

COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

CITY OF

MESA

ARIZONA



CITY OF MESA ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2015



JOHN GILES
Mayor



DAVE RICHINS
Council Member
District 1

CHRIS BRADY
City Manager

ALEX FINTER
Council Member
District 2



DENNIS KAVANAUGH
Vice Mayor
District 3

KARI KENT
Deputy City Manager

CHRISTOPHER GLOVER
Council Member
District 4

DAVID LUNA
Council Member
District 5



KEVIN THOMPSON
Council Member
District 6

JOHN POMBIER
Deputy City Manager

Citizens of Mesa

Mayor and City Council

City Clerk
DeeAnn Mickelsen

City Court
Matt Tafoya

CITY MANAGER
Chris Brady

City Attorney
Jim Smith

City Auditor
Jennifer Ruttman

**Advisory Boards
and Committees**

Economic Development
Bill Jabjiniak

Assistant City Manager
Kari Kent

Development Services
Christine Zielonka

Energy Resources
Frank McRae

Engineering
Beth Huning

**Parks, Recreation &
Commercial Facilities**
Marc Heirshberg

Transportation
Lenny Hulme

Water Resources
Dan Cleavenger

Chief Innovation Officer
Alex Deshuk

Business Services
Ed Quedens

Communications
Randy Thompson

Information Technology
Diane Gardner

Library
Heather Wolf

Regional Communications
Broadband

Business Technology
Innovation

Chief Financial Officer
Michael Kennington

**Office of Management
and Budget**
Candace Cannistraro

Financial Services
Irma Ashworth

Enterprise Resource
Planning (ERP)
Valerie McBrien

Deputy City Manager
Scott J. Butler

Transit
Jodi Sorrell

Mayor and City Council
Support

Mesa Counts on College
Amy Trethaway

Grants

Federal and State Affairs

U.S. Conference of Mayors/
National League of Cities

Regional Initiatives,
Maricopa Association of
Governments

Deputy City Manager
Natalie Lewis

Falcon Field
Corinne Nystrom

Arts & Culture
Cindy Ornstein

Community Services
Ruth Giese

Downtown Coordination,
DMA

Assistant City Manager
John Pombier

Police Department
John Meza

Fire Department
Harry Beck

Facilities Maintenance
Dennis Ray

Fleet Services
Pete Scarafiotti

Human Resources
Gary Manning

**Public Information &
Communications**
Steve Wright

**Environmental
Management &
Sustainability**
Scott Bouchie

INTRODUCTORY SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT
2015



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December 31, 2015

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, 2015 is hereby submitted.

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

The City’s financial statements have been audited by CliftonLarsonAllen, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City for the fiscal year ended June 30, 2015, 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, 2015, 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 462,376 compared with the 2010 decennial census count of 439,041, within an incorporated area of approximately 141 square miles. Total land area encompasses 182 square miles. The City is the 38th largest city in the United States and is the third largest city in the State of Arizona. Mesa is located 16 miles east of Phoenix, the State Capitol. The City operates under a charter form of government with citizens electing a Mayor and six Councilmembers to set policy for the City. City Councilmembers are elected from districts and serve terms of four years, with three members being elected every two years. The Mayor is elected at-large every four years. The Mayor and Council are elected on a non-partisan basis, and the Vice Mayor is selected by the City Council.

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

An allocated staff of 3,545 full-time equivalent City employees working within twenty-eight different City departments undertakes the various functions of Mesa's city government and its operation. The City provides a full range of municipal services, including police and fire protection, parks and recreation, library, transportation, health and certain social services and general administration; and, the City owns and operates enterprises including operations of electric, gas, water, wastewater, and solid waste utilities, as well as an airport and a golf course. The Mesa Art Center, which includes 212,755 square feet of performing arts, visual arts and art education facilities, is the largest comprehensive arts campus in the state. The Mesa Art Center was awarded the Venue Excellence Award by the International Association of Venue Managers. This prestigious award recognizes venues such as stadiums, convention centers, arenas, performing arts centers, and academic institutions that demonstrate excellence in the following four criteria: service to the community, team building/professional development, safety and security, and operational excellence.

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

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

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

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

Factors Affecting Financial Condition

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

Local Economy

The City's economic indicator for residential construction in fiscal year (FY) 14/15 is up 24.0% from FY 13/14. Commercial construction increased 9.0% in FY 14/15 over the previous year. During FY 14/15 the City issued 1,446 permits for new residential construction. This is 34.0% more than the previous fiscal year. The corresponding dollar valuation associated with all FY 14/15 permits increased approximately \$144.0 million from the prior fiscal year. Analysis of the recent data indicates a continued increase in construction activity in both the residential and commercial sectors. Activity levels have been increasing for the past five years and may indicate some level of sustained recovery from the economic slowdown of the prior years.

The increase in construction activity resulted in an associated increase in sales tax revenues. For the year ending June 30, 2015, overall sales tax revenues were up 3.4%. Tourism also increased as evidenced by a 12.4% increase in the transient lodging (bed) tax. Other financial resources followed the economy's continuation of a slow and steady recovery. The City has incorporated this in the preparation of the FY 15/16 budget.

Conservative budget practices and willingness to respond to economic indicators continue to allow the City to maintain unrestricted fund balance reserve levels as established in the City's financial policies. The FY 15/16 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:

- **Light Rail Expansion** – In August of 2015, the 3.1 mile Central Mesa extension expanded the Valley Metro Light Rail route from Sycamore to Mesa Drive along Main Street, adding four stations and a 500 space park-and-ride seven months ahead of schedule. Work on the project began in summer of 2012. The expansion is expected to add 5,000 new riders and attract more business to the downtown Mesa area. The light rail will continue to expand in the East Valley with two additional miles of service planned to Gilbert Road, with an anticipated opening in 2018.
- **Sheraton Mesa at Wrigleyville West** – Starwood Hotels officially opened the Sheraton Mesa Hotel at Wrigleyville West in May of 2015. The hotel offers 180 rooms, 34,000 square feet of flexible meeting space, two pools, two hot tubs, a pool bar, a fitness facility, a full treatment spa, a bar and grill, and a full service Starbucks.
- **Courtyard by Marriott adjacent to Phoenix-Mesa Gateway Airport** – A Courtyard by Marriott hotel opened in October 2015, next to the Phoenix-Mesa Gateway Airport. The hotel, located on Ray Road east of Power Road, is designed for business travelers, but will also accommodate families. Each of the 99 rooms includes a desk and hospitality cabinet with a microwave and refrigerator. The hotel also features a contemporary lobby space, conference center, business center, full-service restaurant, 24-hour “mini-mart,” and an outdoor pool and patio area.
- **Eastmark** – In a report released by real estate advisory group RCLCO on July 7, 2015, Eastmark was ranked among the top 20 selling master-planned communities in the nation during the first half of 2015. Eastmark opened just over 2 years ago, and the 2015 season has seen strong interest from buyers wishing to live in this thriving Mesa-based community. Today, over 1,200 residents call Eastmark home, and the community is growing fast with continuous new phases such as an active adult neighborhood that premiered in March, and a new gated neighborhood coming soon.
- **Fiesta District** – Mesa’s Fiesta District is in the midst of a redevelopment renaissance.
 - Centrica, a \$20.0 million adaptive reuse office building, will act as a core project in the revitalization of the Fiesta District, a once vibrant and now growing center for commerce in Mesa. The location was once home to big-box retailers before closing and being purchased by Phoenix Rising Investments last year. The building was transformed into 100,000 square feet of Class A office space through adaptive reuse. The location was retrofitted with the necessary high tech infrastructure along with the 23-foot-high ceilings with exposed ductwork and wood accents.

- In March of 2015, it was announced that the former 158,000 square foot Macy's department store located at Fiesta Mall would be redeveloped by Scott Jackson and Steven Johnson, into the Fiesta Corporate Campus, a \$21.0 million two-story Class A corporate office complex with room to accommodate more than 2,000 employees. This project is expected to be completed in late 2016.
- The 827 W. Grove Building has also undergone a major \$2.3 million renovation and now features 70,000 square feet of Class A space, a new façade, a two-story lobby entrance, enhanced fiber capabilities, and a six or seven to 1,000 square feet parking ratio.

As redevelopment continues, the City of Mesa is positive about the future of the Fiesta District and a shifting focus from retail to diverse employment. The City has committed heavily to the area as well, investing \$12.0 million in streetscape improvements along Southern Avenue and constructing a \$15.0 million police substation. Anchoring institutions like Mesa Community College, Banner Desert Medical Center, and Cardon Children's Medical Center are also critical to the Fiesta District's continuing success, both as major employers in the area and as hubs for higher education, research and healthcare.

- **New Falcon Field Airport Terminal** – The City-owned Falcon Field Airport terminal was renovated at a cost of \$2.0 million with construction completed in November of 2015.
- **Mesa Counts on College Access Center** – In August, the City of Mesa, in partnership with Mesa Public Schools and Mesa Community College, opened the Mesa Counts on College Access Center which will be a free one-stop shop for all things post-secondary education. Students will be able to receive assistance with choosing a college and college applications, test preparation and vouchers, one-on-one counseling sessions and financial-aid guidance. The center will also offer services such as GED classes, scholarship and internship help, and direction for students who have an interest in vocational training or another alternative to a four-year college.
- **Mesa Aquatic Complex Grand Opening** – In May of 2015, Mesa celebrated the opening of the \$6.6 million Mesa Aquatic Complex. The Aquatic Complex is Mesa's ninth pool and includes a multi-use lap/dive pool and a leisure pool. The lap pool is comprised of eight lanes with a dive tank and can also accommodate a full-size water polo course. The leisure pool includes a zero-depth entry, aquatic play area and a lazy river. The building area accommodates a public entry, lockers, restrooms, offices and classrooms. Shade structures cover bleacher seating along the lap pool, and approximately 20,000 square feet of decking surrounds both pools for lounge chairs.
- **Hacienda HealthCare** – Hacienda HealthCare held a ribbon cutting ceremony for the official grand opening of Hacienda Children's Hospital in Mesa on July 1, 2015. The 20,900 square foot pediatric hospital will specialize in high-quality acute and sub-acute care for infants, children and teens. The new hospital offers 24/7 visitation, furniture to provide families and friends with comfortable overnight stays, and a playground for siblings and friends of the patients.

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, 2014. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael Kennington". The signature is fluid and cursive, with a prominent initial "M" and a long, sweeping underline.

Michael Kennington,
Chief Financial Officer



Government Finance Officers Association

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

Presented to

**City of Mesa
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO



FINANCIAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT
2015



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mesa, Arizona (City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mesa, Arizona as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During fiscal year ended June 30, 2015, the City of Mesa, Arizona, adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. As a result of the implementation of GASB Statements No. 68 and No. 71, the City reported a restatement for the change in accounting principle (see Note 18). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2015, on our consideration of the City of Mesa, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mesa, Arizona's internal control over financial reporting and compliance.



Phoenix, Arizona
December 31, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Mesa, Arizona (the City), we offer this discussion and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. This discussion and analysis is designed to 1) assist the reader in focusing on significant financial issues, 2) provide an overview of the City's financial activities, 3) identify changes in the City's financial position, 4) identify any material deviations from the financial plan (the approved annual budget), and 5) identify individual fund issues and concerns.

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

FINANCIAL HIGHLIGHTS

- The City's net position at the end of the fiscal year was \$874 million. The City's net position was adjusted due to a change in accounting principle, which resulted in a decrease in net position by \$589.2 million.
- The City's total revenues increased by \$55.4 million from \$858.9 million to \$914.3 million. The increase is primarily from Capital Grants and Contributions.
- As of the end of fiscal year 2015, the City's governmental funds reported a combined ending fund balance of \$280.5 million, an \$8.2 million decrease from the previous year. Approximately 37.2% of the total fund balance amount, or \$104.3 million is designated by the City as committed, or unassigned. The remaining 62.8% or \$176.1 million is designated as non-spendable or restricted.
- The City's total long-term liabilities increased by \$52.8 million to \$2.81 billion at June 30, 2015 due to the recording of net pension liabilities in accordance with GASB 68.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

- The *governmental activities* include the City's basic services including general government (administration), public safety, cultural-recreational, and community environment. 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.

The City restated the beginning net position for the governmental activities and business type activities due to the implementation of GASB Statement No. 68. This resulted in a decrease to beginning net position of \$539.5 million and \$49.7 million in the governmental activities and business type activities, respectively. See Note 18 to the basic financial statements for additional details of these restatements.

Government-Wide Financial Statement Analysis

The following tables, graphs and analysis discuss the financial position and changes to the financial position for the City as a whole as of and for the year ended June 30, 2015 and 2014.

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

	Governmental Activities		Business-Type Activities		Total Government	
	2015	2014 As Restated	2015	2014 As Restated	2015	2014 As Restated
Cash and Other Assets	\$ 614,770	\$ 610,158	\$ 436,696	\$ 456,593	\$ 1,051,466	\$ 1,066,751
Capital Assets	1,365,366	1,282,555	1,421,645	1,428,825	2,787,011	2,711,380
Total Assets	1,980,136	1,892,713	1,858,341	1,885,418	3,838,477	3,778,131
Deferred Amounts on Refunding	5,250	4,949	23,412	19,431	28,662	24,380
Deferred Outflows on Pensions	115,762	39,447	5,320	2,958	121,082	42,405
Total Deferred Amounts	121,012	44,396	28,732	22,389	149,744	66,785
Non-Current Liabilities Outstanding	955,591	936,843	1,205,189	1,188,235	2,160,780	2,125,078
Net Pension Liability	603,333	578,996	45,382	52,629	648,715	631,625
Other Liabilities	131,598	154,735	91,166	101,169	222,764	255,904
Total Liabilities	1,690,522	1,670,574	1,341,737	1,342,033	3,032,259	3,012,607
Deferred Inflows on Pensions	72,554	-	9,083	-	81,637	-
Net Investment in Capital Assets	932,660	866,332	327,743	393,720	1,260,403	1,260,052
Restricted Net Position	72,170	60,555	47,576	43,023	119,746	103,578
Unrestricted Net Position	(666,758)	(660,352)	160,934	129,031	(505,824)	(531,321)
Total Net Position	\$ 338,072	\$ 266,535	\$ 536,253	\$ 565,774	\$ 874,325	\$ 832,309

Net Position - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's net position, the amounts by which assets plus deferred outflows of resources, exceeded liabilities plus deferred inflows of resources, was \$874.3 million at the end of fiscal year 2015.

The largest portion of net position (\$1.3 billion or 144.2%) reflects the City's investment in capital assets (land, buildings, equipment, infrastructure, etc.) less any outstanding related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position represents resources that are subject to external restrictions on how they may be used. Such restrictions include debt service payments, transportation programs, and required bond indentures. The City's restricted assets increased \$16.2 million from \$103.6 million in fiscal year 2014 to \$119.8 million in fiscal year 2015 primarily due to increase in debt service and transportation program restrictions.

The unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors. Beginning unrestricted net position decreased \$589.2 million due to the pension liability restatement, thus the restated unrestricted net position was (\$531.3) million for fiscal year 2014. Unrestricted net position increased during fiscal year 2015 by \$25.5 million to (\$505.8) million primarily due to an increase in unrestricted revenues.

Capital Assets – The following table provides a breakdown of the City's capital assets at June 30, 2015 and 2014:

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

	Governmental Activities		Business-Type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
Land	\$ 348,421	\$ 297,398	\$ 54,333	\$ 54,167	\$ 402,754	\$ 351,565
Infrastructure - Nondepr	3,308	3,292	17,666	17,666	20,974	20,958
Buildings	235,707	223,178	62,471	64,255	298,178	287,433
Other Improvements	73,550	67,565	100,203	80,670	173,753	148,235
Machinery & Equipment	56,623	48,590	37,156	35,113	93,779	83,703
Intangibles	15,818	10,482	7,798	9,042	23,616	19,524
Infrastructure	574,978	467,476	1,043,965	932,917	1,618,943	1,400,393
Construction-in-Progress	56,961	164,574	98,052	234,995	155,013	399,569
Total	\$ 1,365,366	\$ 1,282,555	\$ 1,421,644	\$ 1,428,825	\$ 2,787,010	\$ 2,711,380

The City's investment in capital assets for its governmental and business-type activities amounts to \$2.8 billion (net of accumulated depreciation/amortization) as of June 30, 2015. 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.

Some of the larger capital asset completed during the current fiscal year were the Oakland A's – Hohokam Stadium & Fitch Park (\$24.4 million), Power Road Street Improvements (\$31 million), Mesa Drive Street Improvements (\$25 million), Elliot and Signal Butte Improvements (\$10.9 million), Pasadena Pump

Improvements (\$17.7 million), Fiesta District Improvements (\$12.7 million), Dobson Road and University Drive Improvements (\$5 million), Mesa Aquatics Complex (\$6.6 million), Mesa Center for Higher Education (\$5.7 million), and Benedictine University (\$11 million).

The remaining capital assets and construction projects were consistent with prior year additions and projects and primarily related to storm sewer projects, transportation projects, water projects and wastewater projects. Additional information on the City's capital assets can be found in Note 7 of the notes to the financial statements.

Debt Administration – The following schedule shows the outstanding long-term debt of the City as of June 30, 2015 and 2014.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Government</u>	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ 336,716	\$ 344,040	\$ 474	\$ 605	\$ 337,190	\$ 344,645
Utility System Revenue Bonds	-	-	1,007,455	991,995	1,007,455	991,995
Highway User Revenue Fund Bonds	100,285	107,705	-	-	100,285	107,705
Excise Tax Obligations	-	-	94,060	94,060	94,060	94,060
Special Assessment Bonds						
with Governmental Commitment	2,830	3,574	-	-	2,830	3,574
Community Facility District	10,974	5,897	-	-	10,974	5,897
Capital Leases	-	72	-	-	-	72
Notes Payable	77,835	77,835	2,116	2,244	79,951	80,079
Total	<u>\$ 528,640</u>	<u>\$ 539,123</u>	<u>\$ 1,104,105</u>	<u>\$ 1,088,904</u>	<u>\$ 1,632,745</u>	<u>\$ 1,628,027</u>

At the end of the current fiscal year, the City had total outstanding debt of \$1.6 billion. Of this amount, \$431.3 million comprises debt backed by the full faith and credit of the City and \$1.1 billion represents bonds secured by specified revenue sources (i.e., Utility System Revenue and Highway User Revenue). An additional amount of \$13.8 million are special assessment and community facility district bonds where the City is contingently liable in the event that the assessment revenues are insufficient to satisfy the debt payments.

The City's outstanding long-term debt (considering new borrowings, debt retirements, and refunding) increased \$4.7 million. The change in debt includes new borrowings during the fiscal year totaling \$49.8 million, refundings of \$120.5 million, principal payments of \$50.2 million, and payments to refund bond escrow agent of \$114.5 million.

The City's current bond ratings are as follows:

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

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

The City's total debt margin available at June 30, 2015 was \$168 million in the 6% capacity and \$220.9 million in the 20% capacity. Additional information on the City's long-term obligations can be found in Note 8 of the notes to the basic financial statements and also Table X in the Statistical Section.

Changes in Net Position

The following table shows the revenues and expenses of the City for the fiscal years ended June 30, 2015 and 2014.

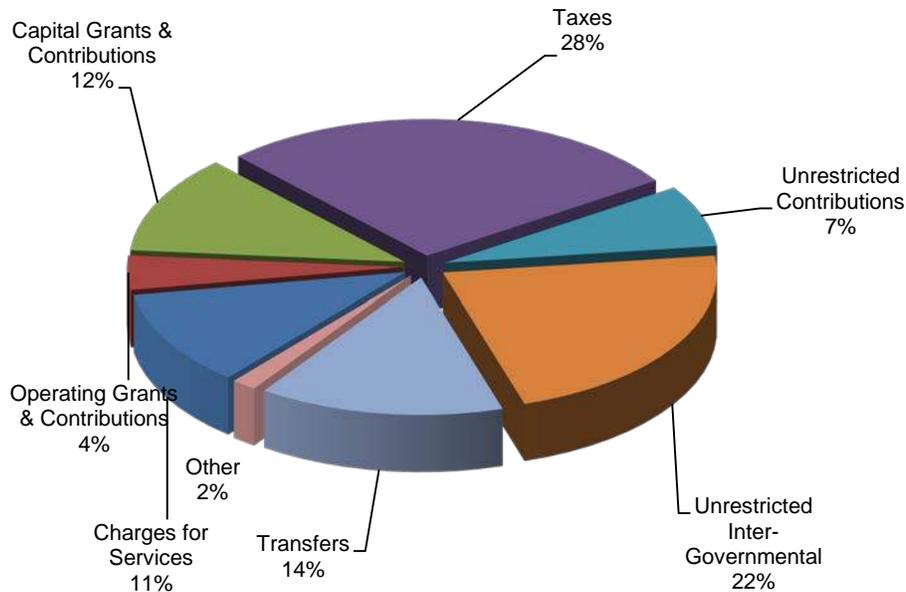
Changes in Net Position Year Ended June 30 (In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Government	
	2015	2014 As Restated	2015	2014 As Restated	2015	2014 As Restated
REVENUES						
Program Revenues:						
Charges for Services	\$ 73,398	\$ 61,193	\$ 333,292	\$ 304,554	\$ 406,690	\$ 365,747
Operating Grants & Contributions	26,418	29,514	157	9,056	26,575	38,570
Capital Grants & Contributions	75,907	20,714	18,107	17,331	94,014	38,045
General Revenues:						
Sales Taxes	146,337	140,567	-	-	146,337	140,567
Property Taxes	33,241	22,549	-	-	33,241	22,549
Occupancy Taxes	2,081	1,919	999	851	3,080	2,770
Unrestricted Intergovernmental Contributions	145,266	135,075	-	-	145,266	135,075
Unrestricted Investment Income	47,761	88,646	-	-	47,761	88,646
Gain on Disposal of Capital Assets	1,786	966	1,141	1,453	2,927	2,419
Miscellaneous	-	-	233	18,697	233	18,697
	7,844	5,550	5,157	288	13,001	5,838
Total Revenues	560,039	506,693	359,086	352,230	919,125	858,923
EXPENSES						
Governmental Activities:						
General Government	102,396	103,819	-	-	102,396	103,819
Public Safety	302,633	277,614	-	-	302,633	277,614
Cultural-Recreational	52,430	49,275	-	-	52,430	49,275
Community Environment	101,531	125,700	-	-	101,531	125,700
Interest on Long-Term Debt	23,939	24,431	-	-	23,939	24,431
Business-Type Activities:						
Electric	-	-	28,495	30,044	28,495	30,044
Gas	-	-	32,104	35,020	32,104	35,020
Water	-	-	101,863	93,871	101,863	93,871
Wastewater	-	-	71,161	65,637	71,161	65,637
Solid Waste	-	-	36,979	32,908	36,979	32,908
Airport	-	-	2,863	4,343	2,863	4,343
Golf Course	-	-	2,210	2,555	2,210	2,555
Convention Center	-	-	3,715	3,060	3,715	3,060
Hohokam Stadium/Fitch Complex	-	-	1,200	2,879	1,200	2,879
Cubs Stadium	-	-	8,581	6,201	8,581	6,201
District Cooling	-	-	885	1,153	885	1,153
Interest on Long-Term Debt	-	-	4,124	-	4,124	-
Total Expenses	582,929	580,839	294,180	277,671	877,109	858,510
Increase (Decrease) in Net Position Before Transfers	(22,890)	(74,146)	64,906	74,559	42,016	413
Transfers	94,427	109,520	(94,427)	(109,520)	-	-
Change in Net Position	71,537	35,374	(29,521)	(34,961)	42,016	413
Total Net Position - As Adjusted	266,535	231,161	565,774	600,735	832,309	831,896
Net Position - Ending	\$ 338,072	\$ 266,535	\$ 536,253	\$ 565,774	\$ 874,325	\$ 832,309

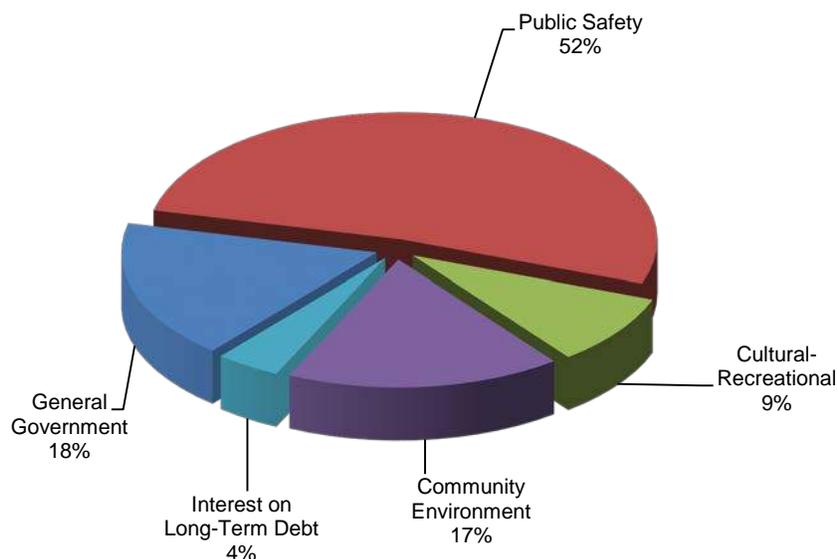
Governmental Activities

As presented in the following two graphs, the largest funding sources, including transfers, for the governmental activities are taxes (28%), Unrestricted Intergovernmental (22%), and Capital Grants & Contributions (12%). The largest users of resources for the governmental activities are Public Safety (52%), General Government (18%) and Community Environment (17%).

