39,680	\$ 53,312	\$ 92,992
2022	44	3	47	2022	44,200	51,355	95,555
2023	5	2	7	2023	44,735	49,135	93,870
2024	5	2	7	2024	42,990	46,909	89,899
2025	5	1	6	2025	48,340	44,769	93,109
2026-2030	49	3	52	2026-2030	271,635	191,243	462,878
2031-2035	-	-	-	2031-2035	332,995	129,380	462,375
2036-2040	-	-	-	2036-2040	333,410	54,436	387,846
2041-2045	-	-	-	2041-2045	84,685	6,544	91,229
TOTALS	\$ 151	\$ 16	\$ 167	TOTALS	\$ 1,242,670	\$ 627,083	\$ 1,869,753

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General Obligation Bonds

The general obligation bonds are backed by the ultimate taxing power and general revenues of the City; however, \$150,970 of these bonds at June 30, 2020 is carried as a liability of the Enterprise Fund to reflect the intention of retirement from resources of that fund.

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

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

The total debt margin available July 1, 2020 is (in thousands):

6% Bonds	\$ 284,664
20% Bonds	<u>615,772</u>
Total Available	<u>\$ 900,436</u>

Special Assessment Bonds

The City acts as trustee for Special Assessment districts whereby it collects special assessments levied against owners of property within established districts and disburses the amounts collected to retire bonds issued to finance improvements. The improvement bonds are collateralized by these properties. In the event of default by the property owner, the City may enforce an auction sale to satisfy the debt service requirements of the improvement bonds. The City is contingently liable on special assessment bonds to the extent that proceeds from auction sales are insufficient to retire outstanding bonds.

Special assessment revenues collected by the City are pledged to repay \$9.1 million of improvement bonds issued since 2005. Proceeds from the bonds are used to finance improvements that property owners have agreed to pay. In the event of default by the property owner, an auction sale may be enforced by the City. If collections and auction proceeds are not sufficient to retire outstanding bonds, the City is contingently liable. These bonds are payable through 2021. Annual principal and interest payments on the bonds are expected to be covered 100% with collections from the property owners. The total principal and interest remaining to be paid on the bonds is \$225,351. Principal and interest paid for the current year and total assessments collected were \$238,053, and \$288,508, respectively.

Community Facilities Districts Special Assessment and General Obligation Bonds

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

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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, 2020, total principal and interest outstanding for CFD general obligation bonds was \$63,230,913.

CFD special assessment bonds are collateralized by properties within established districts. In the event of default by the property owner, the CFD may enforce an auction sale to satisfy the debt service requirements of the assessment bonds. At June 30, 2020, the special assessments receivable for CFDs, together with amounts paid in advance and interest to be received over the life of the assessment period, is adequate for the scheduled maturities of the bonds payable and the related interest. The total principal and interest remaining to be paid on the bonds is \$26,538,174. Principal and interest paid for the current year and total assessments collected were \$1,374,912, and \$1,372,570 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, 2020, the amount provided in the Replacement and Extension Funds equaled \$7,464,481 which is in compliance with the bond provisions. As of June 30, 2020, the amount available is \$34,663,589.

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, 2020 (in thousands):

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Fiscal Year	Business-type Activities		
	Principal	Interest & Fees	Total
2021	\$ 146	\$ 31	\$ 177
2022	149	28	177
2023	153	25	178
2024	156	22	178
2025	159	18	177
2026-2030	668	38	706
Totals	<u>\$ 1,431</u>	<u>\$ 162</u>	<u>\$ 1,593</u>

d. **Short-term Debt**

The City had no short-term debt activity for the fiscal year ended June 30, 2020.

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

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

f. **Pledged Revenues**

Utility System Revenue Bonds

The City has pledged future utility customer revenues, net of specified operating expenses, to repay approximately \$1.24 billion in utility system revenue bonds issued since 2004. Proceeds from the bonds provided financing for the construction of various utility related projects including new gas pipelines and water and wastewater treatment plants. The bonds are payable solely from utility customer net revenues and are payable through 2043. Annual principal and interest payments on the bonds were 62.3 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1.862 billion. Principal and interest paid for the current year and total customer net revenues were \$91,411,192 and \$146,770,967, respectively.

Highway User Revenue Bonds

The City has pledged future Highway User Taxes Revenue to repay \$58.750 million in highway user revenue bonds issued since 2004. 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 29.5 percent of eligible revenues. The total principal and interest remaining to be paid on the bonds is \$68,269,775.

CITY OF MESA, ARIZONA
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Principal and interest paid for the current year and total highway user tax revenues were \$12,397,938 and \$41,837,748, respectively.

9. REFUNDED, REFINANCED AND DEFEASED OBLIGATIONS

On September 5, 2019, the City called for the early redemption of \$49,025,000 in Excise Tax Revenue Obligations from existing resources of the City to payoff the Excise Tax Revenue Obligation Bond principal balance that is currently outstanding. This defeasance was funded with City cash and provided to a defeasance escrow agent for the purchase of United States Government securities. The securities were deposited to an irrevocable trust to provide for all future debt service payments of the defeased bonds totaling \$54,233,707. As a result, the liability for the defeased bonds will be removed from the debt of the City.

Liabilities to be Paid from Assets Held in Escrow

Liabilities to be paid from assets held in escrow include bonded debt of the City that has been provided for through an Advanced Refunding Bond Issue 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 at June 30, 2020 as reflected below is not included in the City's financial statements (in thousands).

Utility System Revenue Bond Issue dated June 1, 2004	\$ 1,500
Utility System Revenue Bond Issue dated June 1, 2005	1,000
Utility System Revenue Bond Issue dated June 28, 2006	10,055
Utility System Revenue Bond Issue dated May 30, 2007	1,685
Utility System Revenue Bond Issue dated May 29, 2008	3,975
Utility System Revenue Refunding Bond, Taxable Series 2012	77,070
Utility System Revenue Refunding Bond Issue dated September 25, 2014	5,260
Excise Tax Revenue Obligations dated March 27, 2013	<u>49,025</u>
Total Refunded and Defeased Bonds Outstanding	<u>\$ 149,570</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
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10. SELF-INSURANCE INTERNAL SERVICE FUND

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

The Property and Public Liability, Workers' Compensation and Employee Benefits Internal Service Funds do not have stop loss receivables at June 30, 2020 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, 6/30/18	\$ 9,256	\$ 23,707	\$ 4,066	\$ 37,029
Adjustments to Reserves	4,132	1,628	71,389	77,149
Claim Expense	<u>1,206</u>	<u>561</u>	<u>(69,923)</u>	<u>(68,156)</u>
Unpaid Claims, 6/30/19	14,594	25,896	5,532	46,022
Adjustments to Reserves	282	1,243	68,683	70,208
Claims Expense	<u>692</u>	<u>(872)</u>	<u>(71,389)</u>	<u>(71,569)</u>
Unpaid Claims, 6/30/20	<u>\$ 15,568</u>	<u>\$ 26,267</u>	<u>\$ 2,826</u>	<u>\$ 44,661</u>

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
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11. **COMMITMENTS AND CONTINGENT LIABILITIES**

a. **Pending Litigation**

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

b. **Sick Leave Benefits**

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

The total sick leave balance recorded as a liability at June 30, 2020, is \$10,033,849.

12. **NET POSITION**

a. **Restricted Net Position**

The government-wide statement of net position reports \$207 million of restricted net position, of which \$100 million is restricted by enabling legislation.

b. **Designated Net Position**

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

c. **Deficit in Net Position and Fund Balance**

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

The deficit in the Property and Public Liability Fund was a result of other post-employment benefit charges and pension expense. The City's funding plan calls for yearly contributions from the

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general fund to equal the years estimated claims and claim related expenses. Post-employment benefit charges and pension expense are not considered in determining funding for each year.

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

The deficit in the Ambulance Transport and Mesa Housing Authority Special Revenue Funds will be covered by future revenues. The Public Safety Capital Projects Fund will be covered by future bond issuances. The Special Assessment Bonds Debt Service Fund's deficit will be covered by future Special Assessment revenues.

13. ENTERPRISE ACTIVITIES OPERATIONS DETAIL

The Enterprise Fund includes operations of electricity, gas, water, wastewater, solid waste, airport, golf course, convention center, stadiums and district cooling. Although the City's Enterprise Fund does not meet the requirements for disclosing segment information, the services provided by the City are of such significance as to warrant certain additional disclosures. Operating revenue, expenses and operating income (loss) for the year ended June 30, 2020 for these services are as follows (in thousands):

Functions	Operating Revenues	Operating Expenses		Operating Income (Loss)
		Depreciation and Amortization	Other	
Electric	\$ 29,855	\$ 3,287	\$ 20,134	\$ 6,434
Gas	39,986	4,300	20,346	15,340
Water	152,266	37,346	61,941	52,979
Wastewater	81,464	18,978	77,894	(15,408)
Solid Waste	63,267	3,191	38,191	21,885
Airport	4,018	2,321	3,683	(1,986)
Golf Course	-	118	1,111	(1,229)
Convention Center	2,595	286	3,866	(1,557)
Hohokam /Fitch Complex	40	1,796	936	(2,692)
Cubs Stadium	221	3,424	2,633	(5,836)
District Cooling	1,143	409	754	(20)
Total	<u>\$ 374,855</u>	<u>\$ 75,456</u>	<u>\$ 231,489</u>	<u>\$ 67,910</u>

14. JOINT VENTURES

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

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The City's investment in these Joint Ventures as of June 30, 2020, is as follows (in thousands):

	Governmental Activities	Business-Type Activities	Total
Valley Metro Rail Inc.	\$ 312,509	\$ -	\$ 312,509
TOPAZ Regional Wireless Cooperative	6,706	-	6,706
Subregional Operating Group	-	82,955	82,955
Val Vista Water Treatment Plant	-	46,099	46,099
Greenfield Water Reclamation Plant	-	161,146	161,146
Joint Ventures Construction Deposits	-	9,326	9,326
Total Investment in Joint Ventures	<u>\$ 319,215</u>	<u>\$ 299,526</u>	<u>\$ 618,741</u>

Valley Metro Rail, Inc. "VMRI"

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

A total of \$1,664,321,782 has been spent on this project through the fiscal year ended June 30, 2020, of which the City's share and equity interest is \$312,508,846. The City has received and accrued \$29.4 million of funding from the Federal Transit Administration (FTA), Congestion Mitigation Air Quality (CMAQ) and Public Transit Funds (PTF) related to this project.

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

TOPAZ Regional Wireless Cooperative

The City of Mesa currently participates with the City of Apache Junction, Superstition Fire and Medical, the Town of Gilbert, the Town of Queen Creek, 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 \$6,706,083 and is reflected in the governmental funds financial statements. Separate financial statements are not prepared.

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Total investment in the joint venture as of June 30, 2020, is (in thousands):

TOPAZ Regional Wireless Cooperative		
City of Mesa	\$	6,706
Town of Gilbert		1,601
City of Apache Junction		598
Superstition Fire and Medical		168
Town of Queen Creek		112
Fort McDowell		51
Rio Verde Fire District		13
Total Joint Venture	\$	<u>9,249</u>

Wastewater

Subregional Operating Group

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

The City of Phoenix acts as the lead agency in SROG and is responsible for the planning, budgeting, construction, operation and maintenance of the plant in addition to providing all management personnel and financing arrangements. The various cities participate in ownership of the plant and are charged for operating expenses based on gallons of flow. The different agencies participate in each facility at varying rates depending on their needs at the time each facility was constructed. The City's equity in the joint venture is \$82,954,610 and is reflected in the proprietary funds financial statements.

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

Greenfield Water Reclamation Project

Construction of a joint water reclamation plant with the Towns of Gilbert and Queen Creek was completed on December 2, 2006. An expansion of the plant is expected to be completed in 2020. The City acts as the lead agency and is responsible for the planning, budgeting, construction, operation and maintenance of the plant. As lead agent, the City provides all management personnel and financing arrangements. Mesa, Gilbert and Queen Creek participate in ownership of the plant and are charged for operating expenses based on gallons of flow. The City's equity in the joint venture is \$161,146,530 and is reflected in the proprietary funds financial statements. Separate financial statements are not prepared.

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Total investment in the joint venture as of June 30, 2020, is (in thousands):

Greenfield Water Reclamation Project	
Mesa's Share	\$ 161,146
Gilbert's Share	106,446
Queen Creek's Share	32,713
Total Joint Venture	<u>\$ 300,305</u>

Water

Val Vista Water Treatment Plant

The City also participates with the City of Phoenix in the Val Vista Water Treatment Plant and Transmission Line. The City of Phoenix is responsible for the planning, budgeting, construction, operation and maintenance of the plant. As lead agency, Phoenix provides all management personnel and financing arrangements. Phoenix and Mesa participate in ownership of the plant and are charged for operating expenses based on gallons of water treated. The City's investment in the joint venture is \$46,099,081 and is reflected in the proprietary funds financial statements.

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

15. PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

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

At June 30, 2020, the City reported the following aggregate amounts related to pensions for all plans to which it contributes (in thousands):

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Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net Pension and OPEB Liabilities	\$ 1,652,204	\$ 163,426	\$ 1,815,630
Deferred Outflows of Resources related to pensions and OPEB	284,155	22,738	306,893
Deferred Inflows of Resources related to pensions and OPEB	42,236	6,502	48,738
Pension and OPEB Expense	163,874	12,271	176,145

Arizona State Retirement System Defined Benefit Plan:

a. **Plan Description**

All of the City's eligible benefitted general employees participate in the Arizona State Retirement System ("ASRS"), a multiple-employer, cost-sharing defined benefit pension plan. ASRS was established by the State of Arizona to provide pension benefits for employees of the state and employees of participating political subdivisions and school districts. ASRS is administered by the ASRS Governing Board in accordance with Title 38, Chapter 5 Articles 2 and 2.1 of the Arizona Revised Statutes ("A.R.S."). ASRS provides for retirement, disability, and death and survivor benefits. ASRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Arizona State Retirement System, P.O. Box 33910, Phoenix, Arizona, 85067-3910 or by calling 1-800-621-3778.

b. **Benefits Provided**

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

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	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. provide statutory authority for determining the employees' and employers' contribution amounts as a percentage of covered payroll. Employers are required to contribute at the same rate as employees. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2020, the city and covered employees were required by state statute to contribute at the actuarially determined rate of 12.11% (11.94% pension plus 0.17% long-term disability) of the active members' annual covered payroll. The City's contributions to the System for the year ending June 30, 2020 was \$21,047,487, 74.3% paid from governmental funds, 4.6% paid from internal service funds, and 21.1% 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, 2020 was 10.41% (10.29% retirement, 0.05% health, 0.07% long-term disability). The City's ACR contributions to the System for the year ending June 30, 2020 were \$80,897.