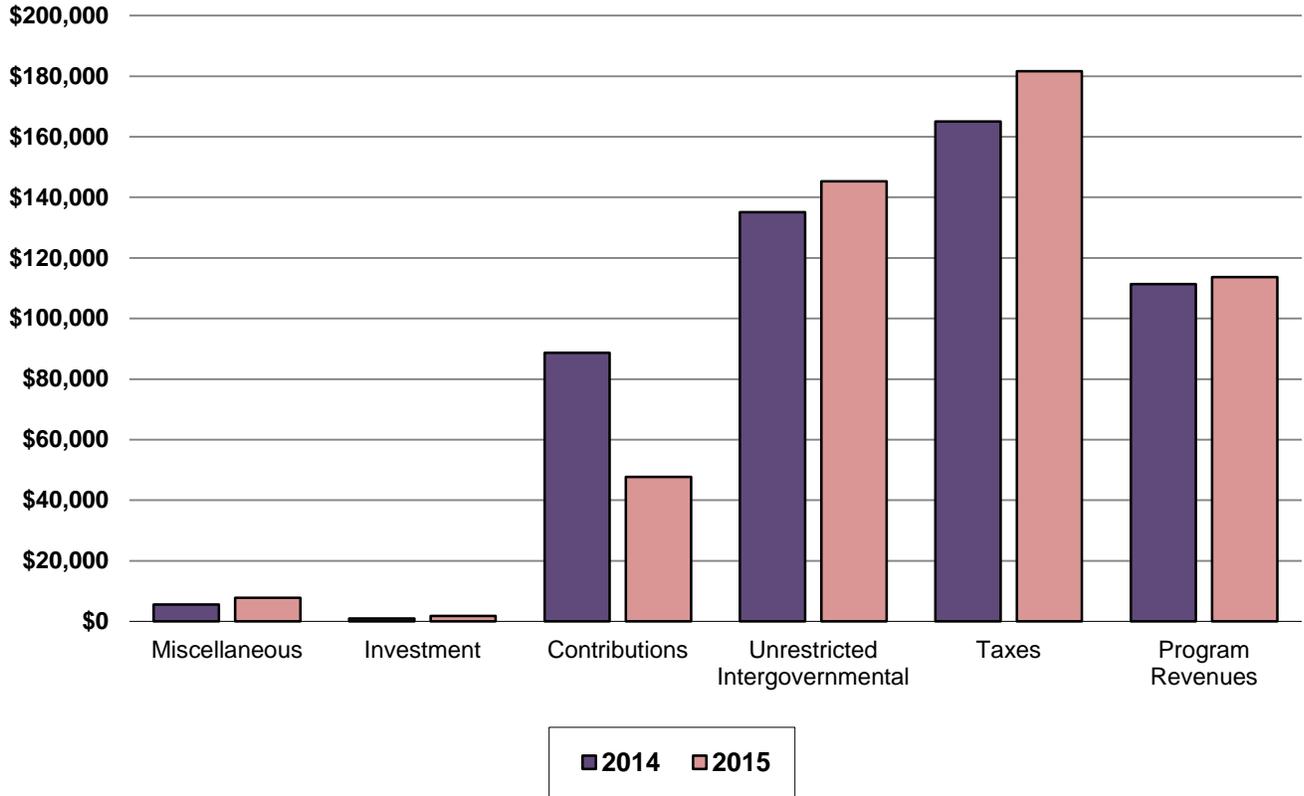
**Revenues by Source Including Transfers – Governmental Activities
For the Fiscal Year Ended June 30, 2015**



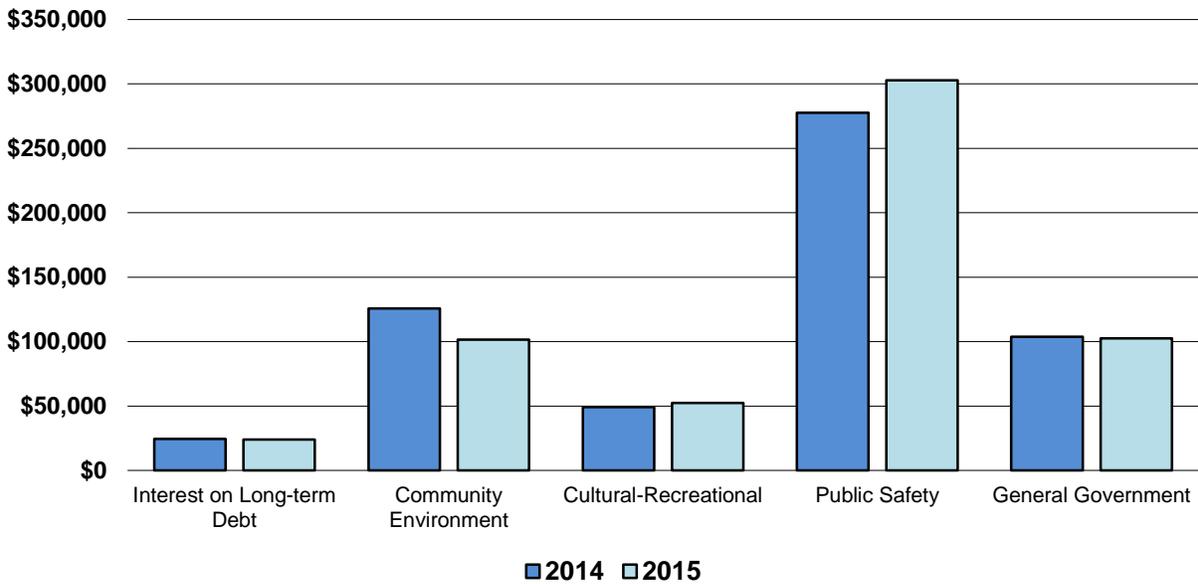
**Functional Expenses – Governmental Activities
For the Fiscal Year Ended June 30, 2015**



**Governmental Activities Revenues
For Fiscal Years 2015 and 2014**
(In thousands of dollars)



**Governmental Activities Functional Expenses
For Fiscal Years 2015 and 2014**
(In thousands of dollars)



The graphs above compare governmental activities revenues and expenses from fiscal year 2015 to fiscal year 2014. Total governmental activities revenues increased \$53.3 million from \$506.7 million to \$560 million. Total governmental expenses increased by \$2.1 million from \$580.8 million to \$582.9 million.

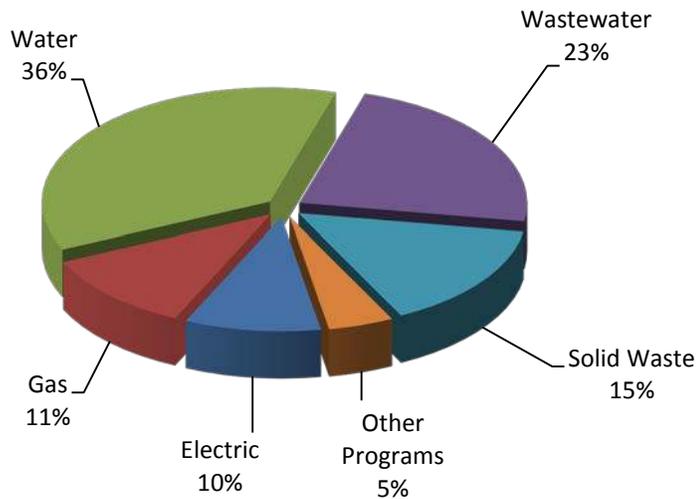
Key factors in this change include:

- Charges for services increased \$12.2 million, property taxes increased \$10.7 million and Unrestricted Intergovernmental revenues increased \$10.2 million. These increases are due to the continuing improvement in the local economy.
- Capital Grants and Contributions increased \$55.2 million which is due to an increase in donated capital assets.
- There was an increase in public safety expenditures of \$25.0 million directly related with pension expense and the implementation of GASB Statement 68.

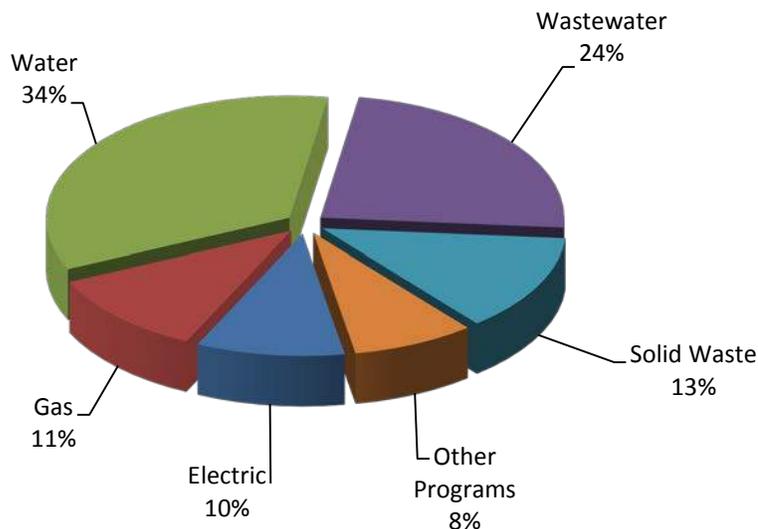
Business-type Activities

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

Revenues by Source – Business-type Activities



Functional Expenses – Business-Type Activities



Total business-type activities program and general revenues increased by \$6.9 million from \$352.2 million to \$359.1 million. The business-type activities total expenses increased by \$16.5 million from \$277.7 million to \$294.2 million. The largest increase in expenses was primarily in the water fund, and related to capital related expenditures and depreciation expense.

Fund Financial Statements

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

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

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

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

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

Other information – Governments have an option of including the budgetary comparisons statements for the General Fund as either part of the fund financial statements within the basic financial statements or as required supplementary information after the notes to the financial statements. The City has chosen to present the budgetary statements as required supplementary information beginning on page 103.

Fund Financial Statement Analysis

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

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

The City's governmental funds reported combined ending fund balance of \$280.5 million, an \$8.2 million decrease from the previous year. \$172.5 million of this total amount is restricted and \$30.2 million is committed, thus the balances are not available for spending in the coming year.

Although the governmental funds balanced decreased by \$8.2 million, the Net Change in Fund Balance was an improvement when compared to prior year's decrease of \$30.7 million. The governmental funds had an increase in revenues (primarily property tax) and a decrease in expenditures (primarily principal payments and capital outlay).

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, cultural-recreational, and community environment services. At the end of the current fiscal year, total fund balance of the General Fund was \$77.9 million, while unassigned fund balance was \$74.1 million.

Total fund balance of the City's General Fund increased by \$634 thousand during the current fiscal year from \$77.3 million to \$77.9 million. This increase is less than the prior year's increase in fund balance of \$23.7 million. This is primarily due to other financing sources (uses) decreasing in current year.

Proprietary Funds - The City's Enterprise Fund provides the same type of information as the government-wide financial statements, except in more detail. The total net position of the Enterprise Fund decreased by \$29.5 million in fiscal year 2015 from \$565.8 million (as restated) in fiscal year 2014 to \$536.3 million. The unrestricted net position of the Enterprise Fund amounted to \$160.9 million. The decrease in current year is primarily related to increase in depreciation, loss on disposal of assets, and loss from Joint Ventures.

Budgetary Highlights

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

Amendments to the adopted budget may occur throughout the year in a legally permissible manner (see Note 1.f. of the notes to the financial statements for more information on budget policies). No amendments increasing the City's total adopted budget of \$1.3 billion occurred during fiscal year 2015.

General Fund revenues of \$258.3 million, on a budgetary basis, were comparable to budgeted revenues of \$256.4 million. Expenditures of \$333.3 million were less than the budgeted expenditures of \$366.4 million. Savings were primarily in Capital Outlay, with smaller savings in public safety and general government functional areas.

ECONOMIC FACTORS

In June 2015, the City Council approved a \$1.6 billion budget, which is an increase of \$270 million compared to prior year's budget. The fiscal year 2015–16 budget includes \$1.4 billion for operations and \$256.9 million for scheduled bond capital improvements.

The adopted fiscal year 2015-16 budget continues the City's fiscally conservative approach to budget development, while still providing quality services to the citizens. Rather than simply surviving budget reductions, the City has reorganized and retooled to focus on community priorities and innovative approaches. The goal has been to help Mesa grow and prosper despite a challenging national, state, and local economy.

REQUESTS FOR INFORMATION

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



BASIC FINANCIAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT
2015



CITY OF MESA, ARIZONA
EXHIBIT A-1
STATEMENT OF NET POSITION
JUNE 30, 2015
(in thousands)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Pooled Cash and Investments	\$ 258,766	\$ 72,241	\$ 331,007
Accounts Receivable, Net	21,666	30,402	52,068
Accrued Interest Receivable	546	411	957
Due from Other Governments	22,202	4,360	26,562
Inventory	5,992	-	5,992
Prepaid Costs	2,626	1,376	4,002
Deposits	194	45	239
Restricted Assets:			
Pooled Cash and Investments	89,863	68,967	158,830
Cash with Fiscal Agent	38,980	48,351	87,331
Cash with Trustee	9,535	61	9,596
Accounts Receivable, Net	10,401	-	10,401
Due from Other Governments	942	-	942
Customer Deposits	-	4,144	4,144
Joint Venture Construction Deposits	-	4,206	4,206
Investment in Joint Ventures	153,057	202,132	355,189
Capital Assets, Not Being Depreciated	408,690	170,051	578,741
Capital Assets, Being Depreciated, Net	956,676	1,251,594	2,208,270
Total Assets	<u>1,980,136</u>	<u>1,858,341</u>	<u>3,838,477</u>
DEFERRED OUTFLOWS OF RESOURCES			
Debt Refunding	5,250	23,412	28,662
Pensions	115,762	5,320	121,082
Total Deferred Outflows of Resources	<u>121,012</u>	<u>28,732</u>	<u>149,744</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	37,189	6,745	43,934
Claims Payable	36,027	-	36,027
Customer and Defendant Deposits	8,265	-	8,265
Compensated Absences	395	-	395
Liabilities Payable from Restricted Assets	49,722	84,421	134,143
Net Pension Liability	603,333	45,382	648,715
Noncurrent Liabilities, Due Within One Year	113,150	25,418	138,568
Noncurrent Liabilities, Due in More Than One Year	842,441	1,179,771	2,022,212
Total Liabilities	<u>1,690,522</u>	<u>1,341,737</u>	<u>3,032,259</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions	72,554	9,083	81,637
Total Deferred Inflows of Resources	<u>72,554</u>	<u>9,083</u>	<u>81,637</u>
NET POSITION			
Net Investment in Capital Assets	932,660	327,743	1,260,403
Restricted For:			
Airport	-	9,891	9,891
Golf Courses	-	10	10
Hohokam Stadium/Fitch Complex	-	235	235
Court Projects	956	-	956
Debt Service	12,093	-	12,093
Bond Indentures	-	23,395	23,395
Public Safety	4,072	-	4,072
Developer Impact Fees	1,361	-	1,361
Grant Programs	561	-	561
Quality of Life Programs	3,077	-	3,077
Transportation Programs	48,931	-	48,931
Water, Wastewater & Solid Waste Improvements	-	9,839	9,839
Construction	-	4,206	4,206
Miscellaneous Restrictions	1,119	-	1,119
Unrestricted	(666,758)	160,934	(505,824)
Total Net Position	<u>\$ 338,072</u>	<u>\$ 536,253</u>	<u>\$ 874,325</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, 2015

(in thousands)

<u>Functions/Programs:</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General Government	\$ 102,396	\$ 7,709	\$ 331	\$ 3,407
Public Safety	302,633	43,142	7,434	3,766
Cultural-Recreational	52,430	14,541	153	1
Community Environment	101,531	8,006	18,500	68,733
Interest on Long-Term Debt	23,939	-	-	-
Total Governmental Activities	<u>582,929</u>	<u>73,398</u>	<u>26,418</u>	<u>75,907</u>
Business-type Activities:				
Electric	28,495	33,601	-	356
Gas	32,104	39,422	-	288
Water	101,863	121,205	157	6,909
Wastewater	71,161	77,172	-	3,382
Solid Waste	36,979	52,748	-	-
Airport	2,863	3,454	-	2,474
Golf Course	2,210	1,737	-	-
Convention Center	3,715	2,475	-	200
Hohokam Stadium/Fitch Complex	1,200	2	-	4,498
Cubs Stadium	8,581	202	-	-
District Cooling	885	1,274	-	-
Interest on Long-Term Debt	4,124	-	-	-
Total Business-type Activities	<u>294,180</u>	<u>333,292</u>	<u>157</u>	<u>18,107</u>
Total Government	<u>\$ 877,109</u>	<u>\$ 406,690</u>	<u>\$ 26,575</u>	<u>\$ 94,014</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

Transfers

Total General Revenues and Transfers

Change in Net Position

Total Net Position - As Previously Reported

Change in Accounting Principle

Total Net Position - As Restated

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
\$ (90,949)	\$ -	\$ (90,949)
(248,291)	-	(248,291)
(37,735)	-	(37,735)
(6,292)	-	(6,292)
(23,939)	-	(23,939)
<u>(407,206)</u>	<u>-</u>	<u>(407,206)</u>
-	5,462	5,462
-	7,606	7,606
-	26,408	26,408
-	9,393	9,393
-	15,769	15,769
-	3,065	3,065
-	(473)	(473)
-	(1,040)	(1,040)
-	3,300	3,300
-	(8,379)	(8,379)
-	389	389
-	(4,124)	(4,124)
<u>-</u>	<u>57,376</u>	<u>57,376</u>
(407,206)	57,376	(349,830)
146,337	-	146,337
33,241	-	33,241
2,081	999	3,080
145,266	-	145,266
47,761	-	47,761
1,786	1,141	2,927
-	233	233
7,844	5,157	13,001
94,427	(94,427)	-
<u>478,743</u>	<u>(86,897)</u>	<u>391,846</u>
71,537	(29,521)	42,016
806,084	615,445	1,421,529
(539,549)	(49,671)	(589,220)
<u>266,535</u>	<u>565,774</u>	<u>832,309</u>
<u>\$ 338,072</u>	<u>\$ 536,253</u>	<u>\$ 874,325</u>

CITY OF MESA, ARIZONA
EXHIBIT A-3
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015
(in thousands)

	<u>General Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Pooled Cash and Investments	\$ 68,074	\$ 120,556	\$ 188,630
Accounts Receivable (Net of Allowances)	17,051	4,241	21,292
Accrued Interest Receivable	334	132	466
Due from Other Governments	6,354	15,840	22,194
Advances to Other Funds	1,788	-	1,788
Prepaid Costs	1,702	138	1,840
Deposits	194	-	194
Restricted Assets:			
Pooled Cash and Investments	-	89,863	89,863
Cash with Fiscal Agent	-	38,980	38,980
Cash with Trustee	-	9,535	9,535
Accounts Receivable	-	10,401	10,401
Due from Other Governments	-	942	942
Total Assets	<u>\$ 95,497</u>	<u>\$ 290,628</u>	<u>\$ 386,125</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 13,991	\$ 19,739	\$ 33,730
Advances from Other Funds	-	1,788	1,788
Customer and Defendant Deposits	1,805	6,460	8,265
Compensated Absences	395	-	395
Payable From Restricted Assets:			
Accrued Bond Interest Payable	-	11,507	11,507
Unearned Revenue	579	10,085	10,664
Matured Bonds Payable	-	27,551	27,551
Total Liabilities	<u>16,770</u>	<u>77,130</u>	<u>93,900</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	782	10,983	11,765
Total Deferred Inflows of Resources	<u>782</u>	<u>10,983</u>	<u>11,765</u>
FUND BALANCES			
Nonspendable	3,490	138	3,628
Restricted	184	172,316	172,500
Committed	126	30,092	30,218
Unassigned	74,145	(31)	74,114
Total Fund Balances	<u>77,945</u>	<u>202,515</u>	<u>280,460</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 95,497</u>	<u>\$ 290,628</u>	<u>\$ 386,125</u>

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

CITY OF MESA, ARIZONA

EXHIBIT A-4

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS

TO THE STATEMENT OF NET POSITION

JUNE 30, 2015

(in thousands)

Fund Balances - total governmental funds \$ 280,460

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. 1,363,241

Other assets used in governmental activities are not financial resources and therefore not reported in the governmental funds. 153,057

Deferred outflows related to deferred amounts on refunding and pensions are not financial resources and therefore not reported in the funds. 119,691

Long-term liabilities, including bonds payable and net pension liabilities are not due and payable in the current period and therefore not reported in the governmental funds. (1,537,427)

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. (58,544)

Internal service funds are used by management to charge the costs of certain activities to individual funds. 17,594

Net position of the governmental activities - statement of net position \$ 338,072

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

CITY OF MESA, ARIZONA
EXHIBIT A-5
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(in thousands)

	<u>General Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Sales Taxes	\$ 100,594	\$ 45,743	\$ 146,337
Property Taxes	-	34,022	34,022
Occupancy Taxes	25	2,056	2,081
Special Assessments	-	1,264	1,264
Licenses and Permits	15,446	5,446	20,892
Intergovernmental	117,084	68,445	185,529
Charges for Services	20,700	15,560	36,260
Fines and Forfeitures	8,096	2,409	10,505
Investment Income	595	1,198	1,793
Contributions	208	1,136	1,344
Miscellaneous Revenue	3,973	2,614	6,587
Total Revenues	<u>266,721</u>	<u>179,893</u>	<u>446,614</u>
EXPENDITURES			
Current:			
General Government	73,901	7,165	81,066
Public Safety	214,669	28,901	243,570
Cultural-Recreational	33,850	6,515	40,365
Community Environment	9,185	51,327	60,512
Debt Service:			
Principal	-	28,367	28,367
Interest on Bonds	-	19,374	19,374
Interest on Leases	-	3	3
Interest on Notes	-	3,892	3,892
Service Charges	-	13	13
Cost of Issuance	-	657	657
Capital Outlay	1,758	72,392	74,150
Total Expenditures	<u>333,363</u>	<u>218,606</u>	<u>551,969</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(66,642)</u>	<u>(38,713)</u>	<u>(105,355)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	97,562	25,482	123,044
Transfers Out	(30,286)	(15,038)	(45,324)
Face Amount of Bonds Issued	-	18,999	18,999
Premium on Issuance of Bonds (Net)	-	2,952	2,952
Issuance of Refunding Bonds	-	17,555	17,555
Payment to Refunded Bond Escrow Agent	-	(20,058)	(20,058)
Total Other Financing Sources (Uses)	<u>67,276</u>	<u>29,892</u>	<u>97,168</u>
Net Change in Fund Balances	634	(8,821)	(8,187)
Fund Balance - Beginning	<u>77,311</u>	<u>211,336</u>	<u>288,647</u>
Fund Balances - Ending	<u>\$ 77,945</u>	<u>\$ 202,515</u>	<u>\$ 280,460</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, 2015
(in thousands)

Net change in fund balances - total governmental funds	\$	(8,187)
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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.		4,409
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore not reported as expenditures in governmental funds.		(91,635)
Current-year pension contributions are reclassified to deferred outflows of resources and therefore not reported as expenditures in governmental funds.		41,904
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 (\$74,150) exceeded depreciation (\$71,913) in the current period.		2,237
The net effect of miscellaneous transactions involving capital assets (e.g., donations, transfers and disposals) is to decrease net position.		80,109
Change in equity in Joint Venture		27,481
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.		11,871
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.		502
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.		2,846

Change in net position of the governmental activities - statement of activities	\$	<u>71,537</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, 2015
(in thousands)

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal Service Funds</u>
ASSETS		
Current Assets:		
Pooled Cash and Investments	\$ 72,241	\$ 70,136
Accounts Receivable (Net of Allowances)	30,402	226
Accrued Premiums Receivable	-	148
Accrued Interest Receivable	411	80
Due from Other Governments	4,360	8
Inventory	-	5,992
Prepaid Costs	1,376	786
Deposits	45	-
Restricted Assets:		
Pooled Cash and Investments	68,967	-
Cash with Fiscal Agents	48,351	-
Cash with Trustees	61	-
Customer Deposits	4,144	-
Joint Venture Construction Deposits	4,206	-
Total Current Assets	<u>234,564</u>	<u>77,376</u>
Noncurrent Assets:		
Investment in Joint Ventures	202,132	-
Capital Assets, Not Being Depreciated	170,051	99
Capital Assets, Being Depreciated, Net	1,251,594	2,026
Total Noncurrent Assets	<u>1,623,777</u>	<u>2,125</u>
Total Assets	<u>1,858,341</u>	<u>79,501</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts on Refundings	23,412	-
Deferred Outflows Related to Pensions	5,320	1,321
Total Deferred Outflows of Resources	<u>28,732</u>	<u>1,321</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,887,073</u>	<u>\$ 80,822</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, 2015
(in thousands)

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal Service Funds</u>
LIABILITIES		
Current Liabilities-Payable From Current Assets:		
Accounts Payable	\$ 6,745	\$ 3,459
Claims Payable	-	36,027
Current Liabilities-Payable From Restricted Assets:		
Accounts Payable	7,506	-
Interest Payable	26,359	-
Unearned Revenue	122	-
Matured Bonds Payable	21,991	-
Customer Deposits and Prepayments	28,443	-
Current Portion of Long-Term Liabilities:		
Current Portion of Bonds Payable	24,884	-
Current Portion of Notes Payable	131	-
Current Portion of Compensated Absences	403	69
Total Current Liabilities	<u>116,584</u>	<u>39,555</u>
Long-Term Liabilities:		
Bonds Payable	1,077,105	-
Notes Payable	1,985	-
Unamortized Bond Premium	22,521	-
Compensated Absences	3,535	578
Net Pension Liability	45,382	11,216
Post Employment Benefits	74,625	9,634
Total Long-Term Liabilities	<u>1,225,153</u>	<u>21,428</u>
Total Liabilities	<u>1,341,737</u>	<u>60,983</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions	9,083	2,245
Total Deferred Inflows of Resources	<u>9,083</u>	<u>2,245</u>
NET POSITION		
Net Investment in Capital Assets	327,743	2,125
Restricted For:		
Airport	9,891	-
Golf Course	10	-
Hohokam Stadium\Fitch Complex	235	-
Capital Projects	-	-
Debt Service	-	-
Bond Indentures	23,395	-
Water, Wastewater & Solid Waste Improvements	9,839	-
Construction	4,206	-
Unrestricted	160,934	15,469
Total Net Position	<u>\$ 536,253</u>	<u>\$ 17,594</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, 2015

(in thousands)

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
Operating Revenues:		
Electric Sales Pledged as Security for Revenue Bonds	\$ 33,601	\$ -
Gas Sales Pledged as Security for Revenue Bonds	39,422	-
Water Sales Pledged as Security for Revenue Bonds	116,158	-
Wastewater Charges Pledged as Security for Revenue Bonds	69,906	-
Solid Waste Charges Pledged as Security for Revenue Bonds	52,419	-
Airport Fees	3,454	-
Golf Course Fees	1,737	-
Convention Center Fees	2,475	-
Hohokam Stadium/Fitch Complex Fees	2	-
Cubs Stadium Fees	202	-
District Cooling Charges	1,274	-
Economic Investment Charges	-	-
Charges For Services	-	25,621
Self-Insurance Contributions	-	76,129
Other Revenue	-	672
Total Operating Revenues	320,650	102,422
Operating Expenses:		
Electric	23,412	-
Gas	23,219	-
Water	45,462	-
Wastewater	24,027	-
Solid Waste	35,333	-
Airport	1,498	-
Golf Course	1,743	-
Convention Center	3,480	-
Hohokam Stadium/Fitch Complex	1,083	-
Cubs Stadium	4,352	-
District Cooling	416	-
Warehouse, Maintenance & Services	-	26,400
Self-Insurance	-	72,760
Other Operating Expenses	-	-
Total Operating Expenses	164,025	99,160
Operating Income (Loss) Before Depreciation and Amortization	156,625	3,262
Depreciation and Amortization	(67,422)	(417)
Operating Income (Loss)	89,203	2,845

(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, 2015
(in thousands)

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
Nonoperating Revenues (Expenses):		
Investment Income Pledged as Security for Revenue Bonds	1,092	-
Investment Income Unpledged	49	(7)
Intergovernmental	157	-
Interest Expense:		
Bonds	(45,568)	-
Notes Payable and Other Long-Term Obligations	(16)	-
Bond Administrative Costs	(43)	-
Gain/(Loss) on Disposal of Capital Assets	(20,794)	8
Net Loss from Joint Venture	(16,261)	-
Utility Development Fees	12,642	-
Bond Issuance Costs	(845)	-
Occupancy Tax	999	-
Miscellaneous Revenue	5,157	-
Total Nonoperating Revenues (Expenses)	<u>(63,431)</u>	<u>1</u>
Income before Transfers and Capital Contributions	25,772	2,846
Capital Contributions	22,427	-
Transfers In	19,515	-
Transfers Out	<u>(97,235)</u>	<u>-</u>
Change in Net Position	(29,521)	2,846
Total Net Position - As Previously Reported	615,445	27,025
Change in Accounting Principle	<u>(49,671)</u>	<u>(12,277)</u>
Total Net Position - As Restated	<u>565,774</u>	<u>14,748</u>
Total Net Position - Ending	<u>\$ 536,253</u>	<u>\$ 17,594</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, 2015
(in thousands)

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 316,874	\$ -
Cash Received from Users	-	104,150
Cash Payments to Suppliers	(110,683)	(88,873)
Cash Payments to Employees	(54,231)	(10,167)
Other Non-Operating Revenue	5,157	-
Net Cash Provided By Operating Activities	157,117	5,110
Cash Flows From Noncapital Financing Activities:		
Intergovernmental	(1,211)	-
Transient Occupancy Tax	999	-
Transfers In from Other Funds	19,515	-
Transfers Out to Other Funds	(97,235)	-
Net Cash Provided By (Used For) Noncapital Financing Activities	(77,932)	-
Cash Flows From Capital and Related Financing Activities:		
Proceeds from Bond Sales	133,465	-
Proceeds From Sale of Capital Assets	257	-
Acquisition and Construction of Capital Assets	(72,882)	(876)
Principal Paid on Bonds, Leases and Notes Maturities	(118,802)	-
Interest Paid on Bonds, Leases and Notes	(53,112)	-
Developer Contributions and Capital Grants	23,061	-
Net Cash Used For Capital and Related Financing Activities	(88,013)	(876)
Cash Flows From Investing Activities:		
Interest Received on Investments	1,129	2
Net Cash Provided By Investing Activities	1,129	2
Net Change in Pooled Cash and Investments	(7,699)	4,236
Total Cash and Investments at Beginning of Year	197,319	65,900
Total Cash and Investments at End of Year	\$ 189,620	\$ 70,136

(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, 2015
(in thousands)

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:		
Operating Income	\$ 89,203	\$ 2,845
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:		
Depreciation and Amortization	67,422	417
Miscellaneous Revenue	5,157	-
Changes in Assets and Liabilities:		
(Increase)/Decrease in Receivables	(1,146)	1,728
(Increase)/Decrease in Inventory	-	(151)
(Increase)/Decrease in Deposits and Prepaid Costs	(3,679)	(71)
Increase/(Decrease) in Accounts Payable	(1,459)	607
Increase/(Decrease) in Unearned Revenue	122	-
Increase/(Decrease) in Pension Liability	(526)	(137)
Increase/(Decrease) in Other Accrued Expenses	2,023	(128)
Total Adjustments	67,914	2,265
Net Cash Provided By Operating Activities	<u>\$ 157,117</u>	<u>\$ 5,110</u>
Noncash Transactions Affecting Financial Position:		
Contributions of Capital Assets	12,008	
Loss on Disposal of Capital Assets	(21,051)	8
Amortization of Bond Premium	(3,108)	-
Amortization of Deferred Amounts on Refunding	3,981	-

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

CITY OF MESA, ARIZONA

EXHIBIT A-10

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2015

(in thousands)

	Payroll Agency
ASSETS	
Pooled Cash and Investments	\$ 14,269
Due from Others	2
Total Assets	<u>\$ 14,271</u>
LIABILITIES	
Accounts Payable	\$ 98
Accrued Payroll Payable	14,173
Total Liabilities	<u>\$ 14,271</u>

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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 462,376 within an area of approximately 141 square miles. The City's charter was adopted August 18, 1967 providing for a Council-Manager form of government. The City provides a full range of municipal services including police and fire protection, parks and recreation, library, transportation, health and certain social services and general administration. In addition, the City owns and operates an enterprise whose activities include operations of electricity, gas, water, wastewater, and solid waste utilities, an airport, golf course, convention center, two stadiums and district cooling.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

a. **Reporting Entity**

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

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

b. **Jointly Governed Organizations**

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

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

c. **Basic Financial Statements**

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

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

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

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

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FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

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

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

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

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

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

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
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Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a reconciliation is presented on the page following each governmental fund financial statement, which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental activities column of the government-wide financial statements. Additional reconciliations are also provided in Note 2.

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

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

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

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

e. **Fund Accounting**

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

The City reports the following major governmental funds:

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

The City reports the following non-major governmental funds:

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

CITY OF MESA, ARIZONA
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Six 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.

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

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

f. **Budgets and Budgetary Accounting**

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

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

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

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

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

CITY OF MESA, ARIZONA
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FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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 note to required supplementary information. Budgeted amounts are as originally adopted by the City Council on May 19, 2014.

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 funds' portion of this pool is reported on the financial statements as "pooled cash and investments". A single master custodian holds all assets of the invested pool. In addition, certain cash deposits and investments are also held separately by various City funds in separate accounts.

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

The City's investments are stated at fair value. Fair value is based on quoted market prices as of the valuation date.

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.

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.

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NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

The estimated useful lives are as follows:

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

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

k. **Compensated Absences**

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

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

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

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

m. **Long-Term Obligations**

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
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Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

n. **Pensions**

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

o. **Fund Balance Policies**

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

Nonspendable fund balance includes amounts that cannot be spent because either 1) it is not in a spendable form, such as inventory or prepaid items or 2) it is legally or contractually required to be maintained intact. Restricted fund balance has externally (outside the City) enforceable limitations imposed by creditors, grantors, contributors, laws and regulations of other governments, or laws through constitutional provisions or enabling legislation (changes in City Charter). Committed fund balance has self-imposed limitations imposed at the highest level of decision making authority, namely, Mayor and Council. Mayor and Council approval is required by resolution to commit resources or to rescind the commitment. Assigned fund balance represents limitations imposed by management. Assigned fund balance requests are submitted to the Chief Financial Officer for approval/nonapproval. City Charter authorizes the City Manager or Designee the authority to perform all financial transactions. The City Manager has authorized the Chief Financial Officer this responsibility. Unassigned fund balance represents the residual net resources in excess of the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance.

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

p. **Statement of Cash Flows**

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

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

q. **Contingency Services**

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

Any balance of a contingency appropriation not used during one fiscal year is available to help finance the following year's budget. The contingency applications are reflected in the budget basis financial statements for the fiscal year ended June 30, 2015 and are made in accordance with State Statutes.

r. **Property Taxes**

The City's secondary property tax is levied each year on or before the third Monday in August based on the previous January 1 full cash value as determined by the Maricopa County Assessor. Levies are due and payable in two installments, on October 1 and March 1, and become delinquent after November 1 and after May 1, respectively. A lien attaches to the property on the first day of January preceding the assessment and levy of taxes. Delinquent amounts bear interest at the rate of 16 percent. Maricopa County, at no charge to the taxing entities, bills and collects all property taxes. Public auctions of properties which have delinquent real estate taxes are held in February.

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

In fiscal year 2014-2015, current property tax collections were \$32,748,767 or 98.02% of the tax levy, and were recognized as revenue when received. At fiscal year end, the delinquent property tax is recorded as a receivable. Revenue is recognized for those payments expected to be collected within 60 days and the remaining balance is reported as unavailable revenue. The receivable at June 30, 2015 was \$942,471 of which \$474,811 was recorded as revenue and \$467,660 as unavailable revenue.

s. **New Accounting Pronouncements**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, improves accounting and financial reporting for pensions. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2014. The City implemented this Statement in fiscal year 2015. See Note 15 and Note 18 for the current year effect of implementing GASB Statement No. 68.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
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GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The requirements of this Statement are effective for fiscal periods beginning after December 15, 2013. The City has implemented this Statement in fiscal year 2015 with no impact.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, improves accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The provisions of this Statement should be applied simultaneously with the provisions of GASB Statement 68. The City implemented this Statement in fiscal year 2015, see Note 15 and Note 18 for the current year effect of implementing GASB Statement 71.

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The requirements of this Statement are effective for fiscal periods beginning after June 15, 2015. The City will implement this Statement in fiscal year 2016.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, improves the usefulness of information about pensions included in the financial reports of governments for making decisions and assessing accountability. Portions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2016. Other portions of this Statement are effective for fiscal years beginning after June 15, 2015. The City will implement this Statement with no impact to the Statements in fiscal year 2016.

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

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
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GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, identifies the hierarchy of generally accepted accounting principles and the framework for selecting those principles reducing the GAAP hierarchy to two categories of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The City will implement this Statement in fiscal year 2016.

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

Implementation Guide No. 2015-1, provides guidance that clarifies, explains, or elaborates on GASB Statements and Interpretations. This Implementation Guide supersedes all previously issued Implementation Guides, including the 2013-2014 Comprehensive Implementation Guide. The requirements of this Implementation Guide should be applied simultaneously with the requirements in Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is effective for reporting periods beginning after June 15, 2015. The City will implement this Statement in fiscal year 2016.

Although expected to be significant, the City has not fully determined the effects that implementation of Statements No. 74 and 75 will have on the City's financial statements. The City has also not fully determined the effects that implementation of Statements No. 72, 76, 77 and the Implementation Guide No. 2015-1 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
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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	\$ 188,630	\$ -	\$ 70,136	\$ -	\$ 258,766
Account and Misc Receivables, Net	21,292	-	374	-	21,666
Accrued Interest Receivable	466	-	80	-	546
Due from Other Governments	22,194	-	8	-	22,202
Advances from Other Funds	1,788	-	-	(1,788)	-
Inventory	-	-	5,992	-	5,992
Prepaid Costs □	1,840	-	786	-	2,626
Deposits	194	-	-	-	194
Restricted Assets:					
Pooled Cash and Investments	89,863	-	-	-	89,863
Cash with Fiscal Agent	38,980	-	-	-	38,980
Cash with Trustee	9,535	-	-	-	9,535
Accounts Receivable	10,401	-	-	-	10,401
Due from Other Governments	942	-	-	-	942
Investment in Joint Ventures	-	153,057	-	-	153,057
Capital Assets	-	1,363,241	2,125	-	1,365,366
Total Assets	<u>386,125</u>	<u>1,516,298</u>	<u>79,501</u>	<u>(1,788)</u>	<u>1,980,136</u>
Deferred Outflows of Resources					
Deferred Amounts on Refunding	-	5,250	-	-	5,250
Pensions	-	114,441	1,321	-	115,762
Total Deferred Outflows of Resources	<u>-</u>	<u>119,691</u>	<u>1,321</u>	<u>-</u>	<u>121,012</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 386,125</u>	<u>\$ 1,635,989</u>	<u>\$ 80,822</u>	<u>\$ (1,788)</u>	<u>\$ 2,101,148</u>
Liabilities					
Accounts Payable and Accrued Liabilities	\$ 33,730	\$ -	\$ 3,459	\$ -	\$ 37,189
Claims Payable	-	-	36,027	-	36,027
Advances to Other Funds	1,788	-	-	(1,788)	-
Customer and Defendant Deposits	8,265	-	-	-	8,265
Compensated Absences	395	-	-	-	395
Restricted Bond Interest Payable	11,507	-	-	-	11,507
Restricted Unearned Revenue	10,664	-	-	-	10,664
Matured Bonds Payable	27,551	-	-	-	27,551
Pension	-	592,117	11,216	-	603,333
Long-term Liabilities	-	945,310	10,281	-	955,591
Total Liabilities	<u>93,900</u>	<u>1,537,427</u>	<u>60,983</u>	<u>(1,788)</u>	<u>1,690,522</u>
Deferred Inflows of Resources					
Unavailable Revenue	11,765	(11,765)	-	-	-
Pension	-	70,309	2,245	-	72,554
Total Deferred Inflows of Resources □	<u>11,765</u>	<u>58,544</u>	<u>2,245</u>	<u>-</u>	<u>72,554</u>
Fund Balance/Net Position					
Total Fund Balance/Net Position	<u>280,460</u>	<u>40,018</u>	<u>17,594</u>	<u>-</u>	<u>338,072</u>
Total Liabilities and Fund Balance/Net Position	<u>\$ 386,125</u>	<u>\$ 1,635,989</u>	<u>\$ 80,822</u>	<u>\$ (1,788)</u>	<u>\$ 2,101,148</u>

CITY OF MESA, ARIZONA
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 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

- (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>\$ 153,057</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	\$ 2,176,183
Accumulated depreciation	<u>(812,942)</u>
Total	<u>\$ 1,363,241</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	\$ 5,250
Pensions	<u>114,441</u>
Total	<u>\$119,691</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	\$ 450,805
Notes payable	77,835
Compensated absences	25,928
Post-employment benefits	372,366
Unamortized bond premiums	18,376
Pension liability	<u>592,117</u>
Total	<u>\$ 1,537,427</u>

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

Unavailable property tax revenues	\$ 468
Unavailable special assessment revenue	10,364
Receivables not yet collected	<u>933</u>
Total	<u>\$ 11,765</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

Deferred Inflows – Pensions	<u>\$ 70,309</u>
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- (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>\$ 17,594</u>
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CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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	\$ 146,337	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 146,337
Property Taxes	34,022	(781)	-	-	-	-	33,241
Occupancy Taxes	2,081	-	-	-	-	-	2,081
Special Assessments	1,264	4,477	-	-	-	-	5,741
Licenses and Permits	20,892	-	-	-	-	-	20,892
Intergovernmental	185,529	-	-	-	-	-	185,529
Charges for Services	36,260	-	-	-	-	-	36,260
Fines and Forfeitures	10,505	-	-	-	-	-	10,505
Investment Income	1,793	-	-	(7)	-	-	1,786
Contributions	1,344	128	89,543	18,808	-	-	109,823
Miscellaneous	6,587	585	-	672	-	-	7,844
Other Sources:							
Transfers In	123,044	-	21,027	-	-	(45,324)	98,747
Face Amount of Bonds Issued	36,554	-	-	-	(36,554)	-	-
Premiums on Issuance of Bonds	2,952	-	-	-	(2,952)	-	-
Total Revenue and Other Sources	\$ 609,164	\$ 4,409	\$ 110,570	\$ 19,473	\$ (39,506)	\$ (45,324)	\$ 658,786
Expenditures/Expenses and Other Financing Uses							
Expenditures/Expenses:							
Current:							
General Government	\$ 81,066	\$ 6,348	\$ 11,236	\$ 7,200	\$ (3,454)	\$ -	\$ 102,396
Public Safety	243,570	40,873	11,739	6,451	-	-	302,633
Cultural-Recreational	40,365	1,137	8,653	2,275	-	-	52,430
Community Environment	60,512	1,373	38,945	701	-	-	101,531
Debt Service:							
Principal	28,367	-	-	-	(28,367)	-	-
Interest on Bonds	19,374	-	-	-	-	-	19,374
Interest on Leases	3	-	-	-	-	-	3
Interest on Notes	3,892	-	-	-	-	-	3,892
Service Charge	13	-	-	-	-	-	13
Cost of Issuance	657	-	-	-	-	-	657
Capital Outlay	74,150	-	(74,150)	-	-	-	-
Other Financing Uses:							
Transfers Out	45,324	-	4,320	-	-	(45,324)	4,320
Refunding Advance	20,058	-	-	-	(20,058)	-	-
Total Expenditures\Expenses & Other Financing Uses	617,351	49,731	743	16,627	(51,879)	(45,324)	587,249
Net Change for the Year	\$ (8,187)	\$ (45,322)	\$ 109,827	\$ 2,846	\$ 12,373	\$ -	\$ 71,537

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

- (1) Revenues in the statement of activities that do not provide current financial resources include unavailable revenues and State pension contributions. 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	\$ (781)
Special assessment revenue	4,477
State Pension Contributions	128
Unavailable revenue	<u>585</u>
Total	<u>\$ 4,409</u>

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

Accrual of long-term compensated absences	\$ 465
Accrual of post-employment benefits	28,208
Pension Expense	<u>62,962</u>
Total	<u>\$ 91,635</u>

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

Deferral of current year pension contribution	<u>\$ (41,904)</u>
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- (2) When capital assets that are to be used in the governmental activities are purchased or constructed the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of the financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.