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c. **Pension Liability**

At June 30, 2020, the City reported a liability of \$235,852,534 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2019. 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, 2018, to the measurement date of June 30, 2019. The total liabilities as of June 30, 2020, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

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, 2019. The City's proportion measured as of June 30, 2019, was 1.62085%, which was a decrease of 0.00847% from its proportion measured as of June 30, 2018.

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

For the year ended June 30, 2020, the City recognized pension expense for ASRS of \$22,062,395. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,261	\$ 44
Changes of assumptions	997	9,392
Net difference between projected and actual earnings on pension plan investments	-	5,301
Changes in proportion and differences between City contributions	-	1,689
City contributions subsequent to the measurement date	21,069	-
Total	<u>\$ 26,327</u>	<u>\$ 16,426</u>

The \$21,069,470 reported as deferred outflows of resources related to ASRS pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. 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,
2021	\$ (4,888)
2022	(6,682)
2023	(1,018)
2024	1,420
	<u>\$ (11,168)</u>

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e. **Actuarial Assumptions**

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

Actuarial Assumptions

Actuarial Valuation Date	June 30, 2018
Actuarial Roll Forward Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5%
Projected Salary Increases	2.7 - 7.2%
Inflation	2.3%
Permanent Benefit Increase	Included
Mortality Rates	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.5% 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
Equity	50%	6.09%
Credit	20%	5.36%
Interest Rate Sensitive Bonds	10%	1.62%
Real Estate	20%	5.85%
Total	100%	

f. **Discount Rate**

The discount rate used to measure the ASRS total pension liability was 7.5%. 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

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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 7.5 %, 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 (6.5%) or 1 percentage point higher (8.5 %) than the current rate (in thousands):

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
City's proportionate share of the net pension liability	\$ 335,673	\$ 235,853	\$ 152,429

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:

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	Initial Membership Date		
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017	On or After July 1, 2017
<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.

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Employees Covered by Benefit Terms

At June 30, 2020, the following employees were covered by the agent plans' benefit terms:

	<u>PSPRS</u>	<u>PSPRS Police</u>	
	<u>Pension</u>	<u>Pension</u>	<u>Health</u>
Inactive employees or beneficiaries currently receiving benefits	253	604	604
Inactive employees entitled to but not yet receiving benefits	81	178	75
Active employees	359	695	695
Total	<u>693</u>	<u>1,477</u>	<u>1,374</u>

c. **Contributions and annual OPEB Cost**

State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2020, are indicated below. Rates are a percentage of active members' annual covered payroll.

	<u>Active Member</u>	<u>City</u>	<u>City</u>
	<u>Pension</u>	<u>Pension</u>	<u>OPEB</u>
PSPRS - Fire	7.65% - 11.65%	55.60%	0.41%
PSPRS - Police	7.65% - 11.65%	54.63%	1.40%
PSPRS Tier 3 - Fire	10.84%	10.59%	0.25%
PSPRS Tier 3 - Police	10.23%	10.07%	0.16%

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 40.78% and 40.23% for City police and fire employees respectively, who were PSPRS Tier 3 members.

The City's contributions to the plans for the year ended June 30, 2020, were:

	<u>Pension</u>	<u>OPEB</u>
PSPRS - Fire	\$ 17,297,277	\$ 127,552
PSPRS - Police	31,469,695	806,472
PSPRS Tier 3 - Fire	737,759	3,629
PSPRS Tier 3 - Police	2,177,098	8,889

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The City is also required to pay a PSPRS Alternate Contribution Rate (ACR) for retired members who return to work in any capacity and in a position ordinarily filled by an employee of the City, unless the retired member is required to participate in another state retirement system and the retired member returned to work before July 20, 2011. The ACR rate is equal to the portion of the total required contribution that is applied to the amortization of the unfunded actuarial accrued liability for the fiscal year beginning July 1, based on the actuarial calculation of the total required contribution for the preceding fiscal year ended on June 30. The contribution rate for the year ended June 30, 2020 was 40.23% and 40.78% for fire and police, respectively. The City's ACR contributions for the year ending June 30, 2020 were \$0 for fire and \$29,064 for police.

d. **Liability**

At June 30, 2020, the City reported the following pension liabilities of \$231,179,861 and \$441,183,384 for fire and police, respectively. The City also reported an OPEB liability of \$10,040,985 for police. The net liabilities were measured as of June 30, 2019, 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, 2019, reflect changes of actuarial assumptions to decrease investment rate of return from 7.4 percent to 7.3 percent and update the mortality rates.

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

For the year ended June 30, 2020, the City recognized pension expense of \$30,409,388 and \$62,492,550 for fire and police, respectively. City also recognized OPEB expense of \$1,015,319 for police.

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>PSPRS - Fire Pension</u>		
Differences between expected and actual experience	\$ 11,530	\$ 6,097
Changes in assumptions	24,634	-
Net difference between projected and actual earnings on pension plan investments	3,157	-
City contributions subsequent to the measurement date	18,035	-
Total	<u>\$ 57,356</u>	<u>\$ 6,097</u>

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	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	\$ 11,190	\$ 2,012	\$ 507	\$ -
Changes in assumptions	35,835	-	395	170
Net difference between projected and actual earnings on plan investments	5,210	-	10	-
City contributions subsequent to the measurement date	33,647	-	815	-
Total	<u>\$ 85,882</u>	<u>\$ 2,012</u>	<u>\$ 1,727</u>	<u>\$ 170</u>

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net liability in the year ended June 30, 2021. 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
2021	\$ 9,111	\$ 16,085	125
2022	4,932	11,538	125
2023	6,178	10,457	209
2024	5,977	6,918	196
2025	4,121	5,225	87
Thereafter	2,905	-	-
	<u>\$ 33,224</u>	<u>\$ 50,223</u>	<u>\$ 742</u>

f. **Actuarial Methods and Assumptions**

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

Actuarial Assumptions:

Actuarial Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.3% for contribution rates,
Wage Inflation	3.5%, N/A for OPEB
Price Inflation	2.5%, N/A for OPEB
Cost-of-living adjustment	1.75%, N/A for OPEB
Mortality Rates for Pension and OPEB	PubS-2010 tables
Healthcare cost trend rate	N/A

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.3 % 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
Short Term Investments	2%	0.25%
Risk Parity	4%	4.01%
Fixed Income	5%	3.00%
Real Assets	9%	6.75%
GTS	12%	4.01%
Private Credit	16%	5.36%
Real Estate	10%	4.50%
Private Equity	12%	8.40%
Non-U.S. Equity	14%	5.00%
U.S. Equity	16%	4.75%
Total	<u>100%</u>	

g. **Discount Rate**

A discount rate of 7.30% for Tier 1 and Tier 2 members was used to measure the total pension/OPEB liability, which was a decrease of 0.1 from the discount rate used as of June 30, 2018. 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.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

Fire	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability
Balance - Beginning of Year	\$ 395,624	\$ 191,986	\$ 203,638
Adjustment to Beginning of Year	-	(71)	71
Changes for the Year:			
Service Cost	7,663	-	7,663
Interest on the Total Liability	29,147	-	29,147
Changes of Benefit Terms	-	-	-
Differences Between Expected & Actual Experience in the Measurement of the Liability	11,844	-	11,844
Changes of Assumptions / Other Inputs	8,488	-	8,488
Contributions - Employer	-	16,708	(16,708)
Contributions - Employee	-	2,805	(2,805)
Net Investment Income	-	10,339	(10,339)
Benefit Payments, Including Refunds of Employee Contributions	(18,809)	(18,809)	-
Administrative Expenses	-	(181)	181
Other Changes	-	-	-
Net Changes	38,333	10,862	27,471
Balances - End of Year	\$ 433,957	\$ 202,777	\$ 231,180

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Police						
Balance - Beginning of Year	\$ 732,508	\$ 335,631	\$ 396,877	\$ 19,630	\$ 10,067	\$ 9,563
Adjustment to Beginning of Year	-	(383)	383	-	384	(384)
Changes for the Year:						
Service Cost	15,015	-	15,015	200	-	200
Interest on the Total Liability	53,953	-	53,953	1,416	-	1,416
Changes of Benefit Terms	-	-	-	-	-	-
Differences Between Expected & Actual Experience in the Measurement of the Liability	10,259	-	10,259	43	-	43
Changes of Assumptions / Other Inputs	21,092	-	21,092	474	-	474
Contributions - Employer	-	32,387	(32,387)	-	736	(736)
Contributions - Employee	-	5,718	(5,718)	-	14	(14)
Net Investment Income	-	18,270	(18,270)	-	530	(530)
Benefit Payments, Including Refunds of Employee Contributions	(36,864)	(36,864)	-	(1,391)	(1,391)	-
Administrative Expenses	-	(319)	319	-	(9)	9
Other Changes	-	340	(340)	-	-	-
Net Changes	63,455	19,532	43,923	742	(120)	862
Balances - End of Year	\$ 795,963	\$ 354,780	\$ 441,183	\$ 20,372	\$ 10,331	\$ 10,041

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

The following table presents the City's net pension/ OPEB liabilities calculated using the discount rates noted above, as well as what the City's net pension/OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.3%) or 1 percentage point higher (8.3%) than the current rate (in thousands):

	1% Decrease	Current Discount Rate	1% Increase
Fire Net Pension Liability	\$ 288,581	\$ 231,180	\$ 184,121
Police Net Pension Liability	552,778	441,183	350,532
Police OPEB Liability	12,186	10,041	8,234

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

j. **Plan Fiduciary Net Position**

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

City of Mesa OPEB:

a. **Plan Description**

The City provides post-employment medical care (OPEB) for retired employees through a single-employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses and dependents through the City's self-insurance health insurance plan which covers both active and retired members. The benefits, benefit levels and contribution rates are determined annually by the City's Benefits Advisory Board and approved by the Mesa City Council. The plan is not accounted for as a trust fund, and an irrevocable trust has not been established to account for the plan.

b. **Benefits Provided**

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

To receive maximum benefits an employee must meet the following:

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

Employees Covered by Benefit Terms

As of July 1, 2019 (Date of most recent valuation), membership consisted of:

Active Employees	3,356
Retirees	2,179
Spouses	1,353
Total	<u>6,888</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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, 2019 is \$897,375,371.

The impact of changes from the June 30, 2017 results include the following:

- The discount rate was decreased from 2.98% to 2.79% as of June 30, 2019. The 2.79% rate was selected based on the S&P Municipal Bond 20-Year High Grade Rate Index as of June 28, 2019. This caused an increase in liability of \$26.5 million.

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$60,164,636. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28,126	\$ 752
Changes of assumptions	88,036	23,280
Net difference between projected and actual earnings on pension plan investments		-
City contributions subsequent to the measurement date	19,438	
Total	<u>\$ 135,600</u>	<u>\$ 24,032</u>

The amounts reported as deferred outflows of resources resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net liability in the year ended June 30, 2021. 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,
2021	\$ 16,762
2022	16,762
2023	17,157
2024	24,521
2025	16,928
	<u>\$ 92,130</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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, 2019
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Discount Rate	2.79%
Consumer Price Index	3.00%
Projected Salary Increases	2.70 - 7.50%
Mortality Rates	Based on the rates used for the June 30, 2019 valuations of the ASRS Plan and the PSPRS Plan.
Health care cost trend rate:	
Medical, Drugs	4.50 -7.50%
Dental, Mental Health, Vision	4.50%

Actuarial assumptions used in the June 30, 2019 valuation were projected on an on-going plan basis. This assumption does not necessarily imply that an obligation to continue the plan actually exists.

f. **Discount Rate**

The discount rate at the measurement date is 2.79%. 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 28, 2019.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

g. **Changes in OPEB Liability**

The below table outlines the changes in OPEB Liability for the fiscal year ending June 30, 2019 (in thousands):

OPEB Liability at Beginning of Year	\$ 746,816
Service Cost	20,818
Interest	22,584
Changes in Benefit Terms	-
Differences between Expected and Actual Experience	34,022
Changes in Assumptions	92,823
Employer contributions *	(19,687)
Net Change in Total OPEB Liability	150,560
OPEB Liability at End of Year	<u>\$ 897,376</u>

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

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

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

		Current Municipal Bond Rate	
	1% Decrease		1% Increase
City OPEB Plan	\$ 1,057,021	\$ 897,376	\$ 771,127

		Current Healthcare Trend Rate	
	1% Decrease		1% Increase
City OPEB Plan	\$ 771,127	\$ 897,376	\$ 1,057,021

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

16. SUBSEQUENT EVENTS

On July 7, 2020 the Cadence Community Facility District issued 2020 Cadence Community Facilities District (City of Mesa, Arizona) Special Assessment District No. 3 Special Assessment Bonds in the amount of \$2,803,000. These bonds are 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.

On July 9, 2020, the City called for the early redemption of \$5,690,000 in Taxable Utility System Revenue Bond and \$9,230,000 in Utility Systems Revenue Refunding Bond obligations from existing resources of the City to payoff the Taxable Utility System Revenue Bond and Utility Systems Revenue Refunding Bond principal balances that are currently outstanding. These defeasances were funded with City cash and provided to a defeasance escrow agent for the purchase of United States Government securities. The securities were deposited to an irrevocable trust to provide for all future debt service payments of the defeased bonds totaling \$5,727,049 for the Taxable Utility System Revenue Bonds and \$10,321,632 for the Utility Systems Revenue Refunding Bonds. As a result, the liabilities for these defeased bonds will be removed from the debt of the City.

On October 22, 2020, the Cadence Community Facility District issued 2020 Cadence Community Facilities District (City of Mesa, Arizona) General Obligation Bonds in the amount of \$5,935,000. These bonds are due in annual principal installments ranging from \$180,000 to \$1,410,000, plus semi-annual interest ranging from 2 percent to 3 percent through July 15, 2044.

On October 22, 2020, the Eastmark Community Facility District No.1 issued 2020 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds in the amount of \$14,000,000. These bonds are due in annual principal installments ranging from \$425,000 to \$3,250,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 15, 2044.

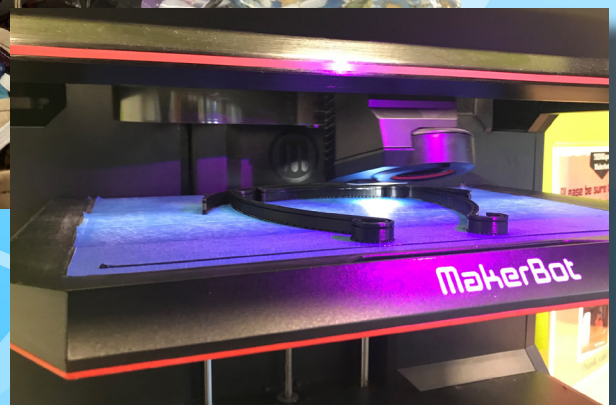
On October 22, 2020, the Eastmark Community Facility District No.2 issued 2020 Eastmark Community Facilities District No. 2 (City of Mesa, Arizona) General Obligation Bonds in the amount of \$2,315,000. These bonds are due in annual principal installments ranging from \$75,000 to \$1,105,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 15, 2044.