Capital outlay for capital assets	\$ 74,150
Depreciation expense	<u>(71,913)</u>
Total	<u>\$ 2,237</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	27,481
Donated capital and transfers	<u>80,109</u>
Total	<u>\$ 107,590</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

- (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	\$ 19,473
Expenditures and other uses	<u>16,627</u>
Change in net position	<u>\$ 2,846</u>

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

New debt issued (including refunded debt):	
General Obligation bond proceeds	\$ (13,690)
Highway User Revenue bond proceeds	(17,555)
Community Facilities District Bonds	(5,309)
Principal repayments	28,367
Payment to refunded bond escrow accounts	<u>20,058</u>
Total	<u>\$ 11,871</u>

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

Amortization of deferred refunding amounts	\$ 1,367
Amortization of bond premiums	3,296
Premiums on bonds	(2,952)
Deferred Amounts on refunding	<u>(1,209)</u>
Total	<u>\$ 502</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	\$ (45,324)
Transfers in	<u>45,324</u>
Total	<u>\$ -</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

3. FUND BALANCE

As of June 30, 2015 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	\$ 1,702	\$ 138	\$ 1,840
Advances to Other Funds	1,788	-	1,788
Nonspendable Sub-total	3,490	138	3,628
Restricted:			
Debt Service	-	80,457	80,457
Capital Projects	-	33,328	33,328
Quality of Life Projects	-	3,077	3,077
Streets Projects	-	48,931	48,931
Public Safety	-	4,072	4,072
Cultural-Recreational	184	209	393
Community Environment	-	561	561
Court	-	956	956
Vehicle Replacement	-	725	725
Restricted Sub-total	184	172,316	172,500
Committed To:			
Debt Service	-	3,584	3,584
Capital Projects	-	7,393	7,393
Cultural-Recreational	-	1,547	1,547
Public Safety	-	7,160	7,160
Building Safety	-	1,433	1,433
Community Environment	126	6,675	6,801
Vehicle Replacement	-	2,300	2,300
Committed To Sub-total	126	30,092	30,218
Unassigned	74,145	(31)	74,114
Total Fund Balances	\$ 77,945	\$ 202,515	\$ 280,460

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, 2015 as reported in Exhibit B-6 is 11.8% of General Fund expenditures budgeted for fiscal year 2014-2015.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

4. POOLED CASH AND INVESTMENTS

Deposits

At year-end, the City's cash totaled \$121,678,310 which included \$260,665 of petty cash. The carrying amount of the City's deposits was \$121,417,645 and the bank balance was \$119,001,895. The difference of \$2,415,750 represents deposits in transit and other reconciling items.

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 (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, 2015 are covered under House Bill 2619.

Investments

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

Interest Rate Risk

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

Credit Risk

The City's investment policy limits its purchase of investments to the top ratings issued by nationally recognized statistical ratings organizations such as Standard & Poor's (S&P) and Moody's Investors Service (Moody's). The City's portfolio is primarily invested in securities issued by the U.S. Treasury and by U.S. Government Agency; Securities which are rated Aaa by Moody's and AA+ by S&P. The City's portfolio also invests in Corporate Notes rated A or better by S&P. The City participates in the State Treasurer's Investment Pool which is overseen according to Arizona State Statute by the State Board of Deposit. The City participates in State Treasurer Investment Pools 7 and 700. Pool 7 is a short-term fund and Pool 700 is a medium-term fund; both funds invest only in products backed by the full faith and credit of the United States Government. At June 30, 2015, Pool 7 had a Net Asset Value of \$1 per share and Pool 700 had a Floating Net Asset Value of \$1.008 per share. The Pools carried weighted average credit ratings of AAA.

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

The City's investments at June 30, 2015 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>More than 2</u>	
U.S. Treasuries	\$ 140,230	\$ 6,585	\$ 71,201	\$ 62,444	41.39 %
U.S. Agencies:					
Federal Home Loan Bank (**)	54,908	-	54,908 **	-	16.21
Federal Home Loan Mortgage Corp.(*) (***)	63,291	16,773	14,837 *	31,681 ***	18.68
Federal National Mortgage Assn	32,293	-	32,293	-	9.53
Federal Agricultural Mortgage Corp.	9,753	9,753	-	-	2.88
Tennessee Valley Authority	2,698	-	2,698	-	0.80
Corporate Notes					
Apple, Inc.	4,949	-	-	4,949	1.46
Bank of New York Mellon Inc.	4,997	-	-	4,997	1.47
Cisco Systems Inc.	2,810	-	-	2,810	0.82
General Electric Co.	4,900	-	-	4,900	1.45
American Honda Finance Corp.	5,001	-	-	5,001	1.48
Pepsico Inc.	986	-	-	986	0.29
Texas Instruments Inc.	4,940	-	-	4,940	1.46
Wells Fargo & Company	4,625	-	-	4,625	1.37
City of Mesa Special Improvement					
District Bonds	2,144	341	350	1,453	0.62
JP Morgan MMF	302	302	-	-	0.09
Total	\$ 338,827	\$ 33,754	\$ 176,287	\$ 128,786	100.00 %

* \$6,172 of these securities are callable on August 13, 2015

** \$2,173 of these securities are callable on August 27, 2015

** \$6,735 of these securities are callable on September 17, 2015

** \$6,738 of these securities are callable on March 24, 2016

*** \$7,920 of these securities are callable on November 27, 2015

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

Cash on Hand	\$ 261
Carrying Amount of City Deposits	121,418
Investments in Local Govt Invest Pool	43,600
Cash with Trustee (1)	9,596
Cash with Fiscal Agent (2)	87,331
Long-Term Investments	<u>338,827</u>
Pooled Cash and Investments	601,033
Less: Cash in Agency Fund	<u>(14,269)</u>
Total City Pooled Cash and Investments	<u>\$ 586,764</u>

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

(2) Represents cash sent by the City to fiscal agents on June 30, 2015 for debt service payments due to bondholders on July 1, 2015.

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

5. ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS

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

Fund	Receivables	Allowance	Net
Governmental Activities:			
General Fund:			
Taxes	\$ 12,034	\$ (2,583)	\$ 9,451
Courts	5,084	-	5,084
Other Customers	4,994	(2,478)	2,516
Due from Other Governments:			
State Shared Revenues	5,477	-	5,477
Other	877	-	877
Non-Major Governmental Funds:			
Taxes	4,002	-	4,002
Other Customers	239	-	239
Restricted-Spec. Assessments	10,365	-	10,365
Restricted-Other	36	-	36
Restricted-Due from Other Governments	942	-	942
Due from Other Governments	15,840	-	15,840
Internal Service Funds			
Premiums	148	-	148
Other Customers	226	-	226
Due from Other Governments	8	-	8
Total Governmental Activities	\$ 60,272	\$ (5,061)	\$ 55,211
Business-Type Activities:			
Utility Customers	\$ 26,434	\$ (820)	\$ 25,614
Other Customers	6,226	(1,438)	4,788
Due from Other Governments	4,360	-	4,360
Total Business-type Activities	\$ 37,020	\$ (2,258)	\$ 34,762

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

<u>Unearned Revenue</u>	General Fund	Non-Major Funds
Mesa Arts Center advanced ticket sales	\$ 399	\$ 36
Grants received prior to meeting all eligibility requirements	-	1,813
Amounts paid in advance	180	8,236
	<u>\$ 579</u>	<u>\$ 10,085</u>

<u>Unavailable Revenue</u>	General Fund	Non-Major Funds
Receivables not yet collected	\$ 782	\$ 151
Delinquent Property Taxes	-	468
Special Assessments not yet due	-	10,364
	<u>\$ 782</u>	<u>\$ 10,983</u>

Unbilled Accounts Receivable

Unbilled utility service receivables are recorded in the year in which the services are provided. At June 30, 2015, unbilled utility service receivables are recorded in the Enterprise Fund as follows (in thousands):

Electric	\$ 946
Gas	918
Water	4,583
Wastewater	2,478
Solid Waste	1,872
	<u>\$10,797</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The following advances are included in the fund financial statements at June 30, 2015 (in thousands):

Fund	Advances to Other Funds	Advances from Other Funds
General Fund	\$ 1,788	\$ -
Non-major Governmental Funds	-	1,788
Total Governmental Funds	\$ 1,788	\$ 1,788

The advances at June 30, 2015 are long-term loans to the Development Impact Fees fund to cover expenses which exceeded revenues received. The advances outstanding at June 30, 2015 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, 2015 (in thousands):

Fund	Transfers Out	Transfers In
Governmental Funds:		
General Fund	\$ 30,286	\$ 97,562
Non-major Governmental Funds	15,038	25,482
Total Governmental Funds	45,324	123,044
Proprietary Funds:		
Enterprise Fund	97,235	19,515
Total	\$ 142,559	\$ 142,559

Transfers from business-type activities to governmental activities on the government-wide statement of activities include a \$97,235,000 operational subsidy from the Enterprise Fund to the General Fund. In addition, there was a transfer from the governmental activities to the business-type activities related to sale of land proceeds. The remaining interfund transfers generally fall within one of the three following categories: 1) debt service payments made from a debt service fund but funded from an operating fund; 2) subsidy transfers; 3) to open new funds and/or close old funds. In addition to the cash transfers, the City had capital asset transfers out of the business-type activities to the governmental activities in the amount of \$21,027,000 and capital asset transfers from the governmental activities to the business-type activities in the amount of \$4,320,000.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

7. CAPITAL ASSETS

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2015 follows (in thousands):

	Balance July 1, 2014	Additions	Retirements	Transfers	Balance June 30, 2015
Governmental Activities:					
Non-depreciable Assets:					
Land	\$ 297,398	\$ 51,023	\$ -	\$ -	\$ 348,421
Infrastructure	3,292	16	-	-	3,308
Construction-in-Progress	164,574	88,280	(191,573)	(4,320)	56,961
Total Non-depreciable Assets	<u>465,264</u>	<u>139,319</u>	<u>(191,573)</u>	<u>(4,320)</u>	<u>408,690</u>
Depreciable Assets:					
Buildings	306,255	3,364	-	15,670	325,289
Other Improvements	156,941	13,087	(95)	1,588	171,521
Machinery & Equipment	167,397	19,492	(4,819)	-	182,070
Intangibles	13,511	5,969	-	3,769	23,249
Infrastructure	926,209	149,304	(236)	-	1,075,277
Total Depreciable Assets	<u>1,570,313</u>	<u>191,216</u>	<u>(5,150)</u>	<u>21,027</u>	<u>1,777,406</u>
Less Accumulated Depreciation for:					
Buildings	(83,077)	(6,505)	-	-	(89,582)
Other Improvements	(89,376)	(8,690)	95	-	(97,971)
Machinery & Equipment	(118,807)	(11,167)	4,527	-	(125,447)
Intangibles	(3,029)	(4,402)	-	-	(7,431)
Infrastructure	(458,733)	(41,566)	-	-	(500,299)
Total Accum. Depreciation	<u>(753,022)</u>	<u>(72,330)</u>	<u>4,622</u>	<u>-</u>	<u>(820,730)</u>
Total Depreciable Assets, net	<u>817,291</u>	<u>118,886</u>	<u>(528)</u>	<u>21,027</u>	<u>956,676</u>
Governmental Activities					
Capital Assets, net	<u>\$ 1,282,555</u>	<u>\$ 258,205</u>	<u>\$ (192,101)</u>	<u>\$ 16,707</u>	<u>\$ 1,365,366</u>

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

General Government	\$ 10,994
Public Safety	12,052
Cultural - Recreational	8,884
Community Environment	39,983
Capital assets held by the City's Internal Service funds are charged to the various functions based on their usage of assets	417
	<u>\$ 72,330</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Balance July 1, 2014	Additions	Retirements	Transfers	Balance June 30, 2015
Business-type Activities:					
Non-depreciable Assets:					
Land	\$ 54,167	\$ 166	\$ -	\$ -	\$ 54,333
Water Rights	17,560	-	-	-	17,560
Collections of Art	106	-	-	-	106
Construction-in-Progress	234,995	74,677	(190,593)	(21,027)	98,052
Total Non-depreciable Assets	<u>306,828</u>	<u>74,843</u>	<u>(190,593)</u>	<u>(21,027)</u>	<u>170,051</u>
Depreciable Assets:					
Buildings	87,735	30	-	-	87,765
Other Improvements	125,523	24,453	-	-	149,976
Machinery & Equipment	73,558	8,573	(4,721)	-	77,410
Intangibles	27,753	-	-	-	27,753
Infrastructure	1,587,173	159,698	(451)	4,320	1,750,740
Total Depreciable Assets	<u>1,901,742</u>	<u>192,754</u>	<u>(5,172)</u>	<u>4,320</u>	<u>2,093,644</u>
Less Accumulated Depreciation for:					
Buildings	(23,480)	(1,814)	-	-	(25,294)
Other Improvements	(44,853)	(4,920)	-	-	(49,773)
Machinery & Equipment	(38,445)	(6,530)	4,721	-	(40,254)
Intangibles	(18,711)	(1,244)	-	-	(19,955)
Infrastructure	(654,256)	(52,914)	395	-	(706,775)
Total Accum. Depreciation	<u>(779,745)</u>	<u>(67,422)</u>	<u>5,116</u>	<u>-</u>	<u>(842,051)</u>
Total Depreciable Assets, net	<u>1,121,997</u>	<u>125,332</u>	<u>(56)</u>	<u>4,320</u>	<u>1,251,593</u>
Business-type Activities					
Capital Assets, net	<u>\$ 1,428,825</u>	<u>\$ 200,175</u>	<u>\$ (190,649)</u>	<u>\$ (16,707)</u>	<u>\$ 1,421,644</u>

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

Electric	\$ 3,934
Gas	4,991
Water	27,429
Wastewater	21,766
Solid Waste	1,505
Airport	1,460
Golf Course	454
Convention Center	237
Hohokam Stadium/Fitch Complex	916
Cubs Stadium	4,261
District Cooling	469
	<u>\$ 67,422</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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	\$ 507	\$ -
Public Safety	6,020	40
Cultural-Recreational	2,475	-
Community Environmental	47,860	12,081
Warehouse, Maintenance & Services	99	-
Total	<u>\$ 56,961</u>	<u>\$ 12,121</u>
<u>Business-type Activities</u>	<u>Construction in Progress</u>	<u>Commitments</u>
Electric	\$ 9,002	\$ 239
Gas	10,471	159
Water	46,723	14,810
Wastewater	17,083	5,900
Solid Waste	6,000	51
Airport	4,645	1,865
Golf Course	129	-
Convention Center	342	60
Spring Training	3,618	595
District Cooling	39	6
Total	<u>\$ 98,052</u>	<u>\$ 23,685</u>

For the year ended June 30, 2015, the City capitalized net interest costs of \$4,327,017. Total interest expense in the Business-type Activities Enterprise Fund before capitalization was \$50,435,293.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

8. LONG-TERM OBLIGATIONS

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

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 344,040	\$ 13,690	\$ (21,014)	\$ 336,716	\$ 23,856
Highway User Revenue Bonds	107,705	17,555	(24,975)	100,285	7,390
Special Assessment Bonds					
with Governmental Commitment	3,574	-	(744)	2,830	745
Community Facility District	5,897	5,309	(232)	10,974	235
Total Bonds Payable	<u>461,216</u>	<u>36,554</u>	<u>(46,965)</u>	<u>450,805</u>	<u>32,226</u>
Capital Leases	72	-	(72)	-	-
Notes Payable	77,835	-	-	77,835	77,835
Unamortized Premiums	18,720	2,952	(3,296)	18,376	-
Post Employment Benefits	352,905	43,913	(14,818)	382,000	-
Compensated Absences	26,095	22,712	(22,232)	26,575	3,089
Governmental Activities Total	<u>\$ 936,843</u>	<u>\$106,131</u>	<u>\$ (87,383)</u>	<u>\$ 955,591</u>	<u>\$ 113,150</u>
Business-type Activities:					
Bonds Payable:					
Revenue Bonds	\$ 991,995	\$133,165	\$ (117,705)	\$1,007,455	\$ 24,800
General Obligation Bonds	605	-	(131)	474	84
Excise Tax Revenue Obligations	94,060	-	-	94,060	-
Total Bonds Payable	<u>1,086,660</u>	<u>133,165</u>	<u>(117,836)</u>	<u>1,101,989</u>	<u>24,884</u>
Notes Payable	2,244	-	(128)	2,116	131
Unamortized Bond Premiums	25,329	300	(3,108)	22,521	-
Post Employment Benefits	70,095	6,836	(2,306)	74,625	-
Compensated Absences	3,907	3,505	(3,474)	3,938	403
Business-type Activities Total	<u>\$1,188,235</u>	<u>\$143,806</u>	<u>\$ (126,852)</u>	<u>\$1,205,189</u>	<u>\$ 25,418</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for internal service funds are included as part of the above totals for governmental activities. At year-end, \$10,281,000 of internal service funds post-employment benefits and compensated absences are included in the above amounts.

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

b. Bonds Payable

At June 30, 2015, long-term bonds payable consisted of:

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

<u>General Obligation Bonds</u>	<u>Bonds Outstanding (In Thousands)</u>
\$46,230,300 2004 general obligation refunding serial bonds, due in annual installments ranging from \$34,839 to \$31,852,800, plus semi-annual interest ranging from 2.4 percent to 5.0 percent through July 1, 2018.	\$ 45,918
\$11,705,000 2005 general obligation serial bonds, due in annual installments ranging from \$500,000 to \$3,250,000, plus semi-annual interest ranging from 4.0 percent to 5.0 percent through July 1, 2024.	1,000
\$9,710,000 2006 general obligation serial bonds, due in annual installments ranging from \$135,000 to \$4,225,000, plus semi-annual interest ranging from 4.40 percent to 5.0 percent through July 1, 2025.	9,275
\$15,915,000 2007 general obligation serial bonds due in annual installments ranging from \$615,000 to \$5,500,000, plus semi-annual interest ranging from 4.125 percent to 6.0 percent through July 1, 2027.	15,915
\$15,450,000 2008 general obligation serial bonds due in annual installments ranging from \$375,000 to \$6,675,000, plus semi-annual interest ranging from 4.25 percent to 5.0 percent through July 1, 2028.	13,450
\$61,830,000 2009 general obligation serial bonds due in annual installments ranging from \$1,750,000 to \$10,125,000, plus semi-annual interest ranging from 4.0 percent to 4.625 percent through July 1, 2029.	43,745
\$30,865,000 2010 general obligation bonds due in annual installments ranging from \$1,115,000 to \$13,225,000, plus semi-annual interest ranging from 4.75 percent to 5.85 percent through July 1, 2030.	30,865
\$29,320,000 2011 general obligation serial bonds due in annual installments ranging from \$800,000 to \$6,825,000, plus semi-annual interest ranging from 2 percent to 4.25 percent through July 1, 2031.	25,075
\$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.	24,725
\$31,148,160 2012 general obligation refunding serial bonds due in annual installments ranging from \$419,601 to \$7,350,252, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2022.	15,803

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

\$8,915,000 2013 general obligation refunding serial bonds due in annual installments ranging from \$30,000 to \$3,250,000, plus semi-annual interest ranging from .7 percent to 5 percent through July 1, 2024.	\$ 8,855
\$59,960,000 2013 general obligation serial bonds due in annual installments ranging from \$1,635,000 to \$12,675,000, plus semi-annual interest ranging from 1.5 percent to 4 percent through July 1, 2023.	56,425
\$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.	31,975
\$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.	<u>13,690</u>
Total General Obligation Bonds	\$ 336,716

Street and Highway User Revenue Bonds

\$26,805,000 2003 street and highway user revenue bonds, (partially refunded by street and highway user revenue refunding bonds, series 2012) due in annual principal installments ranging from \$500,000 to \$9,750,000, plus semi-annual interest ranging from 4.25 percent to 5.50 percent through July 1, 2018.	\$ 2,255
\$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.	975
\$17,760,000 2004 street and highway user revenue refunding bonds, due in annual installments ranging from \$20,000 to \$7,250,000, plus semi-annual interest ranging from 3.5 percent to 5.0 percent through July 1, 2018.	15,320
\$23,800,000 2005 street and highway user revenue refunding bonds, due in annual principal installments ranging from \$25,000 to \$8,000,000, plus semi-annual interest ranging from 2.75 percent to 5.0 percent through July 1, 2023.	23,750
\$10,225,000 2005 street and highway user revenue bonds, due in annual principal installments ranging from \$50,000 to \$8,500,000, plus semi-annual interest ranging from 4.0 percent to 5.0 percent through July 1, 2023.	1,075

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

\$11,675,000 2006 street and highway user revenue bonds, due in annual installments ranging from \$850,000 to \$9,850,000, plus semi-annual interest ranging from 4.50 percent to 5.25 percent through July 1, 2024.	\$ 1,825
\$10,675,000 2007 street and highway user revenue bonds, due in annual principal installments ranging from \$1,000,000 to \$3,900,000, plus semi-annual interest ranging from 4.25 percent to 5.0 percent through July 1, 2025.	3,000
\$36,090,000 2012 street and highway user revenue refunding bonds, due in annual installments ranging from \$665,000 to \$9,700,000, plus semi-annual interest ranging from 3.0 percent to 5.0 percent through July 1, 2022.	26,030
\$8,500,000 2013 street and highway user revenue refunding bonds, due in one installment of \$8,500,000 plus semi-annual interest of 5 percent through July 1, 2024.	8,500
\$17,555,000 2015 street and highway user revenue refunding bonds, due in annual installments ranging from \$15,000 to \$9,880,000 plus semi-annual interest of 3 to 5 percent through July 1, 2027.	<u>17,555</u>
Total Street and Highway User Revenue Bonds	\$ 100,285

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

\$5,025,000 2005 special assessment district bonds, due in annual principal installments of \$335,000, plus semi-annual interest of 5.80 percent, through January 1, 2021.	\$ 2,010
\$4,091,840 2007 special assessment district bonds, due in annual principal installments ranging from \$408,840 to \$410,000, plus semi-annual interest of 5.0 percent, through January 1, 2017.	<u>820</u>
Total Special Assessment Bonds	\$ 2,830