REQUIRED SUPPLEMENTARY INFORMATION

COMPREHENSIVE ANNUAL FINANCIAL
REPORT 2020



STAFF SEWING MASKS AND 3D PRINTING FACE SHIELDS



CITY OF MESA, ARIZONA

EXHIBIT B-1

REQUIRED SUPPLEMENTARY INFORMATION

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

COST-SHARING PENSION PLAN

JUNE 30, 2020

(in thousands)

Arizona State Retirement System

	Reporting Fiscal Year* (Measurement Date)		
	2020 (2019)	2019 (2018)	2018 (2017)
City's Proportion of Net Pension Liability	1.6209%	1.6293%	1.6416%
City's Proportionate Share of Net Pension Liability	\$ 235,853	\$ 227,233	\$ 255,729
City's Covered Payroll	\$ 169,900	\$ 162,089	\$ 158,958
City's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	138.82%	140.19%	160.88%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.24%	73.40%	69.92%

See accompanying notes to pension plan schedules.

Reporting Fiscal Year* (Measurement Date)			
2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2011
1.6605%	1.6393%	1.6341%	Information not available
\$ 268,013	\$ 255,337	\$ 241,792	
\$ 155,868	\$ 151,154	\$ 147,402	
171.95%	168.93%	164.04%	
67.06%	68.35%	69.49%	

CITY OF MESA, ARIZONA

EXHIBIT B-2

REQUIRED SUPPLEMENTARY INFORMATION

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

AGENT PLANS

JUNE 30, 2020

(in thousands)

Public Safety Personnel Retirement System - Fire

	Reporting Fiscal Year *		
	(Measurement Date)		
	2020	2019	2018
	(2019)	(2018)	(2017)
Total Pension Liability			
Service Cost	\$ 7,663	\$ 7,271	\$ 7,724
Interest on the Total Pension Liability	29,147	27,446	25,687
Changes of Benefit Terms	-	-	2,125
Diff Between Expected and Actual Experience in the Measurement of the Pension Liability	11,844	1,951	(2,670)
Changes of Assumptions or Other Inputs	8,488	-	12,613
Benefit Payments, Including Refunds of Employee Contributions	(18,809)	(16,608)	(17,095)
Net Change in Total Pension Liability	38,333	20,060	28,384
Total Pension Liability - Beginning	395,624	375,564	347,180
Total Pension Liability - Ending (a)	433,957	395,624	375,564
Plan Fiduciary Net Position			
Contributions - Employer	16,708	16,733	13,558
Contributions - Employee	2,805	3,035	3,923
Net Investment Income	10,339	12,464	19,308
Benefit Payments, Including Refunds of Employee Contributions	(18,809)	(16,608)	(17,095)
Hall/Parker Settlement	-	(5,150)	-
Administrative Expense	(181)	(190)	(174)
Other Changes	-	2	43
Net Change in Plan Fiduciary Net Position	10,862	10,286	19,563
Plan Fiduciary Net Position - As Previously Reported	191,986	181,700	162,137
Adjustment to Beginning Balance	(71)	-	-
Plan Fiduciary Net Position - Beginning	191,915	181,700	162,137
Plan Fiduciary Net Position - Ending (b)	202,777	191,986	181,700
City's Net Pension Liability - Ending (a) - (b)	<u>\$ 231,180</u>	<u>\$ 203,638</u>	<u>\$ 193,864</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	46.73%	48.53%	48.38%
City's Covered Payroll	\$ 34,136	\$ 32,445	\$ 32,941
City's Net Pension Liability as a Percentage of its Covered Payroll	677.23%	627.64%	588.52%

See accompanying notes to pension plan schedules.

Reporting Fiscal Year * (Measurement Date)			
2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2011
\$ 6,439	\$ 6,127	\$ 6,281	Information not available
23,654	23,086	20,708	
21,380	-	4,044	
(4,423)	(3,518)	(6,961)	
11,970	-	23,097	
<u>(19,893)</u>	<u>(17,323)</u>	<u>(16,309)</u>	
39,127	8,372	30,860	
308,053	299,681	268,821	
<u>347,180</u>	<u>308,053</u>	<u>299,681</u>	
12,735	9,828	9,157	
4,396	3,847	3,488	
954	5,878	19,840	
(19,893)	(17,323)	(16,309)	
-	-	-	
(138)	(144)	(160)	
<u>(12)</u>	<u>45</u>	<u>(113)</u>	
(1,958)	2,131	15,903	
164,095	161,964	146,061	
-	-	-	
<u>164,095</u>	<u>161,964</u>	<u>146,061</u>	
<u>162,137</u>	<u>164,095</u>	<u>161,964</u>	
<u><u>\$ 185,043</u></u>	<u><u>\$ 143,958</u></u>	<u><u>\$ 137,717</u></u>	
46.70%	53.27%	54.05%	
\$ 32,453	\$ 31,661	\$ 30,782	
570.19%	454.69%	447.39%	

CITY OF MESA, ARIZONA

EXHIBIT B-2 (continued)

REQUIRED SUPPLEMENTARY INFORMATION

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

AGENT PLANS

JUNE 30, 2020

(in thousands)

Public Safety Personnel Retirement System - Police Pension

	Reporting Fiscal Year * (Measurement Date)		
	2020 (2019)	2019 (2018)	2018 (2017)
Total Pension Liability			
Service Cost	\$ 15,015	\$ 13,826	\$ 15,841
Interest on the Total Liability	53,953	50,926	47,572
Changes of Benefit Terms	-	-	5,718
Diff Between Expected and Actual Experience in the Measurement of the Liability	10,259	3,862	365
Changes of Assumptions or Other Inputs	21,092	-	19,037
Benefit Payments, Including Refunds of Employee Contributions	<u>(36,864)</u>	<u>(34,755)</u>	<u>(32,522)</u>
Net Change in Total Pension Liability	63,455	33,859	56,011
Total Pension Liability - Beginning	<u>732,508</u>	<u>698,649</u>	<u>642,638</u>
Total Pension Liability - Ending (a)	<u>795,963</u>	<u>732,508</u>	<u>698,649</u>
Plan Fiduciary Net Position			
Contributions - Employer	32,387	31,596	26,819
Contributions - Employee	5,718	6,058	7,693
Net Investment Income	18,270	21,889	34,221
Benefit Payments, Including Refunds of Employee Contributions	(36,864)	(34,754)	(32,522)
Hall/Parker Settlement	-	(10,096)	-
Administrative Expense	(319)	(333)	(306)
Other Changes	<u>340</u>	<u>514</u>	<u>420</u>
Net Change in Plan Fiduciary Net Position	19,532	14,874	36,325
Plan Fiduciary Net Position - As Previously Reported	335,631	320,757	284,432
Adjustment to Beginning Balance	<u>(383)</u>	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - Beginning	<u>335,248</u>	<u>320,757</u>	<u>284,432</u>
Plan Fiduciary Net Position - Ending (b)	<u>354,780</u>	<u>335,631</u>	<u>320,757</u>
City's Net Pension Liability - Ending (a) - (b)	<u><u>\$ 441,183</u></u>	<u><u>\$ 396,877</u></u>	<u><u>\$ 377,892</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44.57%	45.82%	45.91%
City's Covered Payroll	\$ 63,993	\$ 63,003	\$ 64,740
City's Net Pension Liability as a Percentage of its Covered Payroll	689.42%	629.93%	583.71%

See accompanying notes to pension plan schedules.

Reporting Fiscal Year *			
(Measurement Date)			
2017	2016	2015	2014 through
(2016)	(2015)	(2014)	2011
\$ 12,438	\$ 12,216	\$ 12,481	
43,573	41,908	36,514	
34,005	-	8,728	
(4,001)	(2,173)	(11,331)	
23,614	-	51,228	
(31,689)	(29,998)	(27,566)	
77,940	21,953	70,054	
564,698	542,745	472,691	
642,638	564,698	542,745	
24,067	19,680	17,443	
8,157	7,613	6,784	
1,667	10,065	33,360	
(31,689)	(29,998)	(27,566)	
-	-	-	
(240)	(246)	(269)	
382	28	288	
2,344	7,142	30,040	
282,088	274,946	244,906	
-	-	-	
282,088	274,946	244,906	
284,432	282,088	274,946	
<u>\$ 358,206</u>	<u>\$ 282,610</u>	<u>\$ 267,799</u>	
44.26%	49.95%	50.66%	
\$ 61,211	\$ 62,461	\$ 59,688	
585.20%	452.46%	448.66%	

CITY OF MESA, ARIZONA

EXHIBIT B-2 (concluded)

REQUIRED SUPPLEMENTARY INFORMATION

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

AGENT PLANS

JUNE 30, 2020

(in thousands)

Public Safety Personnel Retirement System - Police OPEB

	Reporting Fiscal Year * (Measurement Date)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2011
Total Liability				Information not available
Service Cost	\$ 200	\$ 190	\$ 213	
Interest on the Total Liability	1,416	1,359	1,356	
Changes of Benefit Terms	-	-	35	
Difference Between Expected and Actual Experience in the Measurement of the Liability	43	472	312	
Changes of Assumptions or Other Inputs	474	-	(335)	
Benefit Payments, Including Refunds of Employee Contributions	(1,391)	(1,325)	(1,239)	
Net Change in Total OPEB Liability	742	696	342	
Total OPEB Liability - Beginning	19,630	18,934	18,592	
Total OPEB Liability - Ending (a)	20,372	19,630	18,934	
Plan Fiduciary Net Position				
Contributions - Employer	736	231	639	
Contributions - Employee	14	-	-	
Net Investment Income	530	695	1,141	
Benefit Payments, Including Refunds of Employee Contributions	(1,391)	(1,325)	(1,239)	
Administrative Expense	(9)	(11)	(10)	
Net Change in Plan Fiduciary Net Position	(120)	(410)	531	
Plan Fiduciary Net Position - As Previously Reported	10,067	10,477	9,946	
Adjustment to Beginning Balance	384	-	-	
Plan Fiduciary Net Position - Beginning	10,451	10,477	9,946	
Plan Fiduciary Net Position - Ending (b)	10,331	10,067	10,477	
City's Net OPEB Liability - Ending (a) - (b)	\$ 10,041	\$ 9,563	\$ 8,457	
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	51.29%	51.29%	55.33%	
City's Covered Payroll	\$ 63,808	\$ 63,003	\$ 64,740	
City's Net OPEB Liability as a Percentage of its Covered Payroll	15.74%	15.18%	13.06%	



CITY OF MESA, ARIZONA

EXHIBIT B-3

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY PENSION CONTRIBUTIONS

JUNE 30, 2020

(in thousands)

Arizona State Retirement System

	2020	2019	2018
Statutorily Required Contribution	\$ 21,069	\$ 19,124	\$ 17,650
City's Contribution in Relation to the Statutorily Required Contribution	21,069	19,124	17,650
City's Contribution (Deficiency) / Excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 176,563	\$ 171,141	\$ 160,986
City's Contributions as a Percentage of Covered Payroll	11.93%	11.18%	10.96%

Public Safety Personnel Retirement System - Fire Pension

	2020	2019	2018
Actuarially Determined Contribution	\$ 18,035	\$ 16,431	\$ 14,289
City's Contribution in Relation to the Actuarially Determined Contribution	18,035	16,431	15,509
City's Contribution (Deficiency) / Excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,220</u>
City's Covered Payroll	\$ 32,562	\$ 34,136	\$ 32,446
City's Contributions as a Percentage of Covered Payroll	55.39%	48.13%	47.80%

See accompanying notes to plan schedules.

EXHIBIT B-3
(continued)

2017	2016	2015	2014	2013 through 2011
\$ 17,423	\$ 16,955	\$ 16,146	\$ 15,750	Information not available
17,423	16,955	16,146	15,750	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ 158,958	\$ 155,868	\$ 151,154	\$ 147,402	
10.96%	10.88%	10.67%	10.68%	

2017	2016	2015	2014	2013 through 2011
\$ 13,490	\$ 11,197	\$ 9,827	\$ 9,157	Information not available
13,490	12,735	9,827	9,157	
<u>\$ -</u>	<u>\$ 1,538</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ 32,941	\$ 32,453	\$ 31,661	\$ 30,782	
40.95%	39.24%	31.04%	29.75%	

CITY OF MESA, ARIZONA

EXHIBIT B-3

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY PENSION CONTRIBUTIONS

JUNE 30, 2020

(in thousands)

Public Safety Personnel Retirement System - Police Pension

	2020	2019	2018
Actuarially Determined Contribution	\$ 33,647	\$ 29,314	\$ 29,048
City's Contribution in Relation to the Actuarially Determined Contribution	33,647	29,314	21,726
City's Contribution (Deficiency) / Excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,322)</u>
City's Covered Payroll	\$ 63,187	\$ 63,808	\$ 63,003
City's Contributions as a Percentage of Covered Payroll	53.25%	45.94%	34.48%

Public Safety Personnel Retirement System - Police OPEB

	2020	2019	2018
Actuarially Determined Contribution	\$ 815	\$ 733	\$ 772
City's Contribution in Relation to the Actuarially Determined Contribution	815	733	772
City's Contribution (Deficiency) / Excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 63,161	\$ 63,808	\$ 63,003
City's Contributions as a Percentage of Covered Payroll	1.29%	1.15%	1.23%

See accompanying notes to plan schedules.

EXHIBIT B-3
(concluded)

2017	2016	2015	2014	2013 through 2011
\$ 26,809	\$ 21,697	\$ 19,680	\$ 17,443	Information not available
26,809	24,067	19,680	17,443	
<u>\$ -</u>	<u>\$ 2,370</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ 64,740	\$ 61,211	\$ 62,461	\$ 59,688	
41.41%	39.32%	31.51%	29.22%	

2017	2016 through 2011
\$ 641	Information not available
641	
<u>\$ -</u>	
\$ 64,740	
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	19 years for unfunded actuarial accrued liability, 19 years for excess
Asset Valuation Method	7-year smoothed market value; 80%/120% market corridor.

Actuarial Assumptions:

Investment Rate of Return	<p>PSPRS members with initial membership date before July 1, 2017:</p> <p>In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%.</p> <p>In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%.</p> <p>In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.</p> <p>PSPRS members with initial membership on or after July 1, 2017: 7%</p>
Projected Salary Increases	<p>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%–9.0% to 4.5%–8.5%.</p>
Wage Growth	<p>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%.</p>
Retirement Age	<p>Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006-June 30, 2011.</p>
Mortality	<p>RP-2000 mortality table (adjusted by 105% for both males and females).</p> <p>In the 2017 actuarial valuation, changed to RP 2014 tables with 75% of MP 2016 fully generational projection scales.</p>

Note 2 - Factors that affect trends

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

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

CITY OF MESA, ARIZONA

EXHIBIT B-4

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY

	2020	2019	2018	2017 through 2011
Total Liability				Information
Service Cost	\$ 20,818	\$ 19,997	\$ 21,431	not
Interest on the Total Liability	22,584	22,447	20,112	available
Differences Between Expected and Actual Experience in the Measurement of the Liability	34,022	(1,133)	-	
Changes of Assumptions or Other Inputs	92,823	17,023	(46,955)	
Benefit Payments, Including Refunds of Employee Contributions **	(19,687)	(17,232)	(19,013)	
Net Change in Total OPEB Liability	150,560	41,102	(24,425)	
Total OPEB Liability - Beginning	746,816	705,714	730,139	
Total OPEB Liability - Ending (a)	<u>\$ 897,376</u>	<u>\$ 746,816</u>	<u>\$ 705,714</u>	

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

CITY OF MESA, ARIZONA

EXHIBIT B-5

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(in thousands)

	Budgeted Amounts		Actual - Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Sales Taxes	\$ 126,268	\$ 126,268	\$ 132,277	\$ 6,009
Occupancy Taxes	25	25	27	2
Licenses and Permits	17,396	17,396	18,866	1,470
Intergovernmental	160,949	160,949	148,445	(12,504)
Charges for Services	26,301	26,301	20,485	(5,816)
Fines and Forfeitures	8,677	8,677	7,504	(1,173)
Investment Income	341	341	2,857	2,516
Miscellaneous Revenues	11,456	11,456	6,432	(5,024)
Total Revenues	<u>351,413</u>	<u>351,413</u>	<u>336,893</u>	<u>(14,520)</u>
Expenditures:				
Current:				
General Government	112,435	106,641	86,549	20,092
Public Safety	258,361	250,462	224,974	25,488
Community Environment	23,504	23,588	22,203	1,385
Cultural-Recreational	44,847	45,364	39,095	6,269
Capital Outlay	42,676	43,788	11,678	32,110
Total Expenditures	<u>481,823</u>	<u>469,843</u>	<u>384,499</u>	<u>85,344</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(130,410)	(118,430)	(47,606)	70,824
Other Financing Sources (Uses):				
Transfers In	109,868	109,868	134,084	24,216
Transfers Out	(10,129)	(96,214)	(27,076)	69,138
Total Other Financing Sources (Uses)	<u>99,739</u>	<u>13,654</u>	<u>107,008</u>	<u>93,354</u>
Net Change in Fund Balances	(30,671)	(104,776)	59,402	164,178
Fund Balance - Beginning	<u>138,575</u>	<u>138,575</u>	<u>143,580</u>	<u>5,005</u>
Fund Balance - Ending	<u>\$ 107,904</u>	<u>\$ 33,799</u>	<u>\$ 202,982</u>	<u>\$ 169,183</u>

See accompanying note to budgetary comparison schedule.

CITY OF MESA, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2020
(in thousands)

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

Adjustments necessary to convert the results of operations of the General Fund for the year ended June 30, 2020 on the “GAAP basis” to the “budget basis” as follows:

Net Change in Fund Balance-Budget Basis -	
Exhibit B-5	\$ 59,402
Basis Differences:	
Compensated Absences	47
Payroll Accrual	(1,851)
Unavailable Revenue	(462)
Unrealized Gain on Investments	<u>2,037</u>
Net Change in Fund Balance-GAAP Basis -	
Exhibit A-5	<u><u>\$ 59,173</u></u>





COMBINING STATEMENTS

COMPREHENSIVE ANNUAL FINANCIAL
REPORT 2020



FREE COVID TESTING

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.

Ambulance Transport accounts for the expenditures of the Mesa Fire and Medical Ambulance Transport program.

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

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

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

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

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

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

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

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 expenditures of the Coronavirus Relief Act 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 costs of construction of drains, basins, channels and other storm sewer improvements and street improvements in the Eastmark and other Community Facilities District.

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

Parks accounts for the costs of park facilities and improvements.

Public Safety accounts for the cost of public safety facilities.

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

Debt Service Funds

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

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

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

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

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



CITY OF MESA, ARIZONA
EXHIBIT C-1
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2020
 (in thousands)

Special Revenue Funds

	Ambulance Transport	Cemetery	Community Facilities District	Development Impact Fees	Environmental Compliance
ASSETS					
Pooled Cash and Investments	\$ 130	\$ 7,842	\$ 227	\$ 7,313	\$ 18,378
Accounts Receivable, Net	-	11	-	-	5
Accrued Interest Receivable	-	29	1	-	71
Due from Other Governments	-	-	-	-	-
Advances to Other Funds	-	-	-	-	-
Prepaid Costs	-	-	-	-	-
Restricted Assets:					
Pooled Cash and Investments	-	-	-	-	-
Cash with Fiscal Agent	-	-	-	-	-
Accounts Receivable	-	-	-	-	-
Due from Other Governments	-	-	-	-	-
Total Assets	<u>\$ 130</u>	<u>\$ 7,882</u>	<u>\$ 228</u>	<u>\$ 7,313</u>	<u>\$ 18,454</u>
LIABILITIES					
Accounts Payable and Accrued Liabilities	\$ 45	\$ -	\$ 44	\$ -	\$ 597
Due to Other Funds	-	-	-	-	-
Advances from Other Funds	495	-	-	-	-
Customer and Defendant Deposits	-	-	-	-	-
Payable from Restricted Assets:					
Accrued Interest Payable	-	-	-	-	-
Unearned Revenue	-	-	70	-	-
Matured Bonds Payable	-	-	-	-	-
Total Liabilities	<u>540</u>	<u>-</u>	<u>114</u>	<u>-</u>	<u>597</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	114	7,313	-
Committed	-	7,882	-	-	17,857
Assigned	-	-	-	-	-
Unassigned	(410)	-	-	-	-
Total Fund Balances	<u>(410)</u>	<u>7,882</u>	<u>114</u>	<u>7,313</u>	<u>17,857</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 130</u>	<u>\$ 7,882</u>	<u>\$ 228</u>	<u>\$ 7,313</u>	<u>\$ 18,454</u>

Special Revenue Funds								Total Special Revenue Funds
Grants and Special Programs	Highway User Revenue	Mesa Arts Center Restoration	Mesa Housing Authority	Public Safety Tax	Quality of Life Sales Tax	Relief Fund	Street Sales Tax	
\$ 15,464	\$ 18,275	\$ 1,426	\$ 570	\$ 22,386	\$ 6,219	\$ 49,854	\$ 53,264	\$ 201,348
360	-	-	23	-	-	-	1,394	1,793
43	117	6	-	55	23	184	203	732
1,036	3,280	-	543	4,928	4,964	-	6,150	20,901
-	-	-	-	495	-	-	-	495
8	-	-	-	-	-	236	70	314
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>\$ 16,911</u>	<u>\$ 21,672</u>	<u>\$ 1,432</u>	<u>\$ 1,136</u>	<u>\$ 27,864</u>	<u>\$ 11,206</u>	<u>\$ 50,274</u>	<u>\$ 61,081</u>	<u>\$ 225,583</u>
\$ 523	\$ 3,531	\$ 1	\$ 588	\$ 2,322	-	1,198	8,590	\$ 17,439
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	495
-	-	-	-	-	-	-	7,126	7,126
-	-	-	-	-	-	-	-	-
1,092	-	10	790	-	-	47,967	-	49,929
-	-	-	-	-	-	-	-	-
<u>1,615</u>	<u>3,531</u>	<u>11</u>	<u>1,378</u>	<u>2,322</u>	<u>-</u>	<u>49,165</u>	<u>15,716</u>	<u>74,989</u>
14	-	-	-	-	-	-	302	316
<u>14</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>302</u>	<u>316</u>
8	-	-	-	-	-	236	70	314
12,448	18,141	-	-	25,542	11,206	873	44,993	120,630
2,139	-	1,421	-	-	-	-	-	29,299
786	-	-	-	-	-	-	-	786
(99)	-	-	(242)	-	-	-	-	(751)
<u>15,282</u>	<u>18,141</u>	<u>1,421</u>	<u>(242)</u>	<u>25,542</u>	<u>11,206</u>	<u>1,109</u>	<u>45,063</u>	<u>150,278</u>
<u>\$ 16,911</u>	<u>\$ 21,672</u>	<u>\$ 1,432</u>	<u>\$ 1,136</u>	<u>\$ 27,864</u>	<u>\$ 11,206</u>	<u>\$ 50,274</u>	<u>\$ 61,081</u>	<u>\$ 225,583</u>

CITY OF MESA, ARIZONA
EXHIBIT C-1
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2020
 (in thousands)

	Capital Projects Funds					
	Community Facilities District	General Capital Projects	Parks	Public Safety	Streets	Total Capital Projects Funds
ASSETS						
Pooled Cash and Investments	\$ 240	\$ 35,378	\$ 8,006	\$ -	\$ 43,874	\$ 87,498
Accounts Receivable, Net	-	9	-	-	5,633	5,642
Accrued Interest Receivable	-	136	30	10	167	343
Due from Other Governments	-	-	-	-	3,443	3,443
Advances to Other Funds	-	-	-	-	-	-
Prepaid Costs	-	262	-	-	-	262
Restricted Assets:						
Pooled Cash and Investments	-	-	-	-	-	-
Cash with Fiscal Agent	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-
Due from Other Governments	-	-	-	-	-	-
Total Assets	<u>\$ 240</u>	<u>\$ 35,785</u>	<u>\$ 8,036</u>	<u>\$ 10</u>	<u>\$ 53,117</u>	<u>\$ 97,188</u>
LIABILITIES						
Accounts Payable and Accrued Liabilities	\$ -	\$ 956	\$ 333	\$ 36	\$ 2,195	\$ 3,520
Due to Other Funds	-	-	-	261	-	261
Advances from Other Funds	-	-	-	-	-	-
Customer and Defendant Deposits	-	-	-	-	-	-
Payable from Restricted Assets:						
Accrued Interest Payable	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-
Matured Bonds Payable	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>956</u>	<u>333</u>	<u>297</u>	<u>2,195</u>	<u>3,781</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	-	-	-	-	34	34
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34</u>	<u>34</u>
FUND BALANCES						
Nonspendable	-	262	-	-	-	262
Restricted	240	-	7,703	-	50,888	58,831
Committed	-	34,567	-	-	-	34,567
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	(287)	-	(287)
Total Fund Balances	<u>240</u>	<u>34,829</u>	<u>7,703</u>	<u>(287)</u>	<u>50,888</u>	<u>93,373</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 240</u>	<u>\$ 35,785</u>	<u>\$ 8,036</u>	<u>\$ 10</u>	<u>\$ 53,117</u>	<u>\$ 97,188</u>

EXHIBIT C-1
(Concluded)

Debt Service Funds					
Community Facilities District	General Obligation Bonds	Highway User Revenue Bonds	Special Assessment Bonds	Total Debt Service Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 288,846
-	-	-	-	-	7,435
16	9	-	-	25	1,100
-	-	-	-	-	24,344
-	-	-	-	-	495
-	-	-	-	-	576
-	-	-	-	-	-
4,009	2,686	-	8	6,703	6,703
901	42,183	10,776	-	53,860	53,860
16,613	-	-	212	16,825	16,825
7	1,381	-	-	1,388	1,388
<u>\$ 21,546</u>	<u>\$ 46,259</u>	<u>\$ 10,776</u>	<u>\$ 220</u>	<u>\$ 78,801</u>	<u>\$ 401,572</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,959
-	-	-	-	-	261
-	-	-	-	-	495
-	-	-	-	-	7,126
-	-	-	-	-	-
1,361	6,312	1,621	6	9,300	9,300
4	-	-	-	4	49,933
1,584	35,870	9,155	-	46,609	46,609
<u>2,949</u>	<u>42,182</u>	<u>10,776</u>	<u>6</u>	<u>55,913</u>	<u>134,683</u>
16,613	542	-	219	17,374	17,724
<u>16,613</u>	<u>542</u>	<u>-</u>	<u>219</u>	<u>17,374</u>	<u>17,724</u>
-	-	-	-	-	576
1,984	3,535	-	-	5,519	184,980
-	-	-	-	-	63,866
-	-	-	-	-	786
-	-	-	(5)	(5)	(1,043)
<u>1,984</u>	<u>3,535</u>	<u>-</u>	<u>(5)</u>	<u>5,514</u>	<u>249,165</u>
<u>\$ 21,546</u>	<u>\$ 46,259</u>	<u>\$ 10,776</u>	<u>\$ 220</u>	<u>\$ 78,801</u>	<u>\$ 401,572</u>

CITY OF MESA, ARIZONA

EXHIBIT C-2COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(in thousands)

Special Revenue Funds

	Ambulance Transport	Cemetery	Community Facilities District	Development Impact Fees	Environmental Compliance
Revenues:					
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	-	230	-	-
Occupancy Taxes	-	-	-	-	-
Special Assessments	-	-	-	-	-
Licenses and Permits	-	-	-	4,036	-
Intergovernmental	-	-	-	-	-
Charges for Services	2,017	96	-	-	16,600
Fines and Forfeitures	-	-	-	-	-
Investment Income	3	225	7	-	610
Contributions	-	-	-	-	-
Miscellaneous Revenues	-	-	-	-	490
Total Revenues	<u>2,020</u>	<u>321</u>	<u>237</u>	<u>4,036</u>	<u>17,700</u>
Expenditures:					
Current:					
General Government	-	-	224	-	1,111
Public Safety	1,363	-	-	-	59
Community Environment	-	-	-	-	4,642
Cultural-Recreational	-	-	-	-	7,151
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest on Bonds	-	-	-	-	-
Service Charges	-	-	3	-	-
Cost of Issuance	-	-	-	-	-
Capital Outlay	1,343	-	-	-	2,625
Total Expenditures	<u>2,706</u>	<u>-</u>	<u>227</u>	<u>-</u>	<u>15,588</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(686)</u>	<u>321</u>	<u>10</u>	<u>4,036</u>	<u>2,112</u>
Other Financing Sources (Uses):					
Transfers In	276	-	25	-	-
Transfers Out	-	-	-	(3,428)	-
Face Amount of Bonds Issued	-	-	-	-	-
Premium on Issuance of Bonds (Net)	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>276</u>	<u>-</u>	<u>25</u>	<u>(3,428)</u>	<u>-</u>
Net Change in Fund Balances	(410)	321	35	608	2,112
Fund Balances - Beginning	-	7,561	79	6,705	15,745
Fund Balances - Ending	<u>\$ (410)</u>	<u>\$ 7,882</u>	<u>\$ 114</u>	<u>\$ 7,313</u>	<u>\$ 17,857</u>