Community Facilities District

\$2,712,000 2013 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 1 Special Assessment Revenue Bonds, due in annual principle installments ranging from \$62,000 to \$95,000, plus semi-annual interest ranging from 4.6 percent to 5.3 percent through July 1, 2038.	\$ 2,567
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CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

\$3,250,000 2014 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principle installments ranging from \$65,000 to \$225,000, plus semi-annual interest ranging from 4.8 percent to 5.3 percent through July 15, 2038. \$ 3,185

\$3,367,000 2014 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 2 Special Assessment Revenue Bonds, due in annual principle installments ranging from \$85,000 to \$225,000, plus semi-annual interest ranging from 2 percent to 5.375 percent through July 1, 2039. 3,280

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

Total Community Facilities District Bonds \$ 10,974

Total bonds payable recorded in governmental activities \$ 450,805

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

General Obligation Bonds

\$214,700 2004 general obligation refunding serial bonds, due in annual principal installments ranging from \$34,839 to \$31,852,800, plus semi-annual interest ranging from 2.4 percent to 5.0 percent through July 1, 2016. \$ 212

\$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. 262

Total General Obligation Bonds \$ 474

Utility Systems Revenue Bonds

\$57,950,000 2002 utility systems revenue serial bonds (partially refunded by 2004 & 2006 utility systems revenue refunding bonds), due in annual principal installments ranging from \$950,000 to \$1,000,000, plus semi-annual interest ranging from 4.25 percent to 5.75 percent through July 1, 2017. \$ 2,000

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<p>\$129,000,000 2002 utility systems revenue refunding serial bonds, (partially refunded by 2012 and 2012 taxable utility systems revenue refunding bonds) due in annual principal installments ranging from \$65,000 to \$29,550,000, plus semi-annual interest ranging from 3.40 percent to 5.25 percent through July 1, 2017.</p>	<p>\$ 20,465</p>
<p>\$50,470,000 2003 utility systems revenue serial bonds, (partially refunded by 2006 (Series 2) and series 2012 utility systems revenue refunding bonds), due in annual principal installments ranging from \$970,000 to \$25,500,000, plus semi-annual interest ranging from 3.50 percent to 5.00 percent through July 1, 2019.</p>	<p>4,000</p>
<p>\$64,625,000 2004 utility systems revenue serial bonds, (partially refunded by 2006 (Series 2) 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.</p>	<p>6,125</p>
<p>\$40,345,000 2004 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$20,000 to \$21,010,000, plus semi-annual interest ranging from 3.50 percent to 5.00 percent through July 1, 2019.</p>	<p>40,280</p>
<p>\$91,200,000 2005 utility systems revenue serial bonds, (partially refunded by 2006 (and series 2012) 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.</p>	<p>13,500</p>
<p>\$105,400,000 2006 utility systems revenue serial bonds, (partially refunded by 2006 (Series 2) utility systems revenue refunding bonds), due in annual principal installments ranging from \$8,650,000 to \$36,750,000, plus semi-annual interest ranging from 4.375 percent to 5.0 percent through July 1, 2030.</p>	<p>51,180</p>
<p>\$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.</p>	<p>58,075</p>
<p>\$127,260,000 2006 (Series 2) utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$50,000 to \$25,845,000, plus semi-annual interest ranging from 4.0 percent to 5.25 percent through July 1, 2028.</p>	<p>126,835</p>
<p>\$65,550,000 2007 utility systems revenue serial bonds, due in annual principal installments ranging from \$2,500,000 to \$41,800,000, plus semi-annual interest ranging from 4.25 percent to 6.25 percent through July 1, 2031.</p>	<p>65,550</p>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

\$52,875,000 2008 utility systems revenue serial bonds, due in annual principal installments ranging from \$700,000 to \$44,675,000, plus semi-annual interest ranging from 4.875 percent to 5.25 percent through July 1, 2032.	\$ 52,875
\$21,125,000 2008 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$100,000 to \$2,200,000, plus semi-annual interest ranging from 3.00 percent to 4.00 percent through July 1, 2018.	6,325
\$59,900,000 2009 utility systems revenue serial bonds, due in annual principal installments ranging from \$900,000 to \$48,250,000, plus semi-annual interest ranging from 5.875 percent to 6.375 percent through July 1, 2033.	59,900
\$50,380,000 2010 utility systems revenue serial bonds, due in one principal installment, plus semi-annual interest of 6.10 percent through July 1, 2034.	50,380
\$53,950,000 2011 utility systems revenue serial bonds, due in one principal installment, plus semi-annual interest of 5.0 percent through July 1, 2035.	53,950
\$67,300,000 2012 utility systems revenue serial bonds, due in one principal installment, plus semi-annual interest of 4.0 percent through July 1, 2036.	67,300
\$31,580,000 2012 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$7,440,000 to \$9,150,000, plus semi-annual interest ranging from 4.0 percent to 4.826 percent through July 1, 2021.	31,580
\$80,295,000 2012 taxable utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$3,225,000 to \$9,150,000, plus semi-annual interest ranging from 3.269 percent to 5.048 percent through July 1, 2035.	80,295
\$47,290,000 2013 utility systems revenue bonds, due in one principal installment, plus semi-annual interest of 4.0 percent through July 1, 2037.	47,290
\$36,385,000 2014 utility systems revenue bonds, due in two principal installments of \$20,000,000 and \$16,385,000, plus semi-annual interest of 4.0 percent through July 1, 2038.	36,385
\$102,945,000 2014 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$475,000 to \$22,955,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2030.	102,945

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

\$30,220,000 2015 utility systems revenue bonds, due in principal installments ranging from \$1,000,000 to \$2,375,000, plus semi-annual interest of 2 percent to 5 percent through July 1, 2039. \$ 30,220

Total Utility Systems Revenue Bonds \$ 1,007,455

Excise Tax Revenue Obligations

\$94,060,000 2013 excise tax revenue obligation, due in annual principal installments ranging from \$6,620,000 to \$10,785,000, plus semi-annual interest of 5.0 percent through July 1, 2032. \$ 94,060

Total bonds payable recorded in business-type activities \$ 1,101,989

The following tables summarize the City's debt service requirements to maturity for its long term bonds payable at June 30, 2015 (in thousands). The deferred amounts on refundings are not included.

Governmental Activities

<u>General Obligation Bonds</u>				<u>Highway User Revenue Bonds</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 23,856	\$ 13,607	\$ 37,463	2016	\$ 7,390	\$ 4,844	\$ 12,234
2017	18,173	12,725	30,898	2017	7,900	4,473	12,373
2018	42,039	11,961	54,000	2018	8,375	4,080	12,455
2019	13,681	10,054	23,735	2019	8,715	3,663	12,378
2020	14,222	9,550	23,772	2020	9,155	3,243	12,398
2021-25	81,205	38,745	119,950	2021-25	51,090	9,020	60,110
2026-30	95,200	20,330	115,530	2026-30	7,660	500	8,160
2031-35	48,340	3,099	51,439	2031-35	-	-	-
TOTALS	\$ 336,716	\$ 120,071	\$ 456,787	TOTALS	\$ 100,285	\$ 29,823	\$ 130,108

<u>Special Assessment Bonds</u>				<u>Community Facilities District</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 745	\$ 138	\$ 883	2016	\$ 235	\$ 542	\$ 777
2017	745	98	843	2017	291	514	805
2018	335	68	403	2018	299	506	805
2019	335	48	383	2019	309	497	806
2020	335	29	364	2020	324	486	810
2021-25	335	10	345	2021-25	1,820	2,219	4,039
2026-30	-	-	-	2026-30	2,280	1,756	4,036
2031-35	-	-	-	2031-35	2,914	1,123	4,037
2036-39	-	-	-	2036-39	2,502	303	2,805
TOTALS	\$ 2,830	\$ 391	\$ 3,221	TOTALS	\$ 10,974	\$ 7,946	\$ 18,920

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Business-type Activities

<u>General Obligation Bonds</u>				<u>Revenue Bonds</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 84	\$ 18	\$ 102	2016	\$ 24,800	\$ 46,797	\$ 71,597
2017	67	16	83	2017	26,070	45,500	71,570
2018	181	13	194	2018	32,355	44,312	76,667
2019	34	5	39	2019	35,535	42,752	78,287
2020	33	4	37	2020	31,810	40,987	72,797
2021-25	75	5	80	2021-25	183,615	180,310	363,925
2026-30	-	-	-	2026-30	229,385	134,611	363,996
2031-35	-	-	-	2031-35	286,115	78,962	365,077
2036-39	-	-	-	2036-39	157,770	10,496	168,266
TOTALS	\$ 474	\$ 61	\$ 535	TOTALS	\$ 1,007,455	\$ 624,727	\$ 1,632,182

Excise Tax Revenue Obligations

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ -	\$ 4,703	\$ 4,703
2017	-	4,703	4,703
2018	-	4,703	4,703
2019	-	4,703	4,703
2020	-	4,703	4,703
2021-25	28,535	21,462	49,997
2026-30	44,470	12,151	56,621
2031-35	21,055	1,592	22,647
TOTALS	\$ 94,060	\$ 58,720	\$ 152,780

Special Assessment Bonds

The City acts as trustee for special assessment districts whereby it collects the assessments levied against owners of property within established districts and disburses the amounts collected to retire the bonds issued to finance the improvements. At June 30, 2015, the special assessments receivable, together with amounts paid in advance and interest to be received over the life of the assessment period, is adequate for the scheduled maturities of the bonds payable and the related interest.

Improvement bonds are collateralized by properties within the districts. In the event of default by the property owner, the City may enforce an auction sale to satisfy the debt service requirements of the improvement bonds. The City is contingently liable on special assessment bonds to the extent that proceeds from auction sales are insufficient to retire outstanding bonds. Special assessment bonds payable with governmental commitment currently outstanding as of June 30, 2015 are \$2,830,000.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

General Obligation Bonds

The general obligation bonds are backed by the ultimate taxing power and general revenues of the City; however, \$474,058 of these bonds at June 30, 2015 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.

The total debt margin available July 1, 2015 is (in thousands):

6% Bonds	\$ 167,995
20% Bonds	<u>220,865</u>
Total Available	<u>\$ 388,860</u>

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

c. **Reserves for Bond Indentures**

Pursuant to the provisions of the Bond Resolution of the City of Mesa Utility System Revenue and Refunding bonds, Replacement and Reserve Funds are required to be established, into which a sum equal to 2 percent of the gross revenues – as determined on a modified accrual basis – must be deposited until a sum equal to two percent of all tangible assets of the Utility System is accumulated. As of June 30, 2015, the amount provided in the Replacement and Extension Funds equaled \$23,394,647 which is in compliance with the bond provisions.

d. **Notes Payable**

Governmental Activities

The City issued \$122,835,000 of Highway Project Advancement Notes (HPAN) to provide funds to the Arizona Department of Transportation (ADOT) for the acceleration of the right-of-way acquisition, design and construction of highway improvements to State Route 24 between State Route 202L and Ellsworth Road. The City has entered into an intergovernmental agreement with ADOT and the Maricopa Association of Governments to advance the improvements to State Route 24. The agreement provides for repayment by ADOT to the City of the full amount of the City advance from monies available to ADOT for the project within a 60-month loan period. As of June 30, 2015, \$122,835,000 has been repaid to the City by ADOT, and the City has paid \$45,000,000 of HPAN notes. The remaining \$77,835,000 in HPAN notes were paid by the City subsequent to June 30, 2015.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Business Type Activities

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

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, 2015 (in thousands):

Fiscal Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest & Fees	Total
2016	\$ 77,835	\$ 324	\$ 78,159	\$ 131	\$ 46	\$ 177
2017	-	-	-	134	44	178
2018	-	-	-	137	41	178
2019	-	-	-	140	38	178
2020	-	-	-	143	35	178
2021-25	-	-	-	764	124	888
2026-30	-	-	-	667	37	704
TOTALS	<u>\$ 77,835</u>	<u>\$ 324</u>	<u>\$ 78,159</u>	<u>\$ 2,116</u>	<u>\$ 365</u>	<u>\$ 2,481</u>

e. **Short-term Debt**

The City had no short-term debt activity for the fiscal year ended June 30, 2015.

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

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

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g. **Pledged Revenues**

I. Utility System Revenue Bonds

The City has pledged future utility customer revenues, net of specified operating expenses, to repay approximately \$2.0 billion in utility system revenue bonds issued since 1997. Proceeds from the bonds provided financing for the construction of various utility related projects including new gas pipelines and water and wastewater treatment plants. The bonds are payable solely from utility customer net revenues and are payable through 2038. Annual principal and interest payments on the bonds were 35.6 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1.632 billion. Principal and interest paid for the current year and total customer net revenues were \$67,555,817 and \$161,457,000, respectively.

II. Highway User Revenue Bonds

The City has pledged future Highway User Taxes Revenue to repay \$224.4 million in highway user revenue bonds issued since 2002. Proceeds from the bonds provided financing for streets projects. The bonds are payable solely from the state shared Highway User Tax revenues and are payable through 2027. Annual principal and interest payments on the bonds were 33.3 percent of eligible revenues. The total principal and interest remaining to be paid on the bonds is \$130,107,688. Principal and interest paid for the current year and total highway user tax revenues were \$11,287,851 and \$33,902,652, respectively.

III. Special Assessment Bonds

The special assessment revenues collected by the City are pledged to repay \$9.1 million of special assessment bonds issued since 2005. Proceeds from the bonds are used to finance improvements that property owners have agreed to pay. In the event of default by the property owner, an auction sale may be enforced by the City. If collections and auction proceeds are not sufficient to retire outstanding bonds the City is contingently liable. These bonds are payable through 2021. Annual principal and interest payments on the bonds are expected to be covered 100% with collections from the property owners. The total principal and interest remaining to be paid on the bonds is \$3,220,740. Principal and interest paid for the current year and total assessments collected were \$921,520, and \$825,741, respectively

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

On October 15, 2014, the City issued \$102,945,000 of utility revenue bonds with an original issue discount of \$1,113,783 to advance refund \$95,845,000 of outstanding utility revenue bonds. The refunding bonds were issued with an interest rate ranging from 2.0 to 4.0 percent. Net proceeds in the amount of \$101,620,904 (after payment of \$210,007 in underwriters' fees and deposit of \$306 to the City's bond fund) were provided to a refunding escrow agent to pay issuance costs of \$325,000 for insurance premiums, underwriting fees and other issuance costs with the remaining \$101,295,904 used to provide cash and purchase United States Government securities. The cash and securities were deposited in an irrevocable trust to provide for all future debt service payments of the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the debt of the City.

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The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$6,564,993. This difference, reported in the accompanying financial statements as a deduction from general obligation bonds payable, is being charged to operations through the year 2030 using the effective interest method. The purpose of the refunding was to take advantage of lower interest rates and restructuring debt service payments to achieve a more level debt retirement schedule. The refunding will decrease debt service payments by \$5,429,551 over the next 16 years producing an economic gain (difference between the present value of old and new debt service payments) of \$5,309,149.

On May 18, 2015, the City issued \$17,555,000 of highway user revenue bonds with an original issue premium of \$2,855,942 to advance refund \$18,670,000 of outstanding highway user revenue bonds. The refunding bonds were issued with an interest rate ranging from 3.0 to 5.0 percent. Net proceeds of \$20,232,622 (after payment of \$60,110 in underwriters' fees and a deposit of \$178,321 to the City's bond fund) were provided to a refunding escrow agent to pay issuance costs of \$175,110 for insurance premiums, underwriting fees and other issuance costs with the remaining \$20,057,512 used to provide cash and purchase United States Government securities. The cash and securities were deposited in an irrevocable trust to provide for all future debt service payments of the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the debt of the City.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,387,512. This difference, reported in the accompanying financial statements as a deduction from highway user revenue bonds payable, is being charged to operations through the year 2027 using the effective interest method. The purpose of the refunding was to take advantage of lower interest rates and restructuring debt service payments to achieve a more level debt retirement schedule. The refunding will decrease debt service payments by \$1,619,686 over the next 12 years producing an economic gain (difference between the present value of old and new debt service payments) of \$1,755,108.

Liabilities to be Paid from Assets Held in Escrow

Liabilities to be paid from assets held in escrow include bonded debt of the City that has been provided for through an Advanced Refunding Bond Issue. Under an advanced refunding arrangement, refunding bonds are issued and the net proceeds, plus additional resources that may be required, are used to purchase securities issued or guaranteed by the United States Government. These securities are then deposited in an irrevocable trust under an escrow agreement which provides that all proceeds from the trust will be used to fund the principal and interest payments of the previously issued bonded debt being refunded. The trust deposits have been computed so that the securities in the trust, along with future cash flow generated by the securities, will be sufficient to service the previously issued bonds.

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In accordance with GASB Statement No. 7, the refunded debt outstanding at June 30, 2015 as reflected below is not included in the City's financial statements (in thousands).

Utility System Revenue Bond Issue dated February 1, 2002	\$ 29,650
Street and Highway User Revenue Bond Issue dated February 1, 2003	195
Utility System Revenue Bond Issue dated June 1, 2006	54,220
Street and Highway User Revenue Bond Issue dated June 1, 2006	9,850
Street and Highway User Revenue Bond Issue dated May 1, 2007	<u>7,675</u>
Total Refunded Bonds Outstanding	<u>\$ 101,590</u>

10. SELF-INSURANCE INTERNAL SERVICE FUND

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

The Workers' Compensation Fund does not have a stop loss receivable at June 30, 2015. Over the past three fiscal years the Fund has received settlements in excess of insurance coverage of \$659,613 with \$26,765 received this current fiscal year. The Property and Public Liability Fund does not have a stop loss receivable at June 30, 2015, and the Fund has not received any settlements in excess of insurance coverage over the past three fiscal years. The Employee Benefits Fund does not have stop loss receivable at June 30, 2015. Over the past three fiscal years the Fund has received settlements in excess of insurance coverage of \$2,496,330 with \$457,365 received this current fiscal year.

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

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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, 6/30/13	\$ 13,366	\$ 21,707	\$ 3,846	\$ 38,919
Adjustments to Reserves-FY 13-14	(486)	4,186	53,014	56,714
Claim Payments-FY 13-14	<u>(3,299)</u>	<u>(3,086)</u>	<u>(52,191)</u>	<u>(58,576)</u>
Unpaid Claims, 6/30/14	\$ 9,581	\$ 22,807	\$ 4,669	\$ 37,057
Adjustments to Reserves-FY 14-15	\$ 679	\$ 3,976	\$ 54,894	\$ 59,549
Claim Payments-FY 14-15	<u>(636)</u>	<u>(3,118)</u>	<u>(56,825)</u>	<u>(60,579)</u>
Unpaid Claims, 6/30/15	<u>\$ 9,624</u>	<u>\$ 23,665</u>	<u>\$ 2,738</u>	<u>\$ 36,027</u>

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

11. **COMMITMENTS AND CONTINGENT LIABILITIES**

a. **Pending Litigation**

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

b. **Sick Leave Benefits**

Sick leave benefits provided for ordinary sick pay are not vested with the employee. Fifty percent of unused benefits are payable only upon retirement of an employee. In accordance with the criteria, sick leave paid within 60 days of the year-end has been recorded as a liability in the governmental fund financial statements. Long-term liabilities of governmental funds are not shown on the fund financial statements. In the government-wide financial statements as well as the proprietary fund 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, 2015, is \$10,673,973.

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12. NET POSITION

a. **Restricted Net Position**

The government-wide statement of net position reports \$119.7 million of restricted net position, of which \$52.0 million is restricted by enabling legislation.

b. **Designated Net Position**

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

c. **Deficit Net Position**

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

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

13. ENTERPRISE ACTIVITIES OPERATIONS DETAIL

The Enterprise Fund includes operations of electricity, gas, water, wastewater, solid waste, airport, golf course, convention center, stadiums and district cooling. Although the City's Enterprise Fund does not meet the requirements for disclosing segment information, these services provided by the City are of such significance as to warrant certain additional disclosures. Operating revenue, expenses and operating income loss for the year ended June 30, 2015 for these services are as follows (in thousands):

Functions	Operating Revenues	Operating Expenses		Operating Income (Loss)
		Depreciation and Amortization	Other	
Electric	\$ 33,601	\$ 3,934	\$ 23,412	\$ 6,255
Gas	39,422	4,991	23,219	11,212
Water	116,158	27,429	45,462	43,267
Wastewater	69,906	21,766	24,027	24,113
Solid Waste	52,419	1,505	35,333	15,581
Airport	3,454	1,460	1,498	496
Golf Course	1,737	454	1,743	(460)
Convention Center	2,475	237	3,480	(1,242)
Hohokam /Fitch Complex	2	916	1,083	(1,997)
Cubs Stadium	202	4,261	4,352	(8,411)
District Cooling	1,274	469	416	389
Total	\$ 320,650	\$ 67,422	\$ 164,025	\$ 89,203

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14. JOINT VENTURES

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

The City's investment in these Joint Ventures as of June 30, 2015 is as follows (in thousands):

	Governmental Activities	Business-Type Activities	Total
Valley Metro Rail Inc.	\$ 150,600	\$ -	\$ 150,600
TOPAZ Regional Wireless Cooperative	2,457	-	2,457
Subregional Operating Group	-	89,959	89,959
Val Vista Water Treatment Plant	-	52,947	52,947
Greenfield Water Reclamation Plant	-	59,226	59,226
Joint Ventures Construction Deposits	-	4,206	4,206
Total Investment in Joint Ventures	<u>\$ 153,057</u>	<u>\$ 206,338</u>	<u>\$ 359,395</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 \$1,216,628,317 has been spent on this project through the fiscal year ended June 30, 2015, of which the City's share and equity interest is \$150,599,778. The City has received and accrued \$58.8 million of funding from the Federal Transit Administration (FTA), Congestion Mitigation Air Quality (CMAQ) and Public Transit Funds (PTF) related to this project.

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

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

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

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TOPAZ Regional Wireless Cooperative

The City of Mesa currently participates with the City of Apache Junction, Superstition Fire and Medical, the Town of Gilbert, the Town of Queen Creek and Rio Verde Fire District (the Parties) in an intergovernmental agreement to plan, design, construct, operate, maintain and finance the TOPAZ Regional Wireless Cooperative Network (TOPAZ). TOPAZ is a 700/800 MHz Network procured and built by the City of Mesa. The City acts as the lead agency and is responsible for the planning, budgeting, construction, operation and maintenance of the network. As lead agent, the City provides all management personnel and financing arrangements. The Parties participate in ownership of the network and are charged for operating and capital expenses based on six month rolling average of airtime. The City's equity in the joint venture is \$2,457,466 and is reflected in the governmental funds financial statements. Separate financial statements are not prepared.

Total investment in the joint venture as of June 30, 2015 is (in thousands):

City of Mesa	\$ 2,457
Town of Gilbert	543
City of Apache Junction	196
Superstition Fire and Medical	36
Town of Queen Creek	21
Rio Verde Fire District	<u>6</u>
Total Joint Venture	<u>\$ 3,259</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 \$89,959,452 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 investment in the joint venture 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, 2015 is (in thousands):

Mesa's Share	\$ 59,226
Gilbert's Share	56,222
Queen Creek's Share	<u>25,039</u>
Total Joint Venture	<u>\$ 140,487</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 \$52,947,151 and is reflected in the proprietary funds financial statements.