Special Revenue Funds								Total Special Revenue Funds
Grants and Special Programs	Highway User Revenue	Mesa Arts Center Restoration	Mesa Housing Authority	Public Safety Tax	Quality of Life Sales Tax	Relief Fund	Street Sales Tax	
\$ -	\$ -	\$ -	\$ -	\$ 27,208	\$ 27,476	\$ -	\$ 32,971	\$ 87,655
-	-	-	-	-	-	-	-	230
2,537	-	-	-	-	-	-	-	2,537
-	-	-	-	-	-	-	-	-
623	-	-	-	-	101	-	309	5,069
4,817	42,099	-	19,326	-	-	42,422	6,871	115,535
707	-	-	-	-	-	-	657	20,077
992	-	296	-	-	-	-	-	1,288
363	858	49	20	373	114	1,249	1,776	5,647
2,295	-	-	-	-	-	-	-	2,295
1,672	-	-	-	-	-	-	414	2,576
14,006	42,957	345	19,346	27,581	27,691	43,671	42,998	242,909
3,043	-	-	5	-	-	-	4,929	9,312
3,598	-	-	-	5,571	18,347	36,029	319	65,286
59	19,764	-	19,162	-	-	8,128	16,208	67,963
1,324	-	-	-	-	-	-	-	8,475
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	3
-	-	-	-	-	-	-	-	-
2,691	11,367	228	1,571	4,830	-	-	14,698	39,353
10,715	31,131	228	20,738	10,401	18,347	44,157	36,154	190,392
3,291	11,826	117	(1,392)	17,180	9,344	(486)	6,844	52,517
3,029	-	-	-	9,392	-	1,595	-	14,317
-	(12,401)	-	-	(9,392)	-	-	(75)	(25,296)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
3,029	(12,401)	-	-	-	-	1,595	(75)	(10,979)
6,320	(575)	117	(1,392)	17,180	9,344	1,109	6,769	41,538
8,962	18,716	1,304	1,150	8,362	1,862	-	38,294	108,740
\$ 15,282	\$ 18,141	\$ 1,421	\$ (242)	\$ 25,542	\$ 11,206	\$ 1,109	\$ 45,063	\$ 150,278

CITY OF MESA, ARIZONA

EXHIBIT C-2COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(in thousands)

	Capital Projects Funds					
	Community Facilities District	General Capital Projects	Parks	Public Safety	Streets	Total Capital Projects Funds
Revenues:						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	-	-	-	-	-
Occupancy Taxes	-	-	-	-	-	-
Special Assessments	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	12,819	12,819
Charges for Services	-	9	-	-	-	9
Fines and Forfeitures	-	-	-	-	-	-
Investment Income	-	899	256	92	1,573	2,820
Contributions	-	-	-	-	-	-
Miscellaneous Revenues	-	863	-	-	-	863
Total Revenues	-	1,771	256	92	14,392	16,511
Expenditures:						
Current:						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Community Environment	-	-	-	-	-	-
Cultural-Recreational	-	-	-	-	-	-
Debt Service:						
Principal Retirement	-	-	-	-	-	-
Interest on Bonds	-	-	-	-	-	-
Service Charges	-	-	-	-	-	-
Cost of Issuance	648	-	-	-	-	648
Capital Outlay	17,654	24,146	3,587	8,106	16,078	69,571
Total Expenditures	18,302	24,146	3,587	8,106	16,078	70,219
Excess (Deficiency) of Revenues Over (Under) Expenditures	(18,302)	(22,375)	(3,331)	(8,014)	(1,686)	(53,708)
Other Financing Sources (Uses):						
Transfers In	-	24,714	300	-	-	25,014
Transfers Out	-	-	(100)	(300)	(256)	(656)
Face Amount of Bonds Issued	18,148	-	-	-	-	18,148
Premium on Issuance of Bonds (Net)	243	-	-	-	-	243
Total Other Financing Sources (Uses)	18,391	24,714	200	(300)	(256)	42,749
Net Change in Fund Balances	89	2,339	(3,131)	(8,314)	(1,942)	(10,959)
Fund Balances - Beginning	151	32,490	10,834	8,027	52,830	104,332
Fund Balances - Ending	\$ 240	\$ 34,829	\$ 7,703	\$ (287)	\$ 50,888	\$ 93,373

EXHIBIT C-2
(Concluded)

Debt Service Funds					
Community Facilities District	General Obligation Bonds	Highway User Revenue Bonds	Special Assessment Bonds	Total Debt Service Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 87,655
2,951	41,789	-	-	44,740	44,970
-	-	-	-	-	2,537
1,373	-	-	288	1,661	1,661
-	-	-	-	-	5,069
-	564	-	-	564	128,918
-	-	-	-	-	20,086
-	681	-	-	681	1,969
103	562	-	-	665	9,132
-	-	-	-	-	2,295
-	-	-	-	-	3,439
<u>4,427</u>	<u>43,596</u>	<u>-</u>	<u>288</u>	<u>48,311</u>	<u>307,731</u>
-	-	-	-	-	9,312
-	-	-	-	-	65,286
-	-	-	-	-	67,963
-	-	-	-	-	8,475
-	-	-	-	-	-
1,685	35,870	9,155	219	46,929	46,929
2,321	12,625	3,243	19	18,208	18,208
2	6	3	-	11	14
190	-	-	-	190	838
-	-	-	-	-	108,924
<u>4,198</u>	<u>48,501</u>	<u>12,401</u>	<u>238</u>	<u>65,338</u>	<u>325,949</u>
<u>229</u>	<u>(4,905)</u>	<u>(12,401)</u>	<u>50</u>	<u>(17,027)</u>	<u>(18,218)</u>
-	4,283	12,401	19	16,703	56,034
-	(696)	-	-	(696)	(26,648)
213	-	-	-	213	18,361
695	-	-	-	695	938
<u>908</u>	<u>3,587</u>	<u>12,401</u>	<u>19</u>	<u>16,915</u>	<u>48,685</u>
1,137	(1,318)	-	69	(112)	30,467
<u>847</u>	<u>4,853</u>	<u>-</u>	<u>(74)</u>	<u>5,626</u>	<u>218,698</u>
<u>\$ 1,984</u>	<u>\$ 3,535</u>	<u>\$ -</u>	<u>\$ (5)</u>	<u>\$ 5,514</u>	<u>\$ 249,165</u>

INTERNAL SERVICE FUNDS

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

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

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

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

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

CITY OF MESA, ARIZONA
EXHIBIT C-3
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2020
(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	\$ -	\$ 12,855	\$ 7,768	\$ 45,662	\$ 66,285
Accounts Receivable	827	-	-	25	852
Accrued Premiums Receivable	-	-	-	197	197
Accrued Interest Receivable	5	49	29	173	256
Inventory	7,587	-	-	-	7,587
Prepaid Costs	-	682	196	-	878
Deposits	-	-	-	69	69
Total Current Assets	8,419	13,586	7,993	46,126	76,124
Noncurrent Assets:					
Capital Assets, Not Being Depreciated	419	-	-	-	419
Capital Assets, Being Depreciated, Net	2,225	-	-	9	2,234
Total Noncurrent Assets	2,644	-	-	9	2,653
Total Assets	11,063	13,586	7,993	46,135	78,777
DEFERRED OUTFLOWS OF RESOURCES					
Pensions and OPEB	3,627	499	319	444	4,889
Total Deferred Outflows of Resources	3,627	499	319	444	4,889
Total Assets and Deferred Outflows of Resources	14,690	14,085	8,312	46,579	83,666
LIABILITIES					
Current Liabilities					
Accounts Payable and Accrued Liabilities	1,106	9	166	2,479	3,760
Claims Payable	-	15,568	26,267	2,826	44,661
Due to Other Funds	770	-	-	-	770
Current Portion of Compensated Absences	121	9	4	9	143
Total Current Liabilities	1,997	15,586	26,437	5,314	49,334
Long-Term Liabilities					
Compensated Absences	598	79	28	66	771
Net Pension and OPEB Liability	26,069	3,593	2,298	3,222	35,182
Total Long-Term Liabilities	26,667	3,672	2,326	3,288	35,953
Total Liabilities	28,664	19,258	28,763	8,602	85,287
DEFERRED INFLOWS OF RESOURCES					
Pensions and OPEB	1,038	144	92	133	1,407
Total Deferred Inflows of Resources	1,038	144	92	133	1,407
NET POSITION					
Net Investment in Capital Assets	2,644	-	-	9	2,653
Unrestricted	(17,657)	(5,317)	(20,543)	37,835	(5,682)
Total Net Position	\$ (15,013)	\$ (5,317)	\$ (20,543)	\$ 37,844	\$ (3,029)

CITY OF MESA, ARIZONA
EXHIBIT C-4
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(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	\$ 7,935	\$ -	\$ -	\$ -	\$ 7,935
Fleet Support Services	21,365	-	-	-	21,365
Printing and Graphics	818	-	-	-	818
Self-Insurance Contributions:					
Employee	-	-	-	16,407	16,407
City	-	5,893	4,138	66,462	76,493
State Retirement System	-	-	-	4,753	4,753
Other	-	4	109	6,523	6,636
Total Operating Revenues	<u>30,118</u>	<u>5,897</u>	<u>4,247</u>	<u>94,145</u>	<u>134,407</u>
Operating Expenses:					
Warehouse, Maintenance & Services:					
Warehouse	8,457	-	-	-	8,457
Fleet Support Services	22,155	-	-	-	22,155
Printing and Graphics	588	-	-	-	588
Self-Insurance:					
Administrative Costs	-	1,085	1,175	6,973	9,233
Claims and Premiums Paid	-	6,852	3,910	86,592	97,354
Total Operating Expenses	<u>31,200</u>	<u>7,937</u>	<u>5,085</u>	<u>93,565</u>	<u>137,787</u>
Operating Income (Loss) Before Depreciation	(1,082)	(2,040)	(838)	580	(3,380)
Depreciation	<u>(221)</u>	<u>-</u>	<u>-</u>	<u>(42)</u>	<u>(263)</u>
Operating Income (Loss)	<u>(1,303)</u>	<u>(2,040)</u>	<u>(838)</u>	<u>538</u>	<u>(3,643)</u>
Nonoperating Revenues (Expense):					
Investment Income	(61)	403	253	1,381	1,976
Gain/(Loss) on Disposal of Capital Assets	177	-	-	-	177
Total Nonoperating Revenues (Expenses)	<u>116</u>	<u>403</u>	<u>253</u>	<u>1,381</u>	<u>2,153</u>
Income (Loss) Before Capital Contributions	(1,187)	(1,637)	(585)	1,919	(1,490)
Capital Contributions	<u>51</u>	<u>-</u>	<u>-</u>	<u>10</u>	<u>61</u>
Change in Net Position	(1,136)	(1,637)	(585)	1,929	(1,429)
Total Net Position - Beginning	<u>(13,877)</u>	<u>(3,680)</u>	<u>(19,958)</u>	<u>35,915</u>	<u>(1,600)</u>
Total Net Position - Ending	<u>\$ (15,013)</u>	<u>\$ (5,317)</u>	<u>\$ (20,543)</u>	<u>\$ 37,844</u>	<u>\$ (3,029)</u>

CITY OF MESA, ARIZONA
EXHIBIT C-5
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(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	\$ 29,904	\$ 5,897	\$ 4,246	\$ 94,117	\$ 134,164
Cash Payments to Suppliers	(23,422)	(7,422)	(4,524)	(94,656)	(130,024)
Cash Payments to Employees	(7,604)	283	(295)	(974)	(8,590)
Net Cash Provided by (Used For) Operating Activities	(1,122)	(1,242)	(573)	(1,513)	(4,450)
Cash Flows From Noncapital Financing Activities:					
Operating Transfers-In From Other Funds	770	-	-	-	770
Net Cash Provided By (Used For) Noncapital Financing Activities	770	-	-	-	770
Cash Flows from Capital and Related Financing Activities:					
Acquisition and Construction of Capital Assets	(180)	-	-	-	(180)
Net Cash Provided By (Used For) Capital and Related Financing Activities	(180)	-	-	-	(180)
Cash Flows from Investing Activities:					
Interest Received on Investments	(59)	414	257	1,424	2,036
Net Cash Provided By (Used For) Investing Activities	(59)	414	257	1,424	2,036
Net Change in Cash and Cash Equivalents	(591)	(828)	(316)	(89)	(1,824)
Pooled Cash and Investments at Beginning of Year	591	13,683	8,084	45,751	68,109
Pooled Cash and Investments at End of Year	\$ -	\$ 12,855	\$ 7,768	\$ 45,662	\$ 66,285
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating Income (Loss)	\$ (1,303)	\$ (2,040)	\$ (838)	\$ 538	\$ (3,643)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation	221	-	-	42	263
Changes in Assets and Liabilities:					
(Increase)/Decrease in Receivables	(214)			(28)	(242)
(Increase)/Decrease in Inventory	(851)				(851)
(Increase)/Decrease in Deposits and Prepaid Costs		(130)	(129)	36	(223)
(Decrease)/Increase in Accounts Payable	(91)	1	106	953	969
(Decrease)/Increase in Pension and OPEB Liability	3,506	283	121	(61)	3,849
(Decrease)/Increase in Deferred Outflows	(1,875)	(247)	(155)	(195)	(2,472)
(Decrease)/Increase in Deferred Inflows	(589)	(90)	(60)	(98)	(837)
(Decrease)/Increase in Other Accrued Expenses	74	981	382	(2,700)	(1,263)
Total Adjustments	181	798	265	(2,051)	(807)
Net Cash Provided by (Used for) Operating Activities	\$ (1,122)	\$ (1,242)	\$ (573)	\$ (1,513)	\$ (4,450)





SUPPLEMENTAL INFORMATION

COMPREHENSIVE ANNUAL FINANCIAL
REPORT 2020



LIBRARY CURBSIDE SERVICE

CITY OF MESA, ARIZONA
EXHIBIT D-1
 SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 COMMUNITY FACILITIES DISTRICT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020
 (in thousands)