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

15. RETIREMENT AND PENSION PLANS

All benefitted employees of the City are covered by one of three pension systems. The Arizona State Retirement System is for the benefit of the employees of the state and certain other governmental jurisdictions. All benefitted City employees, except sworn fire and police personnel and the Mayor and City Council Members, are included in the plan that is a multiple-employer cost-sharing defined benefit pension plan. All sworn fire and police personnel participate in the Public Safety Personnel Retirement System that is an agent multiple-employer plan. The Mayor and City Council Members contribute to the State's Elected Officials Retirement Plan that is also a multiple-employer cost-sharing pension plan.

At June 30, 2015, the City reported the following aggregate amounts related to pensions for all plans to which it contributes (in thousands):

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net Pension Liabilities	\$ 603,333	\$ 45,382	\$ 648,715
Deferred Outflows of Resources	115,762	5,320	121,082
Deferred Inflows of Resources	72,554	9,083	81,637
Pension Expense	62,962	2,488	65,450

Arizona State Retirement System Defined Benefit Plan:

a. **Plan Description**

All the City's eligible benefitted general employees participate in the Arizona State Retirement System ("ASRS"), a multiple-employer, cost-sharing defined benefit pension plan. ASRS was established by the State of Arizona to provide pension benefits for employees of the state and employees of participating political subdivisions and school districts. ASRS is administered in accordance with Title 38, Chapter 5 of the Arizona Revised Statutes ("A.R.S."). ASRS provides for retirement, disability, and death and survivor benefits. ASRS issues a publicly available

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financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Arizona State Retirement System, P.O. Box 33910, Phoenix, Arizona, 85067-3910 or by calling 1-800-621-3778.

b. **Benefits Provided**

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

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

* With actuarially reduced benefits.

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

c. **Contributions**

The A.R.S. provide statutory authority for determining the employees' and employers' contribution amounts as a percentage of covered payroll. Employers are required to contribute at the same rate as employees. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, covered employees were required by state statute to contribute at the actuarially determined rate of 11.60 percent (11.48 pension plus 0.12 long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.60 percent (10.89 percent for retirement, 0.59 percent for the health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll.

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Additionally, the City is required to pay an ASRS Alternate Contribution Rate (ACR) for retired members who return to work on or after July 1, 2012, in any capacity and in a position ordinarily filled by an employee of the City to mitigate the potential impact that retired members who return to work may have on the ASRS Trust Fund. The contribution rate for the year ended June 30, 2015 was 9.57 percent. The City's ACR contributions to the System for the year ending June 30, 2015 were \$103,843.

d. **Pension Liability**

At June 30, 2015, the City reported a liability of \$241,791,760 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. 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, 2013, to the measurement date of June 30, 2014.

The City's reported liability at June 30, 2015, decreased by \$38,614,708 from the City's prior year liability of \$280,406,468 because of changes in the ASRS' net pension liability and the City's proportionate share of that liability. The ASRS' publicly available financial report provides details on the change in the net pension liability. The City's proportion of the net pension liability was based on the City's fiscal year 2014 contributions. The City's proportion measured as of June 30, 2014, was 1.634103 percent, which was a decrease of 0.052619 from its proportion measured as of June 30, 2013.

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

For the year ended June 30, 2015, the City recognized pension expense for ASRS of \$13,253,255. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 12,289	\$ -
Net difference between projected and actual earnings on pension plan investments	-	42,282
Changes in proportion and differences between City contributions and proportionate share of contributions	-	6,113
City contributions subsequent to the measurement date	16,146	-
Total	<u>\$ 28,435</u>	<u>\$ 48,395</u>

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The \$16,146,572 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, 2016. 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):

<u>Year Ended June 30,</u>	
2016	\$ (7,886)
2017	(7,886)
2018	(9,765)
2019	(10,569)
2020	-
Thereafter	-
	<u>\$ (36,106)</u>

f. **Actuarial Assumptions**

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

Actuarial Valuation Date	June 30, 2013
Actuarial Roll Forward Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8%
Projected Salary Increases	3 - 6.75%
Inflation	3%
Permanent Benefit Increase	Included
Mortality Rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2012.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	63%	7.03%
Fixed Income	25%	3.20%
Real Estate	8%	4.75%
Commodities	4%	4.50%
Total	<u>100%</u>	

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g. **Discount Rate**

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

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

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

	1% Decrease 7%	Current Discount Rate 8%	1% Increase 9%
City's proportionate share of the net pension liability	\$ 305,612	\$ 241,792	\$ 207,166

i. **Pension Plan Fiduciary Net Position**

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

Public Safety Personnel Retirement System:

a. **Plan Description**

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

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b. **Benefits Provided**

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

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

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

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c. **Employees Covered by Benefit Terms**

At June 30, 2015, the following employees were covered by the agent pension plans' benefit terms:

	<u>PSPRS Firefighters</u>	<u>PSPRS Police</u>
Inactive employees or beneficiaries currently receiving benefits	207	444
Inactive employees entitled to but not yet receiving benefits	53	105
Active employees	<u>360</u>	<u>722</u>
Total	<u><u>620</u></u>	<u><u>1,271</u></u>

d. **Contributions**

Benefit and contribution provisions are established by state law and may be amended only by the State of Arizona Legislature (A.R.S. Section 38-843). PSPRS members are required to contribute 11.05 percent of their annual covered salary. The City is required to contribute an actuarially determined rate expressed as a percent of covered salary and a distribution of the net earnings of the Fund. The City's rates for the fiscal years ending June 30, 2015 were 32.59 percent (30.99 pension plus 1.60 health care), for fire personnel and 33.07 percent (31.26 pension plus 1.81 health care) for police members.

e. **Annual Pension Contributions**

Fire personnel contributed \$3,567,975 (\$3,492,231 regular members plus \$75,744 DROP members) and police personnel contributed \$7,095,849 (\$6,926,574 regular members plus \$169,275 DROP members) during fiscal year 2014-2015. For 2015, the City's annual pension cost of \$10,299,545 (\$9,794,140 pension, \$505,667 health care) for fire and \$20,724,742 (\$19,592,917 pension, \$1,134,459 health care) for police was equal to the City's required and actual contributions for the pension cost including health care. The required contribution was determined as part of the June 30, 2012 actuarial valuation using an individual entry-age actuarial cost method.

The City is also required to pay a PSPRS Alternate Contribution Rate (ACR) for retired members who return to work in any capacity and in a position ordinarily filled by an employee of the City, unless the retired member is required to participate in another state retirement system and the retired member returned to work before July 20, 2011. The ACR rate is equal to the portion of the total required contribution that is applied to the amortization of the unfunded actuarial accrued liability for the fiscal year beginning July 1, based on the actuarial calculation of the total required contribution for the preceding fiscal year ended on June 30. The contribution rate for the year ended June 30, 2015 was 19.65 percent for both fire and police. The City's ACR contributions for the year ending June 30, 2015 were \$32,681 for fire and \$54,230 for police.

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

For the year ended June 30, 2015, the City recognized pension expense of \$16,840,086 and \$35,210,813 for fire and police, respectively. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

Fire	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 5,993
Changes in assumptions	19,885	-
Net difference between projected and actual earnings on pension plan investments	-	6,617
City contributions subsequent to the measurement date	9,827	-
Total	\$ 29,712	\$ 12,610

Police	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 9,479
Changes in assumptions	42,851	-
Net difference between projected and actual earnings on pension plan investments	-	11,126
City contributions subsequent to the measurement date	19,647	-
Total	\$ 62,498	\$ 20,605

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

Year Ending June 30,	Fire	Police
2016	\$ 590	\$ 3,742
2017	590	3,742
2018	590	3,742
2019	590	3,742
2020	2,244	6,523
Thereafter	2,671	755
	\$ 7,275	\$ 22,246

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g. **Pension Liability**

At June 30, 2015, the City reported net pension liabilities of \$137,717,311 and \$267,799,828 for fire and police, respectively. The net pension liabilities were measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

h. **Pension Actuarial Methods and Assumptions**

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

Actuarial Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.85%
Projected Salary Increases	4% - 8% including inflation
Inflation	3.0% - 4.0%
Permanent Benefit Increase	Included
Mortality Rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2014, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Short Term Investments	2%	3.25%
Absolute Return	4%	6.75%
Risk Parity	4%	6.04%
Fixed Income	7%	4.75%
Real Assets	8%	5.96%
GTAA	10%	5.73%
Private Equity	11%	9.50%
Real Estate	11%	6.50%
Credit Opportunities	13%	8.00%
Non-U.S. Equity	14%	8.63%
U.S. Equity	16%	7.60%
Total	100%	

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i. **Discount Rate**

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

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

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

Fire	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Position Liability</u>
Balance at June 30, 2014	\$ 268,821	\$ 146,061	\$ 122,760
Changes for the Year:			
Service Cost	6,281	-	6,281
Interest on the Total Pension Liability	20,708	-	20,708
Changes of Benefit Terms	4,044	-	4,044
Differences Between Expected and Actual			-
Experience in the Measurement of the Liability	(6,961)	-	(6,961)
Changes of Assumptions or Other Inputs	23,097	-	23,097
Contributions - Employer	-	9,157	(9,157)
Contributions - Employee	-	3,488	(3,488)
Net Investment Income	-	19,840	(19,840)
Benefit Payments, Including Refunds of			-
Employee Contributions	(16,309)	(16,309)	-
Administrative Expenses	-	(160)	160
Other Changes	-	(113)	113
Net Changes	<u>30,860</u>	<u>15,903</u>	<u>14,957</u>
Balances as of June 30, 2015	<u>\$ 299,681</u>	<u>\$ 161,964</u>	<u>\$ 137,717</u>

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Police	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Position Liability</u>
Balance at June 30, 2014	\$ 472,691	\$ 244,906	\$ 227,785
Changes for the Year:			
Service Cost	12,481	-	12,481
Interest on the Total Pension Liability	36,514	-	36,514
Changes of Benefit Terms	8,728	-	8,728
Differences Between Expected and Actual Experience in the Measurement of the Liability	(11,331)	-	-
Changes of Assumptions or Other Inputs	51,228	-	51,228
Contributions - Employer	-	17,443	(17,443)
Contributions - Employee	-	6,784	(6,784)
Net Investment Income	-	33,360	(33,360)
Benefit Payments, Including Refunds of Employee Contributions	(27,566)	(27,566)	-
Administrative Expenses	-	(269)	269
Other Changes	-	288	(288)
Net Changes	<u>70,054</u>	<u>30,040</u>	<u>40,014</u>
Balances as of June 30, 2015	<u>\$ 542,745</u>	<u>\$ 274,946</u>	<u>\$ 267,799</u>

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

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

	1% Decrease <u>6.85%</u>	Current Discount Rate <u>7.85%</u>	1% Increase <u>8.85%</u>
Fire Net Pension Liability	\$ 172,763	\$ 137,717	\$ 108,372
Police Net Pension Liability	335,983	267,800	211,242

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

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

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Funded Status and Funding Progress

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

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

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

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

Fire

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

Police

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

Elected Officials Retirement

a. **Plan Description**

The City’s Mayor and Councilmembers participate in the Elected Officials Retirement Plan (“EORP”) a multiple employer, cost-sharing defined benefit pension plan. The Fund Manager of the Public Safety Personnel Retirement System (“PSPRS”) is the administrator for the EORP that was established by Title 38, Chapter 5, Article 3 of the Arizona Revised Statutes to provide pension benefits for state and county elected officials, judges and certain city elected officials. EORP provides retirement benefits as well as death and disability benefits. EORP was closed to new enrollees December 31, 2013 per Arizona Revised Statute A.R.S. §38-801. EORP issues a publicly

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available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Elected Officials Retirement Plan, 1020 East Missouri Avenue, Phoenix, Arizona, 85014 or by calling 602-255-5575.

b. **Benefits Provided**

The EORP provides retirement as well as death and disability benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement Initial Membership Date:	
	Before January 1, 2012	On or After January 1, 2012
Years of service and age required to receive benefit	20 + years any age 10 years age 62 5 year age 65	20 + years any age 10 years age 62 5 year 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 Normal Retirement	4% for each year of credited service, not to exceed 80%	3% for each year of credited service, not to exceed 75%
Permanent Benefit Increase	Was receiving benefits on/before July 31 of two previous years	Age 55 on July 1 and receiving benefits
	Was age 55 on July 1 and receiving benefits on/before July 1 of previous year	Under age 55 on July 1 and was receiving accidental disability and receiving benefits on/before July 1 of previous year
		Survivor under 55 on July 1, and receiving benefits on/before July 1 of previous two years

Retirement and survivor benefits are subject to an automatic cost of living adjustment.

c. **Contributions**

The retirement plan's funding policy (required by State Statute) provides for periodic employer contributions at actuarially determined rates and employee contributions of 13.0 percent of their annual covered salary. Incorporated city or town employers are required to contribute an amount sufficient to meet both the normal cost of a level-cost method attributable to the EORP, plus the amount required to amortize the unfunded accrued liability for the employer. Such amounts are to be determined each year by actuarial valuation and paid as a level percent of compensation. The contribution requirements for plan members are established and may be amended by the Fund Manager, a five-member board. The City's rate for the fiscal year ending June 30, 2015 was 23.5 percent, including healthcare. The City's contribution to EORP for the fiscal year ending

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June 30, 2015 was \$50,084, which was equal to the required contribution for the year. The City's employees contributed \$27,705 for the same time period.

d. **Pension Liability**

At June 30, 2015, the City reported a liability of \$1,406,265 for its proportionate share of the EORP net pension liability that reflected a reduction for the City's proportionate share of the State's appropriation for EORP. The amount the City recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the City were as follows (in thousands):

City's proportionate share of EORP net pension liability	\$ 1,406
State's proportionate share of net pension liability associated with the City	<u>431</u>
Total	<u>\$ 1,837</u>

The net pension liability was measured as of June 30, 2014. 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, 2013, to the measurement date of June 30, 2014.

The City's reported liability at June 30, 2015, increased by \$732,235 from the City's prior year liability of \$674,030 because of changes in the EORP net pension liability and the City's proportionate share of that liability. The EORP publicly available financial report provides details on the change in the net pension liability. The City's proportion of the net pension liability was based on the City's contributions for fiscal year. The City's proportion as of June 30, 2014, was 0.2097112 percent.

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

For the year ended June 30, 2015, the City recognized pension expense for EORP of \$544,638. At June 30, 2015, 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	\$ 6	\$ -
Net difference between projected and actual earnings on pension plan investments	-	27
Changes of assumptions	381	-
City contributions subsequent to the measurement date	<u>50</u>	<u>-</u>
Total	<u>\$ 437</u>	<u>\$ 27</u>

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The \$50,084 reported as deferred outflows of resources related to EORP 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows (in thousands):

	<u>Year Ended June 30,</u>
2016	\$ 217
2017	157
2018	(7)
2019	(7)
2020	-
Thereafter	-
	<u>\$ 360</u>

f. **Actuarial Assumptions**

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

Actuarial Assumptions

Actuarial Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.85%
Projected Salary Increases	4.25%
Payroll Growth	4.00%
Permanent Benefit Increase (PBI)	3% of benefit
PBI after July, 1, 2011	0.5% of benefit
Mortality Rates	RP-2000 mortality table projected to 2025 (adjusted males and females)

The long-term expected rate of return on EORP pension plan investments was determined to be 7.85 percent using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Short Term Investments	2%	0.07%
Absolute Return	4%	0.27%
Risk Parity	4%	0.24%
Fixed Income	7%	0.33%
Real Assets	8%	0.48%
GTAA	10%	0.57%
Private Equity	11%	1.05%
Real Estate	11%	0.72%
Credit Opportunities	13%	1.04%
Non-U.S. Equity	14%	1.21%
U.S. Equity	16%	1.22%
Total	<u>100%</u>	

g. **Discount Rate**

A single discount rate of 5.67% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.85% and a municipal bond rate of 4.29% (20-year Bond Buyer Index as published by the Federal Reserve, as of June 26, 2014). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates set by statute and non-employer contributions. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2030. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2030, and the municipal bond rate was applied to all benefit payments after that date.

h. **Sensitivity of the City's Proportionate Share of the EORP 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 5.67 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.67 percent) or 1 percentage point higher (6.67 percent) than the current rate (in thousands):

	1% Decrease	Current Discount Rate	1% Increase
	<u>4.67%</u>	<u>5.67%</u>	<u>6.67%</u>
City's proportionate share of the net pension liability	\$ 1,642	\$ 1,406	\$ 1,207

i. **Pension Plan Fiduciary Net Position**

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

CITY OF MESA, ARIZONA
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16. POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 15, the City provides post-retirement health care benefits to all eligible retirees in accordance with the compensation plan adopted by the City Council each fiscal year. These benefits include medical, dental and vision insurance programs and are the same as those offered to active employees. Retirees may select single or family coverage. As of June 30, 2015, approximately 1,700 former employees were eligible for these benefits.

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

The unfunded actuarial accrued annual required contribution for current retirees as well as current active members for fiscal year 2014-2015 was \$33,625,000. A liability of \$4,528,899 is accrued in the business-type activities financial statements; the remaining \$29,096,101 has been accrued in the governmental activities column in the government-wide financial statements.

Plan Description

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

Benefits Provided

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

As of July 1, 2013, Membership Consisted of:

Retirees and Beneficiaries Receiving Benefits	1,700
Active Employees	<u>2,996</u>
Total	<u>4,696</u>

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Funding Policy

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

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

For fiscal year ended June 30, 2015, the City contributed \$17,125,397 to the plan (approximately 70.6 percent of total premiums). Plan members receiving benefits contributed \$7,137,541 or approximately 29.4 percent of total premiums.

Annual OPEB Costs / Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The City's annual OPEB cost for the current year and the related information for the plan are as follows at June 30, 2015 (in thousands):

Annual Required Contribution	\$ 56,339
Interest on Net OPEB Obligation	18,295
Adjusted to Annual Required Contribution	<u>(23,884)</u>
Annual OPEB Cost	50,750
Contributions Made	<u>(17,125)</u>
Increase in Net OPEB Obligation	33,625
Net OPEB Obligation – Beginning of year	<u>423,000</u>
Net OPEB Obligation – End of year	<u><u>\$ 456,625</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the three years ending June 30, 2013 through 2015 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 83,569	\$ 14,677	17.6%	\$ 389,049
2014	49,962	16,011	32.0%	423,000
2015	50,750	17,125	33.8%	456,625

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Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013 was as follows (in thousands): (Latest actuarial date available)

Actuarial Value of Plan Assets	\$ -
Actuarial Accrued Liability	<u>650,918</u>
Unfunded actuarial accrued liability	<u>\$ 650,918</u>
Funded ratio	0%
Covered payroll	\$ 380,860
Unfunded actuarial accrued liability as a percentage of covered payroll	170.9%

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

Actuarial Methods and Assumptions

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

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

17. SUBSEQUENT EVENTS

On September 10, 2015, the District issued 2015 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds in the amount of \$6,800,000. These bonds are due in annual principal installments ranging from \$165,000 to \$680,000, plus semi-annual interest ranging from 4.15 percent to 5.01 percent through July 15, 2039.

On November 5, 2015, the District issued 2015 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Special Assessment District 4 Special Assessment Bonds in the amount of \$970,000. These bonds are due in annual principal installments ranging from \$15,000 to \$65,000, plus semi-annual interest ranging from 2.4% percent to 4.5% percent through July 1, 2040.

On August 1, 2015 the City called for the option redemption of \$77,835,000 of Arizona Highway Projects Anticipation Notes, Series 2011, plus accumulated interest of \$324,313.

18. RESTATEMENT OF BEGINNING NET POSITION

For the fiscal year ending June 30, 2015, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date* (the Statements) were implemented. The implementation of the statements resulted in the City recording pension liabilities related to the City's three pension plans. The City's government-wide net position, proprietary fund net position, and internal service fund net position as of June 30, 2014, have been restated as follows (in thousands):

	Governmental Activities	Business-type Activities	Governmental Activities - Internal Service
Net Position at 06/30/14, as Previously Reported	\$ 806,084	\$ 615,445	\$ 27,025
GASB Statement No. 68 adjustment	(578,996)	(52,629)	(13,008)
GASB Statement No. 71 adjustment	39,447	2,958	731
Net Position at 07/01/14, as Restated	<u>\$ 266,535</u>	<u>\$ 565,774</u>	<u>\$ 14,748</u>



REQUIRED SUPPLEMENTARY INFORMATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

2015



CITY OF MESA, ARIZONA

EXHIBIT B-1

REQUIRED SUPPLEMENTARY INFORMATION

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

COST-SHARING PENSION PLANS

JUNE 30, 2015

(in thousands)

Arizona State Retirement System

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

Elected Officials Retirement Plan

	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
City's Proportion of the Net Pension Liability	0.2097112%	Information not available
City's Proportionate Share of the Net Pension Liability	\$ 1,406	
State's Proportionate Share of the Net Pension Liability Associated with the City	431	
Total	<u>\$ 1,837</u>	
City's Covered-Employee Payroll	\$ 151	
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	1216.56%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	31.91%	

See accompanying notes to pension plan schedules.

CITY OF MESA, ARIZONA

EXHIBIT B-2

REQUIRED SUPPLEMENTARY INFORMATION

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

AGENT PENSION PLANS

JUNE 30, 2015

(in thousands)

Public Safety Personnel Retirement System - Fire

	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
Total Pension Liability		Information not available
Service Cost	\$ 6,281	
Interest on the Total Pension Liability	20,708	
Changes of Benefit Terms	4,044	
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(6,961)	
Changes of Assumptions or Other Inputs	23,097	
Benefit Payments, Including Refunds of Employee Contributions	(16,309)	
Net Change in Total Pension Liability	30,860	
Total Pension Liability - Beginning	268,821	
Total Pension Liability - Ending (a)	299,681	
Plan Fiduciary Net Position		
Contributions - Employer	9,157	
Contributions - Employee	3,488	
Net Investment Income	19,840	
Benefit Payments, Including Refunds of Employee Contributions	(16,309)	
Administrative Expenses	(160)	
Other Changes	(113)	
Net Change in Plan Fiduciary Net Position	15,903	
Plan Fiduciary Net Position - Beginning	146,061	
Plan Fiduciary Net Position - Ending (b)	161,964	
City's Net Pension Liability - Ending (a) - (b)	\$ 137,717	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.05%	
Covered-employee Payroll	\$ 30,782	
City's Net Pension Liability as a Percentage of Covered- Employee Payroll	447.39%	

See accompanying notes to pension plan schedules.

CITY OF MESA, ARIZONA
EXHIBIT B-2 (concluded)
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
 AGENT PENSION PLANS
 JUNE 30, 2015
 (in thousands)

Public Safety Personnel Retirement System - Police

	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
Total Pension Liability		Information not available
Service Cost	\$ 12,481	
Interest on the Total Pension Liability	36,514	
Changes of Benefit Terms	8,728	
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(11,331)	
Changes of Assumptions or Other Inputs	51,228	
Benefit Payments, Including Refunds of Employee Contributions	(27,566)	
Net Change in Total Pension Liability	70,054	
Total Pension Liability - Beginning	472,691	
Total Pension Liability - Ending (a)	542,745	
Plan Fiduciary Net Position		
Contributions - Employer	17,443	
Contributions - Employee	6,784	
Net Investment Income	33,360	
Benefit Payments, Including Refunds of Employee Contributions	(27,566)	
Administrative Expense	(269)	
Other Changes	288	
Net Change in Plan Fiduciary Net Position	30,040	
Plan Fiduciary Net Position - Beginning	244,906	
Plan Fiduciary Net Position - Ending (b)	274,946	
City's Net Pension Liability - Ending (a) - (b)	\$ 267,799	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	50.66%	
Covered-employee Payroll	\$ 59,688	
City's Net Pension Liability as a Percentage of Covered-Employee Payroll	448.66%	

See accompanying notes to pension plan schedules.

CITY OF MESA, ARIZONA
EXHIBIT B-3
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CITY PENSION CONTRIBUTIONS
 JUNE 30, 2015
 (in thousands)

Arizona State Retirement System

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

Elected Officials Retirement Plan

	Reporting Fiscal Year		2013 through 2006
	2015	2014	
Satutorily Required Contribution	\$ 50	\$ 45	Information not available
City's Contribution in Relation to the Statutorily Required Contribution	50	45	
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	
City's Covered-Employee Payroll	217	151	
City's Contributions as a Percentage of Covered- Employee Payroll	23.04%	29.80%	

See accompanying notes to pension plan schedules.

CITY OF MESA, ARIZONA
EXHIBIT B-3 (concluded)
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CITY PENSION CONTRIBUTIONS
 JUNE 30, 2015
 (in thousands)

Public Safety Personnel Retirement System - Fire

	Reporting Fiscal Year		2013 through 2006
	2015	2014	
Actuarially Determined Contribution	\$ 9,827	\$ 9,157	Information not available
City's Contribution in Relation to the Actuarially Determined Contribution	9,827	9,157	
City's Contribution Deficiency (Excess)	\$ -	\$ -	
City's Covered-Employee Payroll	31,771	30,782	
City's Contributions as a Percentage of Covered- Employee Payroll	30.93%	29.75%	

Public Safety Personnel Retirement System - Police

	Reporting Fiscal Year		2013 through 2006
	2015	2014	
Actuarially Determined Contribution	\$ 19,647	\$ 17,443	Information not available
City's Contribution in Relation to the Actuarially Determined Contribution	19,647	17,443	
City's Contribution Deficiency (Excess)	\$ -	\$ -	
City's Covered-Employee Payroll	62,953	59,688	
City's Contributions as a Percentage of Covered- Employee Payroll	31.21%	29.22%	

See accompanying notes to pension plan schedules.

CITY OF MESA, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTES TO PENSION PLAN SCHEDULES
 JUNE 30, 2015
 (in thousands)

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

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

CITY OF MESA, ARIZONA

EXHIBIT B-4

REQUIRED SUPPLEMENTARY INFORMATION

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

JUNE 30, 2015

(in thousands)

Health Insurance Premium Benefit

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

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

CITY OF MESA, ARIZONA

EXHIBIT B-5

REQUIRED SUPPLEMENTARY INFORMATION

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(in thousands)

Actuarial Valuation Date July 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Percent Funded (b - a)	Unfunded AAL (a / b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b - a) / c)
2009	\$ -	\$ 916,616	0.0%	\$ 916,616	\$ 321,012	285.5%
2011	-	992,016	0.0%	992,016	330,113	300.5%
2013	-	650,918	0.0%	650,918	360,860	180.4%

Note: The Actuarial Accrued Liability decreased by 34%. The primary reason for the decrease is the cost of coverage has not increased at the rate assumed in the prior valuation and per capita costs are actually assumed to be significantly lower than previously assumed based on this favorable experience.

CITY OF MESA, ARIZONA

EXHIBIT B-6

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual - Budgetary Basis</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Sales Taxes	\$ 102,861	\$ 102,861	\$ 92,240	\$ (10,621)
Occupancy Taxes	-	-	25	25
Licenses and Permits	15,231	15,231	15,446	215
Intergovernmental	114,186	114,186	117,084	2,898
Charges for Services	15,010	15,010	20,700	5,690
Fines and Forfeitures	7,079	7,079	8,096	1,017
Investment Income	145	145	550	405
Contributions	143	143	208	65
Miscellaneous Revenues	1,709	1,709	3,973	2,264
Total Revenues	<u>256,364</u>	<u>256,364</u>	<u>258,322</u>	<u>1,958</u>
Expenditures:				
Current:				
General Government	80,586	80,097	73,789	6,308
Public Safety	220,681	221,764	214,669	7,095
Cultural-Recreational	35,069	37,463	33,850	3,613
Community Environment	11,745	11,111	9,185	1,926
Capital Outlay	15,354	15,992	1,758	14,234
Total Expenditures	<u>363,435</u>	<u>366,427</u>	<u>333,251</u>	<u>33,176</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(107,071)	(110,063)	(74,929)	35,134
Other Financing Sources (Uses):				
Transfers In	111,296	96,757	97,562	805
Transfers Out	(18,119)	(18,129)	(30,286)	(12,157)
Total Other Financing Sources (Uses)	<u>93,177</u>	<u>78,628</u>	<u>67,276</u>	<u>(11,352)</u>
Net Change in Fund Balances	(13,894)	(31,435)	(7,653)	23,782
Fund Balances - Beginning	<u>50,950</u>	<u>50,950</u>	<u>50,950</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 37,056</u>	<u>\$ 19,515</u>	<u>\$ 43,297</u>	<u>\$ 23,782</u>

See accompanying note to budgetary comparison schedule.

CITY OF MESA, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTES TO BUDGETARY COMPARISON SCHEDULES
 JUNE 30, 2015
 (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, 2015 on the “GAAP basis” to the “budget basis” as follows:

Net Change in Fund Balance-Budget Basis - Exhibit B-6	\$ (7,653)
Basis Differences:	
Compensated Absences	(112)
Sales Tax Accrual	8,354
Unrealized Gain on Investments	<u>45</u>
Net Change in Fund Balance-GAAP Basis - Exhibit A-5	<u><u>\$ 634</u></u>

COMBINING STATEMENTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT
2015



NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

Street Sales Tax Fund 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.

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

General Capital Projects accounts for the costs of general City construction projects.

Law Enforcement Construction Fund accounts for the cost of public safety facilities.

Parks Bond Construction accounts for the costs of park facilities and improvements.

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

Vehicle Replacement Fund accounts 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.

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.

Capital Lease Redemption Fund accumulates monies for the payment of principal and interest requirements of capital leases relating to the acquisition of land, computer equipment, communication equipment, police helicopters and various public improvements within the City.

Eastmark Debt Service accumulates monies for the payment of the Community Facility 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 Bond Redemption Fund accumulates monies for the payment of principal and interest requirements of the City's General Obligation Bonds.

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

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

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



CITY OF MESA, ARIZONA
EXHIBIT C-1
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015
(in thousands)

Special Revenue Funds

	<u>Cemetery</u>	<u>Development Impact Fees</u>	<u>Eastmark Community Facilities District</u>	<u>Environmental Compliance</u>
ASSETS				
Pooled Cash and Investments	\$ 6,558	\$ 3,147	\$ 154	\$ 7,924
Accounts Receivable (Net of Allowances)	79	-	-	2
Accrued Interest Receivable	11	2	-	5
Due from Other Governments	-	-	-	-
Prepaid Costs	-	-	-	-
Restricted Assets:				
Pooled Cash and Investments	-	-	-	-
Cash with Fiscal Agent	-	-	-	-
Cash with Trustee	-	-	-	-
Accounts Receivable	-	-	-	-
Due from Other Governments	-	-	-	-
Total Assets	<u>\$ 6,648</u>	<u>\$ 3,149</u>	<u>\$ 154</u>	<u>\$ 7,931</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ 3	\$ 771
Advances From Other Funds	-	1,788	-	-
Customer and Defendant Deposits	-	-	60	-
Payable From Restricted Assets:				
Accrued Bond Interest Payable	-	-	-	-
Unearned Revenue	-	-	93	-
Matured Bonds Payable	-	-	-	-
Total Liabilities	<u>-</u>	<u>1,788</u>	<u>156</u>	<u>771</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	1,361	-	-
Committed	6,647	-	-	7,160
Unassigned	-	-	(2)	-
Total Fund Balances	<u>6,647</u>	<u>1,361</u>	<u>(2)</u>	<u>7,160</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,648</u>	<u>\$ 3,149</u>	<u>\$ 154</u>	<u>\$ 7,931</u>

Special Revenue Funds

Grants and Special Programs	Highway User Revenue Fund	Mesa Arts Center Restoration	Mesa Housing Authority	Quality of Life Sales Tax	Street Sales Tax	Total Special Revenue Funds
\$ 3,424	\$ 7,458	\$ 1,269	\$ 1,090	\$ 1,335	\$ 45,515	\$ 77,874
87	7	-	64	1,741	2,261	4,241
-	-	2	-	1	111	132
5,427	3,169	-	2,627	-	19	11,242
72	-	-	-	-	-	72
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 9,010</u>	<u>\$ 10,634</u>	<u>\$ 1,271</u>	<u>\$ 3,781</u>	<u>\$ 3,077</u>	<u>\$ 47,906</u>	<u>\$ 93,561</u>
\$ 1,447	\$ 552	\$ 36	\$ 1,830	\$ -	\$ 2,553	\$ 7,192
-	-	-	-	-	-	1,788
-	-	-	-	-	6,400	6,460
-	-	-	-	-	-	-
423	-	36	1,390	-	-	1,942
-	-	-	-	-	-	-
<u>1,870</u>	<u>552</u>	<u>72</u>	<u>3,220</u>	<u>-</u>	<u>8,953</u>	<u>17,382</u>
46	-	-	-	-	104	151
<u>46</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104</u>	<u>151</u>
72	-	-	-	-	-	72
5,237	10,082	-	561	3,077	38,849	59,167
1,809	-	1,199	-	-	-	16,815
(24)	-	-	-	-	-	(26)
<u>7,094</u>	<u>10,082</u>	<u>1,199</u>	<u>561</u>	<u>3,077</u>	<u>38,849</u>	<u>76,028</u>
<u>\$ 9,010</u>	<u>\$ 10,634</u>	<u>\$ 1,271</u>	<u>\$ 3,781</u>	<u>\$ 3,077</u>	<u>\$ 47,906</u>	<u>\$ 93,561</u>

CITY OF MESA, ARIZONA
EXHIBIT C-1 (Continued)
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015
(in thousands)

Capital Projects Funds

	Eastmark Capital Projects	General Capital Projects	Law Enforcement	Parks Bond Construction	Streets
ASSETS					
Pooled Cash and Investments	\$ 42	\$ 8,375	\$ 5,558	\$ 10,670	\$ 14,955
Accounts Receivable (Net of Allowances)	-	-	-	-	-
Accrued Interest Receivable	-	-	-	-	-
Due from Other Governments	-	39	-	-	4,559
Prepaid Costs	-	66	-	-	-
Restricted Assets:					
Pooled Cash and Investments	-	-	-	-	-
Cash with Fiscal Agent	-	-	-	-	-
Cash with Trustee	-	-	-	-	-
Accounts Receivable	-	-	-	-	-
Due from Other Governments	-	-	-	-	-
Total Assets	<u>\$ 42</u>	<u>\$ 8,480</u>	<u>\$ 5,558</u>	<u>\$ 10,670</u>	<u>\$ 19,514</u>
LIABILITIES					
Accounts Payable and Accrued Liabilities	\$ 47	\$ 1,021	\$ 177	\$ 1,780	\$ 457
Advances From Other Funds	-	-	-	-	-
Customer and Defendant Deposits	-	-	-	-	-
Payable From Restricted Assets:					
Accrued Bond Interest Payable	-	-	-	-	-
Unearned Revenue	-	-	-	-	-
Matured Bonds Payable	-	-	-	-	-
Total Liabilities	<u>47</u>	<u>1,021</u>	<u>177</u>	<u>1,780</u>	<u>457</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	-	66	-	-	-
Restricted	-	-	5,381	8,890	19,057
Committed	-	7,393	-	-	-
Unassigned	(5)	-	-	-	-
Total Fund Balances	<u>(5)</u>	<u>7,459</u>	<u>5,381</u>	<u>8,890</u>	<u>19,057</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 42</u>	<u>\$ 8,480</u>	<u>\$ 5,558</u>	<u>\$ 10,670</u>	<u>\$ 19,514</u>

Capital Projects Funds		Debt Service Funds			
Vehicle Replacement	Total Capital Projects Funds	Capital Lease Redemption	Eastmark Debt Service	General Obligation Bond Redemption	Highway Project Advancement Notes
\$ 3,082	\$ 42,682	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	4,598	-	-	-	-
-	66	-	-	-	-
-	-	-	662	3,109	86,033
-	-	-	449	27,869	1,946
-	-	-	-	-	9,535
-	-	-	7,790	-	-
-	-	-	-	942	-
<u>\$ 3,082</u>	<u>\$ 47,346</u>	<u>\$ -</u>	<u>\$ 8,901</u>	<u>\$ 31,920</u>	<u>\$ 97,514</u>
\$ 57	\$ 3,539	\$ -	\$ -	\$ -	\$ 9,008
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	238	6,854	1,946
-	-	-	-	-	8,143
-	-	-	232	21,014	-
<u>57</u>	<u>3,539</u>	<u>-</u>	<u>470</u>	<u>27,868</u>	<u>19,097</u>
-	-	-	7,789	468	-
-	-	-	7,789	468	-
-	66	-	-	-	-
725	34,053	-	642	-	78,417
2,300	9,693	-	-	3,584	-
-	(5)	-	-	-	-
<u>3,025</u>	<u>43,807</u>	<u>-</u>	<u>642</u>	<u>3,584</u>	<u>78,417</u>
<u>\$ 3,082</u>	<u>\$ 47,346</u>	<u>\$ -</u>	<u>\$ 8,901</u>	<u>\$ 31,920</u>	<u>\$ 97,514</u>

CITY OF MESA, ARIZONA
EXHIBIT C-1 (Concluded)
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015
(in thousands)

	Debt Service Funds			Total Nonmajor Governmental Funds
	Highway User Revenue Bond Redemption	Special Assessment Bond Redemption	Total Debt Service Funds	
ASSETS				
Pooled Cash and Investments	\$ -	\$ -	\$ -	\$ 120,556
Accounts Receivable (Net of Allowances)	-	-	-	4,241
Accrued Interest Receivable	-	-	-	132
Due from Other Governments	-	-	-	15,840
Prepaid Costs	-	-	-	138
Restricted Assets:				
Pooled Cash and Investments	1	58	89,863	89,863
Cash with Fiscal Agent	8,695	21	38,980	38,980
Cash with Trustee	-	-	9,535	9,535
Accounts Receivable	36	2,575	10,401	10,401
Due from Other Governments	-	-	942	942
Total Assets	<u>\$ 8,732</u>	<u>\$ 2,654</u>	<u>\$ 149,721</u>	<u>\$ 290,628</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ 9,008	\$ 19,739
Advances From Other Funds	-	-	-	1,788
Customer and Defendant Deposits	-	-	-	6,460
Payable From Restricted Assets:				
Accrued Bond Interest Payable	2,390	79	11,507	11,507
Unearned Revenue	-	-	8,143	10,085
Matured Bonds Payable	6,305	-	27,551	27,551
Total Liabilities	<u>8,695</u>	<u>79</u>	<u>56,209</u>	<u>77,130</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	-	2,575	10,832	10,983
Total Deferred Inflows of Resources	<u>-</u>	<u>2,575</u>	<u>10,832</u>	<u>10,983</u>
FUND BALANCES				
Nonspendable	-	-	-	138
Restricted	37	-	79,096	172,316
Committed	-	-	3,584	30,092
Unassigned	-	-	-	(31)
Total Fund Balances	<u>37</u>	<u>-</u>	<u>82,680</u>	<u>202,515</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,732</u>	<u>\$ 2,654</u>	<u>\$ 149,721</u>	<u>\$ 290,628</u>



CITY OF MESA, ARIZONA

EXHIBIT C-2

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(in thousands)

	Special Revenue Funds			
	Cemetery	Development Impact Fees	Eastmark Community Facilities District	Environmental Compliance
Revenues:				
Sales Taxes	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	-	22	-
Occupancy Taxes	-	-	-	-
Special Assessments	-	-	-	-
Licenses and Permits	-	4,830	-	-
Intergovernmental	-	-	-	-
Charges for Services	93	-	-	14,929
Fines and Forfeitures	-	-	-	-
Investment Income	55	18	1	52
Contributions	-	-	26	-
Miscellaneous Revenues	-	-	-	2
Total Revenues	148	4,848	49	14,983
Expenditures:				
Current:				
General Government	-	-	77	829
Public Safety	-	-	-	1,355
Cultural-Recreational	-	-	-	5,257
Community Environment	-	-	-	2,973
Debt Service:				
Principal Retirement	-	-	-	-
Interest on Bonds	-	-	-	-
Interest on Leases	-	-	-	-
Interest on Notes	-	-	-	-
Service Charges	-	-	3	-
Cost of Issuance	-	-	-	-
Capital Outlay	-	-	-	805
Total Expenditures	-	-	80	11,219
Excess (Deficiency) of Revenues Over (Under) Expenditures	148	4,848	(31)	3,764
Other Financing Sources (Uses):				
Transfers In	-	-	25	-
Transfers Out	-	(2,812)	-	-
Face Amount of Bonds Issued	-	-	-	-
Premium on Issuance of Bonds (Net)	-	-	-	-
Issuance of Refunding Bonds	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
Total Other Financing Sources (Uses)	-	(2,812)	25	-
Net Change in Fund Balances	148	2,036	(6)	3,764
Fund Balances - Beginning	6,499	(675)	4	3,396
Fund Balances - Ending	\$ 6,647	\$ 1,361	\$ (2)	\$ 7,160

Special Revenue Funds

Grants and Special Programs	Highway User Revenue Fund	Mesa Arts Center Restoration	Mesa Housing Authority	Quality of Life Sales Tax	Street Sales Tax	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$20,799	\$24,944	\$45,743
-	-	-	-	-	-	22
2,056	-	-	-	-	-	2,056
-	-	-	-	-	-	-
396	-	-	-	72	148	5,446
9,458	33,903	-	19,687	-	-	63,048
172	8	-	-	-	339	15,541
1,236	-	333	-	-	-	1,569
35	41	14	18	13	517	764
1,004	-	-	-	-	-	1,030
2,101	-	-	1	-	126	2,230
<u>16,458</u>	<u>33,952</u>	<u>347</u>	<u>19,706</u>	<u>20,884</u>	<u>26,074</u>	<u>137,449</u>
2,509	-	-	-	-	3,750	7,165
5,453	-	-	259	21,511	323	28,901
963	-	284	-	-	11	6,515
208	13,585	-	18,868	-	15,693	51,327
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	3
-	-	-	-	-	-	-
5,839	1,385	185	1,187	-	8,665	18,066
<u>14,972</u>	<u>14,970</u>	<u>469</u>	<u>20,314</u>	<u>21,511</u>	<u>28,442</u>	<u>111,977</u>
1,486	18,982	(122)	(608)	(627)	(2,368)	25,472
1,684	-	-	-	-	-	1,709
(321)	(11,113)	-	-	-	(725)	(14,971)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,363</u>	<u>(11,113)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(725)</u>	<u>(13,262)</u>
2,849	7,869	(122)	(608)	(627)	(3,093)	12,210
4,245	2,213	1,321	1,169	3,704	41,942	63,818
<u>\$ 7,094</u>	<u>\$ 10,082</u>	<u>\$ 1,199</u>	<u>\$ 561</u>	<u>\$ 3,077</u>	<u>\$38,849</u>	<u>\$76,028</u>

CITY OF MESA, ARIZONA
EXHIBIT C-2 (Continued)
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Capital Projects Funds

	Eastmark Capital Projects	General Capital Projects	Law Enforcement	Parks Bond Construction	Streets
Revenues:					
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	-	-	-	-
Occupancy Taxes	-	-	-	-	-
Special Assessments	-	-	-	-	-
Licenses and Permits	-	-	-	-	-
Intergovernmental	-	39	-	-	910
Charges for Services	-	-	-	-	19
Fines and Forfeitures	-	-	-	-	-
Investment Income	-	-	-	-	-
Contributions	106	-	-	-	-
Miscellaneous Revenues	-	315	-	34	-
Total Revenues	106	354	-	34	929
Expenditures:					
Current:					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Cultural-Recreational	-	-	-	-	-
Community Environment	-	-	-	-	-
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest on Bonds	-	-	-	-	-
Interest on Leases	-	-	-	-	-
Interest on Notes	-	-	-	-	-
Service Charges	-	-	-	-	-
Cost of Issuance	352	-	-	166	-
Capital Outlay	4,612	5,921	11,805	15,935	12,361
Total Expenditures	4,964	5,921	11,805	16,101	12,361
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,858)</u>	<u>(5,567)</u>	<u>(11,805)</u>	<u>(16,067)</u>	<u>(11,432)</u>
Other Financing Sources (Uses):					
Transfers In	-	6,386	-	-	-
Transfers Out	(66)	-	-	-	-
Face Amount of Bonds Issued	4,922	-	-	13,690	-
Premium on Issuance of Bonds (Net)	(10)	-	-	106	-
Issuance of Refunding Bonds	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-
Total Other Financing Sources (Uses)	4,846	6,386	-	13,796	-
Net Change in Fund Balances	(12)	819	(11,805)	(2,271)	(11,432)
Fund Balances - Beginning	<u>7</u>	<u>6,640</u>	<u>17,186</u>	<u>11,161</u>	<u>30,489</u>
Fund Balances - Ending	\$ (5)	\$ 7,459	\$ 5,381	\$ 8,890	\$19,057

EXHIBIT C-2
(Continued)

<u>Capital Projects Funds</u>		<u>Debt Service Funds</u>			
<u>Vehicle Replacement</u>	<u>Total Capital Projects Funds</u>	<u>Capital Lease Redemption</u>	<u>Eastmark Debt Service</u>	<u>General Obligation Bond Redemption</u>	<u>Highway Project Advancement Notes</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	230	33,770	-
-	-	-	-	-	-
-	-	-	438	-	-
-	-	-	-	-	-
-	949	-	-	556	3,892
-	19	-	-	-	-
-	-	-	-	840	-
-	-	-	4	14	415
-	106	-	-	-	-
35	384	-	-	-	-
<u>35</u>	<u>1,458</u>	<u>-</u>	<u>672</u>	<u>35,180</u>	<u>4,307</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	72	232	21,014	-
-	-	-	456	13,758	-
-	-	3	-	-	-
-	-	-	-	-	3,892
-	-	-	-	6	-
-	518	-	-	-	-
3,692	54,326	-	-	-	-
<u>3,692</u>	<u>54,844</u>	<u>75</u>	<u>688</u>	<u>34,778</u>	<u>3,892</u>
<u>(3,657)</u>	<u>(53,386)</u>	<u>(75)</u>	<u>(16)</u>	<u>402</u>	<u>415</u>
3,225	9,611	75	66	2,812	-
-	(66)	-	-	-	-
-	18,612	-	387	-	-
-	96	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>3,225</u>	<u>28,253</u>	<u>75</u>	<u>453</u>	<u>2,812</u>	<u>-</u>
(432)	(25,133)	-	437	3,214	415
<u>3,457</u>	<u>68,940</u>	<u>-</u>	<u>205</u>	<u>370</u>	<u>78,002</u>
<u>\$ 3,025</u>	<u>\$43,807</u>	<u>\$ -</u>	<u>\$ 642</u>	<u>\$ 3,584</u>	<u>\$ 78,417</u>