	Budgeted Amounts		Actual -	Variance with
	Original	Final	Budgetary	Final Budget
			Basis	
Revenues:				
Property Taxes	\$ 234	\$ 234	\$ 230	\$ (4)
Investment Income	-	-	4	4
Contributions	207	207	-	(207)
Total Revenues	<u>441</u>	<u>441</u>	<u>234</u>	<u>(207)</u>
Expenditures:				
Current:				
General Government	7,971	2,969	223	2,746
Service Charges	-	5	3	2
Cost of Issuance	1,480	1,690	648	1,042
Capital Outlay	20,330	25,118	17,654	7,464
Total Expenditures	<u>29,781</u>	<u>29,782</u>	<u>18,528</u>	<u>11,254</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(29,340)</u>	<u>(29,341)</u>	<u>(18,294)</u>	<u>11,047</u>
Other Financing Uses:				
Transfers In	-	-	25	25
Face Amount of Bonds Issued	29,340	29,340	18,148	11,192
Premium on Issuance of Bonds	-	-	243	(243)
Total Other Financing Uses	<u>29,340</u>	<u>29,340</u>	<u>18,416</u>	<u>10,974</u>
Net Change in Fund Balances	-	(1)	122	123
Fund Balance - Beginning	<u>144</u>	<u>144</u>	<u>230</u>	<u>86</u>
Fund Balance - Ending	<u>\$ 144</u>	<u>\$ 143</u>	<u>\$ 352</u>	<u>\$ 209</u>

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

CITY OF MESA, ARIZONA

EXHIBIT D-2

SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

ENVIRONMENTAL COMPLIANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(in thousands)

	Budgeted Amounts		Actual - Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for Services	\$ 16,344	\$ 16,344	\$ 16,600	\$ 256
Investment Income	64	64	443	379
Miscellaneous Revenues	-	-	490	490
Total Revenues	<u>16,408</u>	<u>16,408</u>	<u>17,533</u>	<u>1,125</u>
Expenditures:				
Current:				
General Government	1,279	1,280	1,109	171
Public Safety	67	67	52	15
Community Environment	6,791	5,587	4,632	955
Cultural-Recreational	7,401	7,318	7,145	173
Capital Outlay	5,956	7,580	2,625	4,955
Total Expenditures	<u>21,494</u>	<u>21,832</u>	<u>15,563</u>	<u>6,269</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,086)</u>	<u>(5,424)</u>	<u>1,970</u>	<u>7,394</u>
Net Change in Fund Balances	(5,086)	(5,424)	1,970	7,394
Fund Balances - Beginning	<u>14,059</u>	<u>14,059</u>	<u>15,686</u>	<u>1,627</u>
Fund Balance - Ending	<u>\$ 8,973</u>	<u>\$ 8,635</u>	<u>\$ 17,656</u>	<u>\$ 9,021</u>

CITY OF MESA, ARIZONA

EXHIBIT D-3

SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

GRANTS AND SPECIAL PROGRAMS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(in thousands)

	Budgeted Amounts		Actual - Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Occupancy Taxes	\$ 2,875	\$ 2,875	\$ 2,537	\$ (338)
Licenses and Permits	531	531	623	92
Intergovernmental	23,159	23,159	5,357	(17,802)
Charges for Services	-	-	709	709
Fines and Forfeitures	990	990	992	2
Investment Income	-	-	254	254
Contributions	2,205	2,205	2,295	90
Miscellaneous Revenues	3,464	3,464	1,542	(1,922)
Total Revenues	<u>33,224</u>	<u>33,224</u>	<u>14,309</u>	<u>(18,915)</u>
Expenditures:				
Current:				
General Government	3,430	3,459	3,041	418
Public Safety	10,017	9,477	3,598	5,879
Community Environment	249	380	59	321
Cultural-Recreational	2,467	2,631	1,322	1,309
Capital Outlay	23,723	24,347	2,691	21,656
Total Expenditures	<u>39,886</u>	<u>40,294</u>	<u>10,711</u>	<u>29,583</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,662)	(7,070)	3,598	10,668
Other Financing Sources (Uses):				
Transfers In	-	-	3,029	3,029
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>3,029</u>	<u>3,029</u>
Net Change in Fund Balances	(6,662)	(7,070)	6,627	13,697
Fund Balances - Beginning	<u>8,169</u>	<u>8,169</u>	<u>9,207</u>	<u>1,038</u>
Fund Balance - Ending	<u>\$ 1,507</u>	<u>\$ 1,099</u>	<u>\$ 15,834</u>	<u>\$ 14,735</u>

CITY OF MESA, ARIZONA

EXHIBIT D-4

SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

HIGHWAY USER REVENUE

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(in thousands)

	Budgeted Amounts		Actual - Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 41,655	\$ 41,655	\$ 42,099	\$ 444
Investment Income	2	2	605	603
Total Revenues	<u>41,657</u>	<u>41,657</u>	<u>42,704</u>	<u>1,047</u>
Expenditures:				
Current:				
Community Environment	21,254	21,305	19,717	1,588
Capital Outlay	<u>23,395</u>	<u>23,375</u>	<u>11,367</u>	<u>12,008</u>
Total Expenditures	<u>44,649</u>	<u>44,680</u>	<u>31,084</u>	<u>13,596</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,992)</u>	<u>(3,023)</u>	<u>11,620</u>	<u>14,643</u>
Other Financing Uses:				
Transfers Out	<u>(12,441)</u>	<u>(12,441)</u>	<u>(12,401)</u>	<u>40</u>
Total Other Financing Uses	<u>(12,441)</u>	<u>(12,441)</u>	<u>(12,401)</u>	<u>40</u>
Net Change in Fund Balances	(15,433)	(15,464)	(781)	14,683
Fund Balances - Beginning	<u>15,433</u>	<u>15,433</u>	<u>18,636</u>	<u>3,203</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ (31)</u>	<u>\$ 17,855</u>	<u>\$ 17,886</u>

CITY OF MESA, ARIZONA

EXHIBIT D-5

SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

MESA HOUSING AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(in thousands)

	Budgeted Amounts		Actual - Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 33,624	\$ 33,624	\$ 19,675	\$ (13,949)
Investment Income	54	54	20	(34)
Total Revenues	<u>33,678</u>	<u>33,678</u>	<u>19,695</u>	<u>(13,983)</u>
Expenditures:				
Current:				
General Government	-	-	5	(5)
Community Environment	32,264	32,284	19,158	13,126
Capital Outlay	<u>1,414</u>	<u>1,414</u>	<u>1,571</u>	<u>(157)</u>
Total Expenditures	<u>33,678</u>	<u>33,698</u>	<u>20,734</u>	<u>12,964</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(20)</u>	<u>(1,039)</u>	<u>(1,019)</u>
Net Change in Fund Balances	-	(20)	(1,039)	(1,019)
Fund Balances - Beginning	<u>147</u>	<u>147</u>	<u>358</u>	<u>211</u>
Fund Balance - Ending	<u>\$ 148</u>	<u>\$ 127</u>	<u>\$ (681)</u>	<u>\$ (808)</u>

CITY OF MESA, ARIZONA

EXHIBIT D-6

SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

QUALITY OF LIFE SALES TAX

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(in thousands)

	Budgeted Amounts		Actual - Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Sales Taxes	\$ 26,306	\$ 26,306	\$ 27,476	\$ 1,170
Licenses and Permits	-	-	101	101
Investment Income	-	-	18	18
Total Revenues	<u>26,306</u>	<u>26,306</u>	<u>27,595</u>	<u>1,289</u>
Expenditures:				
Current:				
Public Safety	<u>26,306</u>	<u>19,729</u>	<u>18,347</u>	<u>1,382</u>
Total Expenditures	<u>26,306</u>	<u>19,729</u>	<u>18,347</u>	<u>1,382</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>6,577</u>	<u>9,248</u>	<u>2,671</u>
Net Change in Fund Balances	-	6,577	9,248	2,671
Fund Balances - Beginning	<u>1,844</u>	<u>1,844</u>	<u>1,867</u>	<u>23</u>
Fund Balance - Ending	<u>\$ 1,844</u>	<u>\$ 8,421</u>	<u>\$ 11,115</u>	<u>\$ 2,694</u>

CITY OF MESA, ARIZONA

EXHIBIT D-7

SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

STREET SALES TAX

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(in thousands)

	Budgeted Amounts		Actual -	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues:				
Sales Taxes	\$ 31,567	\$ 31,567	\$ -	\$ (31,567)
Licenses and Permits	195	195	-	(195)
Intergovernmental	-	-	42,407	42,407
Charges for Services	400	400	-	(400)
Investment Income	166	166	639	473
Miscellaneous Revenues	350	350	229	(121)
Total Revenues	<u>32,678</u>	<u>32,678</u>	<u>43,275</u>	<u>10,597</u>
Expenditures:				
Current:				
General Government	3,474	3,474	-	3,474
Public Safety	376	377	36,030	(35,653)
Community Environment	21,912	20,871	8,110	12,761
Capital Outlay	30,728	32,008	-	32,008
Total Expenditures	<u>56,490</u>	<u>56,730</u>	<u>44,140</u>	<u>12,590</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(23,812)</u>	<u>(24,052)</u>	<u>(865)</u>	<u>23,187</u>
Other Financing Sources(Uses):				
Transfers In	-	-	1,595	1,595
Transfers Out	-	(75)	-	75
Total Other Financing Uses	<u>-</u>	<u>(75)</u>	<u>1,595</u>	<u>1,670</u>
Net Change in Fund Balances	(23,812)	(24,127)	730	24,857
Fund Balances - Beginning	<u>35,109</u>	<u>35,109</u>	<u>38,276</u>	<u>3,167</u>
Fund Balance - Ending	<u>\$ 11,297</u>	<u>\$ 10,982</u>	<u>\$ 39,006</u>	<u>\$ 28,024</u>

CITY OF MESA, ARIZONA

EXHIBIT D-8

SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL CAPITAL PROJECTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(in thousands)

	Budgeted Amounts		Actual -	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues:				
Charges for Services	-	-	\$ -	\$ -
Investment Income	-	-	(293)	(293)
Miscellaneous Revenues	\$ 110	\$ 110	-	(110)
Total Revenues	110	110	(293)	(403)
Expenditures:				
Current:				
General Government	13	823	-	823
Public Safety	275	278	-	278
Community Environment	250	100	-	100
Capital Outlay	47,434	52,843	17,654	35,189
Total Expenditures	47,972	54,044	17,654	36,390
Excess (Deficiency) of Revenues Over (Under) Expenditures	(47,862)	(53,934)	(17,947)	35,987
Other Financing Sources (Uses):				
Transfers In	19,096	19,096	-	19,096
Total Other Financing Uses	19,096	19,096	-	19,096
Net Change in Fund Balances	(28,766)	(34,838)	(17,947)	16,891
Fund Balances - Beginning	34,392	34,392	32,226	(2,166)
Fund Balance - Ending	\$ 5,626	\$ (446)	\$ 14,279	\$ 14,725

CITY OF MESA, ARIZONA

EXHIBIT D-9

SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

STREETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(in thousands)

	Budgeted Amounts		Actual - Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 25,165	\$ 25,165	\$ 18	\$ (25,147)
Investment Income	-	-	(256)	(256)
Total Revenues	<u>25,165</u>	<u>25,165</u>	<u>(238)</u>	<u>(25,403)</u>
Expenditures:				
Debt Service:				
Cost of Issuance	289	289	-	289
Capital Outlay	<u>62,842</u>	<u>62,842</u>	<u>8,106</u>	<u>54,736</u>
Total Expenditures	<u>63,131</u>	<u>63,131</u>	<u>8,106</u>	<u>55,025</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(37,966)</u>	<u>(37,966)</u>	<u>(8,344)</u>	<u>29,622</u>
Other Financing Sources (Uses):				
Transfers In	-	-	300	(300)
Transfers Out	-	(769)	(300)	(469)
Face Amount of Bonds Issued	27,247	27,247	-	27,247
Premium on Issuance of Bonds (Net)	-	-	-	-
Total Other Financing Uses	<u>27,247</u>	<u>26,478</u>	<u>-</u>	<u>26,478</u>
Net Change in Fund Balances	(10,719)	(11,488)	(8,344)	3,144
Fund Balances - Beginning	<u>88,572</u>	<u>88,572</u>	<u>52,512</u>	<u>(36,060)</u>
Fund Balance - Ending	<u>\$ 77,853</u>	<u>\$ 77,084</u>	<u>\$ 44,168</u>	<u>\$ (32,916)</u>





STATISTICAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL
REPORT 2020



ARIZONA CELEBRATION OF FREEDOM EVENT | FIESTA MALL

STATISTICAL SECTION

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	128
Revenue Capacity These schedules contain information to help readers assess the City's most significant local revenue source, the sales tax.	140
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	143
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	151
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	153

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

CITY OF MESA, ARIZONA

TABLE I

NET POSITION BY COMPONENTS

LAST TEN FISCAL YEARS

(accrual basis of accounting)

(in thousands)

	2019-20	2018-19	2017-18	2016-17
GOVERNMENTAL ACTIVITIES				
Net Investment in Capital Assets	\$ 1,075,182	\$ 1,038,928	\$ 1,019,888	\$ 986,354
Restricted	143,839	103,164	88,305	88,721
Unrestricted	<u>(833,300)</u>	<u>(834,016)</u>	<u>(858,392)</u>	<u>(711,367)</u>
Total Governmental Activities Net Position	<u><u>\$ 385,721</u></u>	<u><u>\$ 308,076</u></u>	<u><u>\$ 249,801</u></u>	<u><u>\$ 363,708</u></u>
BUSINESS-TYPE ACTIVITIES				
Net Investment in Capital Assets	\$ 213,576	\$ 170,427	\$ 266,012	\$ 247,598
Restricted	63,113	47,857	40,440	43,046
Unrestricted	<u>252,261</u>	<u>350,006</u>	<u>199,531</u>	<u>228,160</u>
Total Business-type Activities	<u><u>\$ 528,950</u></u>	<u><u>\$ 568,290</u></u>	<u><u>\$ 505,983</u></u>	<u><u>\$ 518,804</u></u>
PRIMARY GOVERNMENT				
Net Investment in Capital Assets	\$ 1,288,758	\$ 1,209,355	\$ 1,285,900	\$ 1,233,952
Restricted	206,952	151,021	128,745	131,767
Unrestricted	<u>(581,039)</u>	<u>(484,010)</u>	<u>(658,861)</u>	<u>(483,207)</u>
Total Primary Government	<u><u>\$ 914,671</u></u>	<u><u>\$ 876,366</u></u>	<u><u>\$ 755,784</u></u>	<u><u>\$ 882,512</u></u>

TABLE I
(Concluded)

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

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

EXPENSES	2019-20	2018-19	2017-18	2016-17	2015-16
GOVERNMENTAL ACTIVITIES:					
General Government	\$ 134,299	\$ 119,819	\$ 105,140	\$ 101,301	\$ 96,860
Public Safety	384,800	355,752	334,905	379,505	305,376
Community Environment	152,847	119,506	113,916	104,173	117,120
Cultural-Recreational	62,014	58,345	54,828	55,739	54,967
Interest on Long-term Debt	17,841	18,078	19,514	19,279	20,424
Total Governmental Activities Expenses	751,801	671,500	628,303	659,997	594,747
BUSINESS-TYPE ACTIVITIES:					
Electric	25,028	22,475	25,573	26,561	27,647
Gas	29,096	33,124	31,636	37,109	31,549
Water	128,244	103,821	101,005	95,608	95,574
Wastewater	80,548	57,468	74,157	71,782	73,877
Solid Waste	41,719	38,524	37,988	37,911	36,586
Airport	6,004	5,029	5,308	5,125	4,865
Golf Course	1,233	2,117	1,965	2,028	2,575
Convention Center	4,150	4,413	4,481	4,711	4,252
Hohokam Stadium/Fitch Complex	2,615	2,748	3,174	3,687	2,913
Cubs Stadium	408	7,867	5,870	6,042	5,271
District Cooling	1,163	1,186	1,181	1,268	1,182
Interest on Long-term Debt	-	-	-	-	-
Total Business-type Activities Expenses	320,208	278,772	292,338	291,832	286,291
Total Primary Government Expenses	\$ 1,072,009	\$ 950,272	\$ 920,641	\$ 951,829	\$ 881,038

TABLE II
(Continued)

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

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

PROGRAM REVENUES	2019-20	2018-19	2017-18	2016-17
GOVERNMENTAL ACTIVITIES:				
Charges for services:				
Licenses and Permits	\$ 24,126	\$ 23,812	\$ 25,119	\$ 23,152
Charges for Services	40,489	43,214	40,222	38,348
Fines and Forfeitures	9,253	10,838	10,436	9,873
Other activities	3,791	3,439	2,979	1,330
Operating Grants and Contributions	70,633	25,326	34,446	26,955
Capital Grants and Contributions	24,719	13,780	23,618	24,451
Total Governmental Activities Program Revenues	<u>173,011</u>	<u>120,409</u>	<u>136,820</u>	<u>124,109</u>
BUSINESS-TYPE ACTIVITIES:				
Charges for services:				
Electric	29,855	29,986	31,425	33,534
Gas	39,986	43,547	39,171	39,752
Water	152,266	144,896	147,667	138,335
Wastewater	81,464	84,220	83,078	79,056
Solid Waste	63,267	62,432	60,522	58,117
Airport	4,018	4,339	3,983	3,846
Golf Course	-	1,608	1,635	1,545
Convention Center	2,595	3,153	2,809	3,299
Hohokam Stadium/Fitch Complex	40	75	51	54
Cubs Stadium	221	250	238	291
District Cooling	1,143	1,148	1,215	1,231
Economic Investment	-	-	-	-
Operating Grants and Contributions	1,632	2,316	2,406	158
Capital Grants and Contributions	35,896	19,692	23,474	28,711
Total Business-type Activities Program Revenues	<u>412,383</u>	<u>397,662</u>	<u>397,674</u>	<u>387,929</u>
Total Primary Government Program Revenues	<u>\$ 585,394</u>	<u>\$ 518,071</u>	<u>\$ 534,494</u>	<u>\$ 512,038</u>
NET (EXPENSE) REVENUE				
Governmental Activities	\$ (578,790)	\$ (551,091)	\$ (491,483)	\$ (535,888)
Business-type Activities	<u>92,175</u>	<u>118,890</u>	<u>105,336</u>	<u>96,097</u>
Total Primary Government Net Expense	<u>\$ (486,615)</u>	<u>\$ (432,201)</u>	<u>\$ (386,147)</u>	<u>\$ (439,791)</u>

TABLE II
(Continued)

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

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

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

	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>
GOVERNMENTAL ACTIVITIES:				
Sales Taxes	\$ 219,932	\$ 189,871	\$ 169,024	\$ 159,735
Property Taxes	45,068	36,013	35,571	34,684
Occupancy Taxes	2,564	3,246	2,628	2,536
Unrestricted Intergovernmental Revenues	183,189	175,278	167,540	158,916
Contributions Not Restricted to Specific Programs	36,912	65,189	80,312	46,817
Investment Income	16,002	13,729	1,912	448
Miscellaneous	16,374	11,531	5,418	11,161
Gain (Loss) on Sale of Capital Assets	-	(27)	(2,462)	(1,411)
Transfers	136,394	114,535	116,006	106,607
Total Governmental Activities	<u>656,435</u>	<u>609,365</u>	<u>575,949</u>	<u>519,493</u>
BUSINESS-TYPE ACTIVITIES:				
Occupancy Taxes	1,459	1,602	1,192	1,085
Investment Income	7,618	8,004	1,691	983
Gain (Loss) on Sale of Capital Assets	(801)	44,056	261	16,364
Miscellaneous	(3,397)	4,290	1,915	466
Transfers	(136,394)	(114,535)	(116,006)	(106,607)
Total Business-type Activities	<u>(131,515)</u>	<u>(56,583)</u>	<u>(110,947)</u>	<u>(87,709)</u>
Total Primary Government	<u>\$ 524,920</u>	<u>\$ 552,782</u>	<u>\$ 465,002</u>	<u>\$ 431,784</u>
Change in Net Position				
Governmental Activities	\$ 77,645	\$ 58,275	\$ 84,466	\$ (16,395)
Business-type Activities	<u>(39,340)</u>	<u>62,307</u>	<u>(5,611)</u>	<u>8,388</u>
Total Primary Government	<u>\$ 38,305</u>	<u>\$ 120,582</u>	<u>\$ 78,855</u>	<u>\$ (8,007)</u>

TABLE II
(Concluded)

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

CITY OF MESA, ARIZONA

TABLE III

FUND BALANCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

(in thousands)

	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>
GENERAL FUND				
Nonspendable	\$ 2,301	\$ 794	\$ 2,304	\$ 2,145
Restricted	-	26	-	146
Committed	19,910	14,016	10,377	528
Assigned	42,515	30,869	28,346	19,367
Unassigned	<u>130,342</u>	<u>90,190</u>	<u>89,347</u>	<u>92,240</u>
Total General Fund	<u>\$ 195,068</u>	<u>\$ 135,895</u>	<u>\$ 130,374</u>	<u>\$ 114,426</u>
ALL OTHER GOVERNMENTAL FUNDS				
Nonspendable	\$ 576	\$ 1,196	\$ 135	\$ 37
Restricted (1)(2)	184,980	159,745	132,462	112,105
Committed	63,866	57,432	41,641	30,928
Assigned	786	459	22	2
Unassigned	<u>(1,043)</u>	<u>(134)</u>	<u>(176)</u>	<u>(69)</u>
Total All Other Governmental Funds	<u>\$ 249,165</u>	<u>\$ 218,698</u>	<u>\$ 174,084</u>	<u>\$ 143,003</u>

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

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

TABLE III
(Concluded)

2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
\$ 4,035	\$ 3,490	\$ 2,956	\$ 1,724	\$ 754	\$ 405
184	184	188	284	2,012	1,992
227	126	1,484	1,185	4,992	4,898
10,703	-	-	-	-	-
79,657	74,145	72,683	50,426	78,035	93,875
<u>\$ 94,806</u>	<u>\$ 77,945</u>	<u>\$ 77,311</u>	<u>\$ 53,619</u>	<u>\$ 85,793</u>	<u>\$ 101,170</u>
\$ 77	\$ 138	\$ 23	\$ 55	\$ 84	\$ 2,906
95,701	172,316	190,609	243,831	211,279	112,538
28,580	30,092	21,379	23,005	16,360	19,166
6	-	-	-	-	-
(155)	(31)	(675)	(1,177)	(1)	-
<u>\$ 124,209</u>	<u>\$ 202,515</u>	<u>\$ 211,336</u>	<u>\$ 265,714</u>	<u>\$ 227,722</u>	<u>\$ 134,610</u>

CITY OF MESA, ARIZONA

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

	2019-20	2018-19	2017-18	2016-17	2015-16
REVENUES					
Sales Taxes (1)	\$ 219,932	\$ 189,871	\$ 169,024	\$ 159,735	\$ 151,826
Property Taxes	44,970	36,005	35,616	34,675	34,765
Occupancy Taxes	2,564	3,246	2,628	2,536	2,331
Special Assessments	1,661	1,274	1,174	2,125	1,433
Licenses and Permits	24,126	23,812	25,119	23,152	23,254
Intergovernmental	277,396	213,051	223,800	200,820	191,360
Charges for Services	40,489	43,214	40,222	38,348	38,178
Fines and Forfeitures	9,253	10,838	10,436	9,873	11,049
Investment Income	14,026	10,840	1,608	331	1,483
Contributions	2,295	255	429	360	961
Miscellaneous	9,487	6,688	5,547	4,348	3,994
Total Revenues	<u>646,199</u>	<u>539,094</u>	<u>515,603</u>	<u>476,303</u>	<u>460,634</u>
EXPENDITURES					
Current					
General Government	96,141	98,009	90,209	86,360	79,448
Public Safety	291,674	277,313	266,459	261,892	254,528
Community Environment	90,207	76,623	73,404	68,403	65,559
Cultural-Recreational	47,639	48,636	46,143	43,744	43,651
Debt Service					
Principal	46,929	39,511	34,738	32,587	107,383
Interest	18,208	18,185	18,477	17,994	18,905
Service Charges	14	19	14	15	14
Cost of Issuance	838	874	1,023	1,271	1,505
Capital Outlay	120,602	92,637	76,279	82,062	91,784
Total Expenditures	<u>712,252</u>	<u>651,807</u>	<u>606,746</u>	<u>594,328</u>	<u>662,777</u>
Excess of Revenues Under Expenditures	<u>(66,053)</u>	<u>(112,713)</u>	<u>(91,143)</u>	<u>(118,025)</u>	<u>(202,143)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	163,801	147,590	176,572	139,516	122,572
Transfers Out	(27,407)	(33,055)	(66,208)	(31,931)	(24,298)
Face Amount of Bonds Issued	18,361	47,008	26,745	47,682	46,530
Face Amount of Notes Issued	-	-	-	-	-
Premium on Issuance of Bonds (Net)	938	1,305	1,063	4,613	2,283
Premium on Issuance of Notes	-	-	-	-	-
Issuance of Refunding Bonds	-	-	-	47,450	43,304
Payment to Refunding Bond Agent	-	-	-	(50,891)	(49,693)
Total Other Financing Sources (Uses)	<u>155,693</u>	<u>162,848</u>	<u>138,172</u>	<u>156,439</u>	<u>140,698</u>
Net Change in Fund Balances	<u>\$ 89,640</u>	<u>\$ 50,135</u>	<u>\$ 47,029</u>	<u>\$ 38,414</u>	<u>\$ (61,445)</u>
Debt Service as a percentage of Noncapital Expenditures	10.28%	10.07%	9.98%	9.88%	22.12%

(1) During fiscal year 2018-2019, the sales tax rate increased from 1.75% to 2.00%.

TABLE IV
(Concluded)

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

CITY OF MESA, ARIZONA

TABLE V

SALES TAX COLLECTIONS BY CATEGORY

LAST TEN FISCAL YEARS

(in thousands)

	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>
Retail Sales	115,525	\$ 95,806	\$ 84,640	\$ 79,715	\$ 76,160
Rentals	35,885	31,754	28,003	26,340	25,578
Utilities	\$ 16,287	14,964	14,199	13,575	13,251
Restaurants & Bars	19,345	17,961	16,065	15,002	14,240
Communications	5,162	4,365	3,876	4,432	4,229
Amusements	1,755	1,941	1,624	1,581	1,561
Publishing	463	408	362	526	688
Miscellaneous	1,131	943	986	1,313	1,068
Printing & Advertising	495	507	413	446	428
Contracting	23,867	21,222	18,856	16,806	14,623
Total	<u>\$ 219,915</u>	<u>\$ 189,871</u>	<u>\$ 169,024</u>	<u>\$ 159,736</u>	<u>\$ 151,826</u>
City Direct Tax Rate (1)	2.00%	2.00%	1.75%	1.75%	1.75%

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

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

Source: City of Mesa Tax & Licensing Division

TABLE V
(Concluded)

2014-15	2013-14	2012-13	2011-12	2010-11
\$ 71,996	\$ 69,276	\$ 66,789	\$ 62,191	\$ 60,266
25,102	24,374	24,847	22,968	22,219
13,111	12,344	12,549	11,878	11,104
13,708	12,972	12,577	11,864	11,165
4,796	4,230	4,651	4,483	4,456
1,542	1,469	1,432	1,434	1,433
747	830	866	934	999
771	823	732	595	674
461	455	434	336	342
14,103	13,794	12,402	9,962	8,388
<u>\$ 146,337</u>	<u>\$ 140,567</u>	<u>\$ 137,279</u>	<u>\$ 126,645</u>	<u>\$ 121,046</u>
1.75%	1.75%	1.75%	1.75%	1.75%

CITY OF MESA, ARIZONA

TABLE VI

DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Maricopa County</u>	<u>State of Arizona</u>	
2010-11	1.75%	0.70%	6.60%	(1)
2011-12	1.75%	0.70%	6.60%	
2012-13	1.75%	0.70%	5.60%	
2013-14	1.75%	0.70%	5.60%	
2014-15	1.75%	0.70%	5.60%	
2015-16	1.75%	0.70%	5.60%	
2016-17	1.75%	0.70%	5.60%	
2017-18	1.75%	0.70%	5.60%	
2018-19	2.00%	0.70%	5.60%	(2)
2019-20	2.00%	0.70%	5.60%	

Source: City of Mesa Tax & Licensing Office

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

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



CITY OF MESA, ARIZONA

TABLE VII

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

(in thousands)

	2019-20	2018-19	2017-18	2016-17
Governmental Activities				
General Obligation Bonds	\$ 334,609	\$ 370,479	\$ 365,519	\$ 374,443
Highway User Revenue Bonds	58,750	67,905	76,620	84,995
Special Assessment Bonds	219	438	1,005	1,340
Community Facilities District	57,307	40,631	28,813	19,172
Capital Leases	-	-	-	-
Notes Payable	-	-	-	-
Business-type Activities				
Utility System Revenue Bonds	1,242,670	1,279,020	1,227,355	1,161,755
General Obligation Bonds	151	191	236	191
Excise Tax Revenue Obligation Bonds	-	49,025	4,902	94,060
Notes Payable	1,431	1,574	1,714	1,851
Total Primary Government	<u>\$ 1,695,137</u>	<u>\$ 1,809,263</u>	<u>\$ 1,706,164</u>	<u>\$ 1,737,807</u>
Percentage of Personal Income (1)	10.99%	12.26%	12.62%	13.74%
Per Capita (1)	\$ 3,298	\$ 3,541	\$ 3,406	\$ 3,525

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

TABLE VII
(Concluded)

2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
\$ 350,560	\$ 336,716	\$ 344,040	\$ 324,682	\$ 288,669	\$ 281,514
92,895	100,285	107,705	114,650	121,395	128,515
2,085	2,830	3,574	4,318	5,062	5,806
19,315	10,974	5,897	2,712	-	-
-	-	72	140	822	2,166
-	77,835	77,835	122,835	122,835	45,000
1,063,710	1,007,455	991,995	978,160	952,500	898,800
390	474	605	887	1,601	2,221
94,060	94,060	94,060	94,060	-	-
1,985	2,116	2,244	2,370	2,493	2,731
<u>\$ 1,625,000</u>	<u>\$ 1,632,745</u>	<u>\$ 1,628,027</u>	<u>\$ 1,644,814</u>	<u>\$ 1,495,377</u>	<u>\$ 1,366,753</u>
13.79%	14.42%	15.23%	15.87%	14.10%	13.06%
\$ 3,421	\$ 3,534	\$ 3,578	\$ 3,697	\$ 3,390	\$ 3,101

CITY OF MESA, ARIZONA

TABLE VIIIRATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

(in thousands)

Year	Secondary Assessed Value (1)	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Secondary Assessed Value	Per Capita (2)
2011	4,094,037	283,735	134	283,601	6.93%	645
2012	3,164,277	290,270	1	290,269	9.17%	658
2013	2,770,422	328,152	138	328,014	11.84%	739
2014	2,559,634	347,465	372	347,093	13.56%	765
2015	2,821,173	338,875	3,584	335,291	11.88%	726
2016	2,757,913	350,983	2,618	348,365	12.63%	733
2017	2,888,291	374,755	4,989	369,766	12.80%	750
2018	3,048,893	365,755	5,384	360,371	11.82%	719
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

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

(2) Population figures are found on Table XII.

CITY OF MESA, ARIZONA

TABLE IX

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)

JUNE 30, 2020

(in thousands)

Governmental Unit	Debt Outstanding (2)	Estimated Percentage Applicable to City of Mesa	
		Percent (2)(3)	Amount
Debt repaid with property taxes			
Maricopa County Community College District	\$ 312,450	8.14%	25,436
Maricopa Special Health Care District	459,125	8.18%	37,548
Mesa Unified School District No. 4	316,135	86.44%	273,270
Gilbert Unified School District No. 41	117,425	26.71%	31,364
Queen Creek Unified School District No. 95	132,910	33.05%	43,925
Higley Unified School District No. 60	103,045	0.92%	953
Tempe Union High School District No. 213	82,925	0.32%	264
Tempe Elementary School District No. 3	152,320	0.76%	1,158
Eastmark Community Facilities District No. 1	40,265	100.00%	40,265
Cadence Community Facilities District	1,480	100.00%	1,480
Other Debt:			
Maricopa County	102,685	8.14%	8,359
Subtotal, overlapping debt			464,022
City direct debt			334,760
Total Direct and Overlapping Debt			\$ 798,782

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

(2) Source: Hilltop Securities, Inc.

(3) Proportion applicable to the City is computed on the ratio of net assessed limited property valuation for fiscal year 2019/2020.

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

CITY OF MESA, ARIZONA

TABLE X

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

(in thousands)

	2019-20	2018-19	2017-18	2016-17
6% Limitation (1)				
Legal Debt Limitation	\$ 285,114	\$ 196,678	\$ 182,934	\$ 173,297
General Obligation Bonds Outstanding	<u>450</u>	<u>518</u>	<u>724</u>	<u>846</u>
Total Debt Margin Available	<u>\$ 284,664</u>	<u>\$ 196,160</u>	<u>\$ 182,210</u>	<u>\$ 172,451</u>
 Total Net Debt Applicable to the 6% Limit as A Percentage of the 6% Legal Debt Limitation	 0.16%	 0.26%	 0.40%	 0.49%
20% Limitation (2)				
Legal Debt Limitation	\$ 950,381	\$ 655,593	\$ 609,779	\$ 577,658
General Obligation Bonds Outstanding	<u>334,609</u>	<u>370,152</u>	<u>365,031</u>	<u>373,909</u>
Total Debt Margin Available	<u>\$ 615,772</u>	<u>\$ 285,441</u>	<u>\$ 244,748</u>	<u>\$ 203,749</u>
 Total Net Debt Applicable to the 20% Limit as A Percentage of the 20% Legal Debt Limitation	 35.21%	 56.46%	 59.86%	 64.73%
Total Margin Available	<u>\$ 900,436</u>	<u>\$ 481,601</u>	<u>\$ 426,958</u>	<u>\$ 376,200</u>
Full Cash Net Assessed Value	<u>\$ 4,751,903</u>	<u>\$ 4,329,347</u>	<u>\$ 3,983,671</u>	<u>\$ 3,707,067</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 X
(Concluded)

2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
\$ 165,475 1,047	\$ 169,270 1,275	\$ 153,578 605	\$ 166,225 175	\$ 189,857 1,370	\$ 245,642 5,326
<u>\$ 164,428</u>	<u>\$ 167,995</u>	<u>\$ 152,973</u>	<u>\$ 166,050</u>	<u>\$ 188,487</u>	<u>\$ 240,316</u>
0.63%	0.75%	0.39%	0.11%	0.72%	2.17%
\$ 551,583 349,903	\$ 564,235 343,370	\$ 511,927 344,040	\$ 554,084 300,735	\$ 632,855 288,900	\$ 818,807 278,409
<u>\$ 201,680</u>	<u>\$ 220,865</u>	<u>\$ 167,887</u>	<u>\$ 253,349</u>	<u>\$ 343,955</u>	<u>\$ 540,398</u>
63.44%	60.86%	67.20%	54.28%	45.65%	34.00%
<u>\$ 366,108</u>	<u>\$ 388,860</u>	<u>\$ 320,860</u>	<u>\$ 419,399</u>	<u>\$ 532,442</u>	<u>\$ 780,714</u>
<u>\$ 2,757,913</u>	<u>\$ 2,821,173</u>	<u>\$ 2,559,634</u>	<u>\$ 2,770,422</u>	<u>\$ 3,164,277</u>	<u>\$ 4,094,037</u>

CITY OF MESA, ARIZONA

TABLE XI

PLEDGED-REVENUE COVERAGE

LAST TEN FISCAL YEARS

(in thousands)

Utility System Revenue Bonds						
	Operating Revenues (1)	Operating Expenses	Net Revenue Available for Debt Service	Debt Service		Coverage Ratio
				Principal	Interest	
2010-11	283,921	190,441	93,480	12,585	42,814	1.69
2011-12	299,356	180,296	119,060	21,365	43,465	1.84
2012-13	293,915	241,128	52,787	21,630	46,412	0.78
2013-14	295,710	203,187	92,523	22,550	51,927	1.24
2014-15	311,506	209,677	101,829	21,860	46,423	1.49
2015-16	323,099	218,706	104,393	25,800	44,794	1.48
2016-17	348,794	225,257	123,537	13,885	47,187	2.02
2017-18	361,863	228,933	132,930	31,354	50,739	1.62
2018-19	365,081	257,166	107,915	21,450	50,695	1.50
2019-20	366,838	285,610	81,228	36,350	55,061	0.89

Highway User Revenue Fund Revenue Bonds				
	Highway User Fund Revenues	Debt Service		Coverage Ratio
		Principal	Interest	
2010-11	32,053	6,030	6,365	2.59
2011-12	27,825	3,290	5,563	3.14
2012-13	30,046	6,145	5,627	2.55
2013-14	30,923	6,945	5,472	2.49
2014-15	33,952	6,305	5,158	2.96
2015-16	35,383	7,390	4,844	2.89
2016-17	38,048	7,900	4,473	3.08
2017-18	39,477	8,375	4,080	3.17
2018-19	42,406	8,715	3,663	3.43
2019-20	42,099	9,155	3,243	3.40

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

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

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

TABLE XI
(Concluded)

Special Assessment Bonds				Community Facility District Bonds			
Special Assessment Collections	Debt Service		Coverage Ratio	Community Facility District Collections	Debt Service		Coverage Ratio
	Principal	Interest			Principal	Interest	
1,088	744	337	1.01	-	-	-	-
996	744	297	0.96	-	-	-	-
897	744	257	0.90	-	-	7	-
861	744	217	0.90	195	65	131	0.99
827	744	178	0.90	672	232	456	0.98
790	745	138	0.89	1,320	489	832	1.00
1,041	745	98	1.23	1,612	645	914	1.03
289	335	68	0.72	2,261	984	1,197	1.04
261	567	49	0.42	3,010	2,125	1,690	0.79
288	219	19	1.21	4,324	1,685	2,321	1.08

Highway Project Advancement Notes

Excise Tax Revenues (2)	Debt Service		Coverage Ratio
	Principal	Interest	
200,873	-	1,576	127.48
199,949	-	4,312	46.37
213,309	-	5,404	39.47
221,355	-	4,790	46.21
234,183	-	3,892	60.17
242,020	77,835	324	3.10
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

CITY OF MESA, ARIZONA

TABLE XII

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Median Age	Public School Enrollment (1)	Unemployment Rate (2)
2011	440,677	10,465,197	23,748	32.6	66,144	9.0%
2012	441,160	10,603,281	24,035	34.3	65,662	7.5%
2013	444,856	10,361,141	23,291	34.4	64,892	7.2%
2014	454,981	10,687,959	23,491	35.3	64,932	6.5%
2015	462,376	11,321,276	24,485	35.5	64,532	5.4%
2016	475,274	11,783,944	24,794	35.7	65,049	5.3%
2017	493,089	12,644,774	25,644	36.0	63,779	4.5%
2018	501,137	13,522,180	26,983	36.2	67,025	4.3%
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%

Sources:

(1) Arizona Department of Education

(2) Bureau of Labor Statistics

Beginning in 2011 unemployment rate is not seasonally adjusted.

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

Employer	2020			2011		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Banner Health	8,321	1	5.22%	8,650	2	4.24%
Mesa Public Schools	7,994	2	5.01%	9,500	1	4.65%
The Boeing Company	4,600	3	2.88%	4,260	3	2.09%
City of Mesa	4,135	4	2.59%	3,442	4	1.69%
Wal-Mart	2,853	5	1.79%	2,503	5	1.23%
Drivetime Automotive Group Inc	1,401	6	0.88%			0.00%
24-7 Intouch	1,400	7	0.88%			0.00%
Frys Food Stores (The Kroger Company)	1,359	8	0.85%	1,276	7	0.63%
AT&T	1,311	9	0.82%			
The Home Depot	1,111	10	0.70%	826	8	0.40%
Mesa Community College			0.00%	2,201	6	1.08%
Maricopa County Government			0.00%	720	9	0.35%
Mountain Vista Medical Center			0.00%	627	10	0.31%
Total	<u>34,485</u>		<u>21.63%</u>	<u>34,005</u>		<u>16.67%</u>

Source: City of Mesa Office of Economic Development

CITY OF MESA, ARIZONA

TABLE XIVFULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
Function/Program						
General Government	848	865	826	811	860	876
Police	1,290	1,212	1,189	1,189	1,155	1,154
Fire	580	546	522	518	492	503
Community Environment	187	189	195	194	189	182
Cultural-Recreational	320	340	315	289	599	338
Energy Resources	116	117	120	118	116	116
Water Resources	271	264	257	249	238	240
Environmental Management & Sustainability	147	147	148	147	138	127
Airport	11	12	11	11	11	10
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>3,770</u>	<u>3,690</u>	<u>3,582</u>	<u>3,526</u>	<u>3,798</u>	<u>3,545</u>

Source: City of Mesa Human Resources

TABLE XIV
(Concluded)

<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>
880	864	870	824
1,173	1,163	1,158	1,163
482	479	473	457
178	183	184	189
317	313	332	334
117	117	115	116
238	229	233	230
125	127	117	120
<u>10</u>	<u>10</u>	<u>9</u>	<u>9</u>
<u>3,520</u>	<u>3,485</u>	<u>3,491</u>	<u>3,442</u>

CITY OF MESA, ARIZONA

TABLE XVOPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2019-20	2018-19	2017-18	2016-17	2015-16
Police					
Major Crimes	11,716	11,559	12,347	13,151	13,208
Traffic Accidents	6,267	6,637	6,599	6,966	6,968
Fire					
Fires	1,113	1,004	1,144	1,153	1,053
Rescue or Emergency	54,478	54,139	53,183	50,024	49,743
False Alarms	1,210	1,373	1,087	989	1,083
Hazardous Conditions	518	505	471	488	507
Other Calls	15,520	14,337	11,536	14,034	10,613
Libraries					
Number of Registered Borrowers	106,062	117,974	119,489	121,340	122,810
Total Attendance	671,069	1,131,120	1,061,875	1,067,207	1,157,394
Access to Electronic Resources	1,073,373	1,159,536	1,131,101	1,272,859	1,345,977
Electric Connections	17,695	17,018	17,066	16,724	16,854
Gas Connections	76,888	65,993	63,969	62,010	60,383
Water					
Connections	175,232	157,000	146,172	144,276	141,824
Average Daily Consumption (mgd)*	76.52	78.66	81.84	79.78	78.55
Peak Daily Consumption (mg)**	118.93	117.77	122.51	120.35	116.62
Wastewater					
Connections	127,763	127,000	130,343	128,782	126,359
Average Daily Sewage Treatment (mgd)*	33.20	34.50	34.06	34.28	34.60
Solid Waste					
Customers Served	134,563	134,777	131,991	129,479	127,517
Refuse Collected (tons)	236,682	241,307	232,756	232,812	236,849
Recyclables Collected (tons)	33,566	32,227	32,367	35,546	35,499
Green Waste Collected (tons)	20,199	20,236	16,688	19,639	20,602
Falcon Field					
Average Number of Aircraft Based	724	752	717	689	663
Aircraft Operations (annual)	349,300	326,255	288,122	289,801	270,702

* mgd - millions of gallons per day

** mg - millions of gallons

TABLE XV
(Concluded)

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

CITY OF MESA, ARIZONA

TABLE XVICAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>
Police Stations				
Stations	8	8	8	8
Vehicular Patrol Units	300	287	281	281
Fire Stations	20	20	20	20
Libraries	4	4	4	4
Parks and Recreation				
Developed Parks (acres)	2,139	1,929	1,929	2,300
Undeveloped Acres	719	861	861	475
Swimming Pools	9	9	9	9
Recreation Facilities	6	6	5	5
Community Environment				
Streets (miles)				
Paved	1,485	1,482	1,476	1,387
Unpaved	1	1	82	82
Storm Sewers (miles)	402	398	397	394
Gas Mains (miles)	1,384	1,363	1,346	1,325
Water				
Mains (miles)	2,462	2,435	2,401	2,398
Storage Capacity (millions of gallons)	109	112	112	109
Wastewater				
Mains (miles)	1,789	1,788	1,784	1,778
Treatment Capacity (millions of gallons per day)	60	60	60	60
Solid Waste				
Collection Trucks	90	77	77	75
Golf Courses	1	1	1	1

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

TABLE XVI
(Concluded)

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





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FOR THE FISCAL YEAR ENDED | JUNE 30, 2020