CITY OF MESA, ARIZONA
EXHIBIT C-2 (Concluded)
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Debt Service Funds			
	Highway User Revenue Bond Redemption	Special Assessment Bond Redemption	Total Debt Service Funds	Total Nonmajor Governmental Funds
Revenues:				
Sales Taxes	\$ -	\$ -	\$ -	\$ 45,743
Property Taxes	-	-	34,000	34,022
Occupancy Taxes	-	-	-	2,056
Special Assessments	-	826	1,264	1,264
Licenses and Permits	-	-	-	5,446
Intergovernmental	-	-	4,448	68,445
Charges for Services	-	-	-	15,560
Fines and Forfeitures	-	-	840	2,409
Investment Income	-	1	434	1,198
Contributions	-	-	-	1,136
Miscellaneous Revenues	-	-	-	2,614
Total Revenues	<u>-</u>	<u>827</u>	<u>40,986</u>	<u>179,893</u>
Expenditures:				
Current:				
General Government	-	-	-	7,165
Public Safety	-	-	-	28,901
Cultural-Recreational	-	-	-	6,515
Community Environment	-	-	-	51,327
Debt Service:				
Principal Retirement	6,305	744	28,367	28,367
Interest on Bonds	4,982	178	19,374	19,374
Interest on Leases	-	-	3	3
Interest on Notes	-	-	3,892	3,892
Service Charges	4	-	10	13
Cost of Issuance	139	-	139	657
Capital Outlay	-	-	-	72,392
Total Expenditures	<u>11,430</u>	<u>922</u>	<u>51,785</u>	<u>218,606</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(11,430)</u>	<u>(95)</u>	<u>(10,799)</u>	<u>(38,713)</u>
Other Financing Sources (Uses):				
Transfers In	11,113	96	14,162	25,482
Transfers Out	-	(1)	(1)	(15,038)
Face Amount of Bonds Issued	-	-	387	18,999
Premium on Issuance of Bonds (Net)	2,856	-	2,856	2,952
Issuance of Refunding Bonds	17,555	-	17,555	17,555
Payment to Refunded Bond Escrow Agent	<u>(20,058)</u>	<u>-</u>	<u>(20,058)</u>	<u>(20,058)</u>
Total Other Financing Sources (Uses)	<u>11,466</u>	<u>95</u>	<u>14,901</u>	<u>29,892</u>
Net Change in Fund Balances	36	-	4,102	(8,821)
Fund Balances - Beginning	<u>1</u>	<u>-</u>	<u>78,578</u>	<u>211,336</u>
Fund Balances - Ending	<u>\$ 37</u>	<u>\$ -</u>	<u>\$82,680</u>	<u>\$ 202,515</u>

INTERNAL SERVICE FUNDS

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

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

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

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

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

CITY OF MESA, ARIZONA
EXHIBIT C-3
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2015
(in thousands)

	<u>Warehouse, Maintenance and Services</u>	<u>Property and Public Liability Self Insurance</u>
ASSETS		
Current Assets:		
Pooled Cash and Investments	\$ 822	\$ 9,533
Accounts Receivable	179	-
Accrued Premiums Receivable	-	-
Accrued Interest Receivable	-	13
Due from Other Governments	8	-
Inventory	5,992	-
Prepaid Costs	7	496
Total Current Assets	<u>7,008</u>	<u>10,042</u>
Noncurrent Assets:		
Capital Assets, Not Being Depreciated	99	-
Capital Assets, Being Depreciated, Net	<u>1,505</u>	<u>-</u>
Total Noncurrent Assets	<u>1,604</u>	<u>-</u>
Total Assets	<u>8,612</u>	<u>10,042</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions	<u>979</u>	<u>137</u>
Total Deferred Outflows of Resources	<u>979</u>	<u>137</u>
Total Assets and Deferred Outflows of Resources	<u>9,591</u>	<u>10,179</u>
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	989	16
Estimated Claims Incurred-Not Reported	-	3,196
Estimated Claims Incurred and Pending	-	6,428
Current Portion of Compensated Absences	69	-
Total Current Liabilities	<u>1,058</u>	<u>9,640</u>
Long-Term Liabilities		
Compensated Absences	578	-
Net Pension Liability	8,344	1,184
Post Employment Benefits	9,634	-
Total Long-Term Liabilities	<u>18,556</u>	<u>1,184</u>
Total Liabilities	<u>19,614</u>	<u>10,824</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions	<u>1,670</u>	<u>237</u>
Total Deferred Inflows of Resources	<u>1,670</u>	<u>237</u>
NET POSITION		
Net Investment in Capital Assets	1,604	-
Unrestricted	<u>(13,297)</u>	<u>(882)</u>
Total Net Position	<u>\$ (11,693)</u>	<u>\$ (882)</u>

EXHIBIT C-3
(Concluded)

Workers' Compensation Self Insurance	Employee Benefits Self Insurance	Total
\$ 8,658	\$ 51,123	\$ 70,136
-	47	226
-	148	148
6	61	80
-	-	8
-	-	5,992
222	61	786
<u>8,886</u>	<u>51,440</u>	<u>77,376</u>
-	-	99
-	521	2,026
-	521	2,125
<u>8,886</u>	<u>51,961</u>	<u>79,501</u>
59	146	1,321
<u>59</u>	<u>146</u>	<u>1,321</u>
<u>8,945</u>	<u>52,107</u>	<u>80,822</u>
108	2,346	3,459
7,364	2,738	13,298
16,301	-	22,729
-	-	69
<u>23,773</u>	<u>5,084</u>	<u>39,555</u>
-	-	578
488	1,200	11,216
-	-	9,634
<u>488</u>	<u>1,200</u>	<u>21,428</u>
<u>24,261</u>	<u>6,284</u>	<u>60,983</u>
98	240	2,245
<u>98</u>	<u>240</u>	<u>2,245</u>
-	521	2,125
(15,414)	45,062	15,469
<u>\$ (15,414)</u>	<u>\$ 45,583</u>	<u>\$ 17,594</u>

CITY OF MESA, ARIZONA
EXHIBIT C-4
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(in thousands)

	<u>Warehouse, Maintenance and Services</u>	<u>Property and Public Liability Self Insurance</u>
Operating Revenues:		
Charges For Services:		
Warehouse	\$ 6,190	\$ -
Fleet Support Services	18,528	-
Printing and Graphics	903	-
Self-Insurance Contributions:		
Employee	-	-
City	-	2,522
State Retirement System	-	-
Other	-	-
Total Operating Revenues	<u>25,621</u>	<u>2,522</u>
Operating Expenses:		
Warehouse	7,196	-
Fleet Support Services	18,181	-
Printing and Graphics	1,023	-
Administrative Costs	-	953
Claims and Premiums Paid	-	1,846
Total Operating Expenses	<u>26,400</u>	<u>2,799</u>
Operating Income (Loss) Before Depreciation	(779)	(277)
Depreciation	<u>(383)</u>	<u>-</u>
Operating Income (Loss)	<u>(1,162)</u>	<u>(277)</u>
Nonoperating Revenues (Expense):		
Investment Income	-	(1)
Gain/(Loss) on Disposal of Capital Assets	8	-
Total Nonoperating Revenues (Expenses)	<u>8</u>	<u>(1)</u>
Change in Net Position	(1,154)	(278)
Total Net Position - As Previously Reported	(1,406)	692
Change in Accounting Principle	<u>(9,133)</u>	<u>(1,296)</u>
Total Net Position - As Restated	<u>(10,539)</u>	<u>(604)</u>
Total Net Position - Ending	<u>\$ (11,693)</u>	<u>\$ (882)</u>

EXHIBIT C-4
(Concluded)

<u>Workers'</u> <u>Compensation</u> <u>Self Insurance</u>	<u>Employee</u> <u>Benefits Self</u> <u>Insurance</u>	<u>Total</u>
\$ -	\$ -	\$ 6,190
-	-	18,528
-	-	903
-	13,589	13,589
6,629	49,359	58,510
-	4,030	4,030
215	457	672
<u>6,844</u>	<u>67,435</u>	<u>102,422</u>
-	-	7,196
-	-	18,181
-	-	1,023
829	7,084	8,866
4,476	57,572	63,894
<u>5,305</u>	<u>64,656</u>	<u>99,160</u>
1,539	2,779	3,262
-	(34)	(417)
<u>1,539</u>	<u>2,745</u>	<u>2,845</u>
-	(6)	(7)
-	-	8
<u>-</u>	<u>(6)</u>	<u>1</u>
1,539	2,739	2,846
(16,419)	44,158	27,025
(534)	(1,314)	(12,277)
<u>(16,953)</u>	<u>42,844</u>	<u>14,748</u>
<u>\$ (15,414)</u>	<u>\$ 45,583</u>	<u>\$ 17,594</u>

CITY OF MESA, ARIZONA

EXHIBIT C-5

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(in thousands)

	<u>Warehouse, Maintenance and Services</u>	<u>Property and Public Liability Self Insurance</u>
Cash Flows from Operating Activities:		
Cash Received from Users	\$ 25,567	\$ 2,522
Cash Payments to Suppliers	(18,017)	(1,877)
Cash Payments to Employees	(7,529)	(925)
Net Cash Provided by/(Used for) Operating Activities	<u>21</u>	<u>(280)</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	<u>(321)</u>	<u>-</u>
Net Cash Provided by / (Used) for Capital and Related Financing Activities	<u>(321)</u>	<u>-</u>
Cash Flows from Investing Activities:		
Interest Received on Investments	<u>-</u>	<u>1</u>
Net Cash Provided by Investing Activities	<u>-</u>	<u>1</u>
Net Increase in Cash and Cash Equivalents	(300)	(279)
Pooled Cash and Investments at Beginning of Year	<u>1,122</u>	<u>9,812</u>
Pooled Cash and Investments at End of Year	<u>\$ 822</u>	<u>\$ 9,533</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ (1,162)	\$ (277)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	383	-
Changes in Assets and Liabilities:		
(Increase)/Decrease in Receivables	(54)	-
(Increase)/Decrease in Inventory	(151)	-
(Increase)/Decrease in Prepaid Costs	(6)	14
(Decrease)/Increase in Accounts Payable	207	(48)
(Decrease)/Increase in Pension Liability	(98)	(12)
(Decrease)/Increase in Other Accrued Expenses	<u>902</u>	<u>43</u>
Total Adjustments	<u>1,183</u>	<u>(3)</u>
Net Cash Provided by/(Used for) Operating Activities	<u>\$ 21</u>	<u>\$ (280)</u>
Noncash Transactions Affecting Financial Position:		
Gain/(Loss) on Disposal of Capital Assets	8	-

EXHIBIT C-5
(Concluded)

Workers' Compensation Self Insurance	Employee Benefits Self Insurance	Total
\$ 6,844	\$ 69,217	\$ 104,150
(4,079)	(64,900)	(88,873)
(423)	(1,290)	(10,167)
<u>2,342</u>	<u>3,027</u>	<u>5,110</u>
-	(555)	(876)
-	(555)	(876)
-	1	2
-	1	2
2,342	2,473	4,236
<u>6,316</u>	<u>48,650</u>	<u>65,900</u>
<u>\$ 8,658</u>	<u>\$ 51,123</u>	<u>\$ 70,136</u>
\$ 1,539	\$ 2,745	\$ 2,845
-	34	417
-	1,782	1,728
-	-	(151)
(18)	(61)	(71)
(30)	478	607
(7)	(20)	(137)
<u>858</u>	<u>(1,931)</u>	<u>(128)</u>
<u>803</u>	<u>282</u>	<u>2,265</u>
<u>\$ 2,342</u>	<u>\$ 3,027</u>	<u>\$ 5,110</u>
-	-	8

AGENCY FUND

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

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

CITY OF MESA, ARIZONA

EXHIBIT C-6

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(in thousands)

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
PAYROLL AGENCY FUND				
Assets:				
Pooled Cash and Investments	\$ 14,061	\$ 610,253	\$ 610,045	\$ 14,269
Due from Others	-	26	24	2
Total Assets	<u>\$ 14,061</u>	<u>\$ 610,279</u>	<u>\$ 610,069</u>	<u>\$ 14,271</u>
Liabilities:				
Accounts Payable	\$ 1,719	\$ 357,587	\$ 359,208	\$ 98
Accrued Payroll Payable	12,342	418,498	416,667	14,173
Total Liabilities	<u>\$ 14,061</u>	<u>\$ 776,085</u>	<u>\$ 775,875</u>	<u>\$ 14,271</u>



SUPPLEMENTAL INFORMATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT
2015



CITY OF MESA, ARIZONA
EXHIBIT D-1
 SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 GRANTS AND SPECIAL PROGRAMS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015
 (in thousands)

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Occupancy Taxes	\$ 2,053	\$ 2,053	\$ 2,056	\$ 3
Licenses and Permits	1,232	1,232	396	(836)
Intergovernmental	29,723	29,723	9,458	(20,265)
Charges for Services	664	664	172	(492)
Fines and Forfeitures	229	229	1,236	1,007
Investment Income	-	-	35	35
Contributions	399	399	1,004	605
Miscellaneous Revenues	2,228	2,228	2,101	(127)
Total Revenues	<u>36,528</u>	<u>36,528</u>	<u>16,458</u>	<u>(20,070)</u>
Expenditures:				
Current:				
General Government	2,256	2,341	2,509	(168)
Public Safety	12,855	13,042	5,453	7,589
Cultural-Recreational	1,356	1,221	963	258
Community Environment	218	218	208	10
Capital Outlay	24,662	22,533	5,839	16,694
Total Expenditures	<u>41,347</u>	<u>39,355</u>	<u>14,972</u>	<u>24,383</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,819)	(2,827)	1,486	4,313
Other Financing Sources (Uses):				
Transfers In	-	-	1,684	1,684
Transfers Out	-	-	(321)	(321)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,363</u>	<u>1,363</u>
Net Change in Fund Balances	(4,819)	(2,827)	2,849	5,676
Fund Balances - Beginning	<u>4,849</u>	<u>4,849</u>	<u>4,245</u>	<u>(604)</u>
Fund Balance - Ending	<u>\$ 30</u>	<u>\$ 2,022</u>	<u>\$ 7,094</u>	<u>\$ 5,072</u>

CITY OF MESA, ARIZONA
EXHIBIT D-2
 SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 HIGHWAY USER REVENUE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015
 (in thousands)

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 32,024	\$ 32,024	\$ 33,903	\$ 1,879
Charges for Services	-	-	8	8
Investment Income	-	-	41	41
Total Revenues	<u>32,024</u>	<u>32,024</u>	<u>33,952</u>	<u>1,928</u>
Expenditures:				
Current:				
Community Environment	21,459	17,943	13,585	4,358
Capital Outlay	86	3,856	1,385	2,471
Total Expenditures	<u>21,545</u>	<u>21,799</u>	<u>14,970</u>	<u>6,829</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>10,479</u>	<u>10,225</u>	<u>18,982</u>	<u>8,757</u>
Other Financing Uses:				
Transfers In	-	-	-	-
Transfers Out	(12,440)	(12,440)	(11,113)	1,327
Total Other Financing Uses	<u>(12,440)</u>	<u>(12,440)</u>	<u>(11,113)</u>	<u>1,327</u>
Net Change in Fund Balances	(1,961)	(2,215)	7,869	10,084
Fund Balances - Beginning	<u>1,962</u>	<u>1,962</u>	<u>2,213</u>	<u>251</u>
Fund Balance - Ending	<u>\$ 1</u>	<u>\$ (253)</u>	<u>\$ 10,082</u>	<u>\$ 10,335</u>

CITY OF MESA, ARIZONA
EXHIBIT D-3
 SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 MESA HOUSING AUTHORITY
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015
 (in thousands)

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 26,904	\$ 26,904	\$ 19,687	\$ (7,217)
Investment Income	11	11	18	7
Miscellaneous Revenues	-	-	1	1
Total Revenues	<u>26,915</u>	<u>26,915</u>	<u>19,706</u>	<u>(7,209)</u>
Expenditures:				
Current:				
Public Safety	140	399	259	140
Community Environment	26,434	25,481	18,868	6,613
Capital Outlay	579	1,273	1,187	86
Total Expenditures	<u>27,153</u>	<u>27,153</u>	<u>20,314</u>	<u>6,839</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(238)</u>	<u>(238)</u>	<u>(608)</u>	<u>(370)</u>
Net Change in Fund Balances	(238)	(238)	(608)	(370)
Fund Balances - Beginning	<u>367</u>	<u>367</u>	<u>1,169</u>	<u>802</u>
Fund Balance - Ending	<u>\$ 129</u>	<u>\$ 129</u>	<u>\$ 561</u>	<u>\$ 432</u>

CITY OF MESA, ARIZONA
EXHIBIT D-4
 SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 QUALITY OF LIFE SALES TAX
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015
 (in thousands)

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Sales Taxes	\$ 21,408	\$ 21,408	\$ 20,799	\$ (609)
Licenses and Permits	-	-	72	72
Investment Income	-	-	13	13
Total Revenues	<u>21,408</u>	<u>21,408</u>	<u>20,884</u>	<u>(524)</u>
Expenditures:				
Current:				
Public Safety	21,543	21,543	21,511	32
Total Expenditures	<u>21,543</u>	<u>21,543</u>	<u>21,511</u>	<u>32</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(135)</u>	<u>(135)</u>	<u>(627)</u>	<u>(492)</u>
Net Change in Fund Balances	(135)	(135)	(627)	(492)
Fund Balances - Beginning	<u>135</u>	<u>135</u>	<u>3,704</u>	<u>3,569</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,077</u>	<u>\$ 3,077</u>

CITY OF MESA, ARIZONA
EXHIBIT D-5
 SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 STREET SALES TAX
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015
 (in thousands)

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Sales Taxes	\$ 25,690	\$ 25,690	\$ 24,944	\$ (746)
Licenses and Permits	350	350	148	(202)
Charges for Services	94	94	339	245
Fines and Forfeitures	204	204	-	(204)
Investment Income	71	71	517	446
Miscellaneous Revenues	4	4	126	122
Total Revenues	<u>26,413</u>	<u>26,413</u>	<u>26,074</u>	<u>(339)</u>
Expenditures:				
Current:				
General Government	3,036	3,044	3,750	(706)
Public Safety	333	333	323	10
Cultural-Recreational	11	11	11	-
Community Environment	28,756	20,244	15,693	4,551
Capital Outlay	7,929	16,522	8,665	7,857
Total Expenditures	<u>40,065</u>	<u>40,154</u>	<u>28,442</u>	<u>11,712</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(13,652)</u>	<u>(13,741)</u>	<u>(2,368)</u>	<u>11,373</u>
Other Financing Uses:				
Transfers Out	<u>(9,625)</u>	<u>(9,625)</u>	<u>(725)</u>	<u>8,900</u>
Total Other Financing Uses	<u>(9,625)</u>	<u>(9,625)</u>	<u>(725)</u>	<u>8,900</u>
Net Change in Fund Balances	(23,277)	(23,366)	(3,093)	20,273
Fund Balances - Beginning	<u>29,479</u>	<u>29,479</u>	<u>41,942</u>	<u>12,463</u>
Fund Balance - Ending	<u>\$ 6,202</u>	<u>\$ 6,113</u>	<u>\$ 38,849</u>	<u>\$ 32,736</u>



STATISTICAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT
2015



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.	127
Revenue Capacity These schedules contain information to help readers assess the City’s most significant local revenue source, the sales tax.	139
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.	142
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.	150
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.	152

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)

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
GOVERNMENTAL ACTIVITIES				
Net Investment in Capital Assets	\$ 765,875	\$ 791,592	\$ 794,720	\$ 791,523
Restricted	84,386	95,107	86,252	92,533
Unrestricted	<u>85,735</u>	<u>128,548</u>	<u>125,128</u>	<u>91,363</u>
Total Governmental Activities Net Position	<u>\$ 935,996</u>	<u>\$ 1,015,247</u>	<u>\$ 1,006,100</u>	<u>\$ 975,419</u>
BUSINESS-TYPE ACTIVITIES				
Net Investment in Capital Assets	\$ 390,100	\$ 366,498	\$ 410,074	\$ 413,944
Restricted	89,383	96,756	94,133	82,697
Unrestricted	<u>268,388</u>	<u>308,375</u>	<u>308,216</u>	<u>278,892</u>
Total Business-type Activities	<u>\$ 747,871</u>	<u>\$ 771,629</u>	<u>\$ 812,423</u>	<u>\$ 775,533</u>
PRIMARY GOVERNMENT				
Net Investment in Capital Assets	\$ 1,155,975	\$ 1,158,090	\$ 1,204,794	\$ 1,205,467
Restricted	173,769	191,863	180,385	175,230
Unrestricted	<u>354,123</u>	<u>436,923</u>	<u>433,344</u>	<u>370,255</u>
Total Primary Government	<u>\$ 1,683,867</u>	<u>\$ 1,786,876</u>	<u>\$ 1,818,523</u>	<u>\$ 1,750,952</u>

TABLE I
(Concluded)

<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
\$ 844,777	\$ 872,302	\$ 913,702	\$ 902,397	\$ 866,332	\$ 932,660
86,955	39,296	41,257	56,719	60,555	72,170
<u>3,651</u>	<u>(6,376)</u>	<u>(96,986)</u>	<u>(184,355)</u>	<u>(120,803)</u>	<u>(666,758)</u>
<u>\$ 935,383</u>	<u>\$ 905,222</u>	<u>\$ 857,973</u>	<u>\$ 774,761</u>	<u>\$ 806,084</u>	<u>\$ 338,072</u>
\$ 434,814	\$ 430,436	\$ 412,016	\$ 346,352	\$ 393,720	\$ 327,743
47,011	55,873	69,739	37,795	43,023	47,576
<u>271,706</u>	<u>258,131</u>	<u>254,189</u>	<u>271,619</u>	<u>178,702</u>	<u>160,934</u>
<u>\$ 753,531</u>	<u>\$ 744,440</u>	<u>\$ 735,944</u>	<u>\$ 655,766</u>	<u>\$ 615,445</u>	<u>\$ 536,253</u>
\$ 1,279,591	\$ 1,302,738	\$ 1,325,718	\$ 1,248,749	\$ 1,260,052	\$ 1,260,403
133,966	95,169	110,996	94,514	103,578	119,746
<u>275,357</u>	<u>251,755</u>	<u>157,203</u>	<u>87,264</u>	<u>57,899</u>	<u>(505,824)</u>
<u>\$ 1,688,914</u>	<u>\$ 1,649,662</u>	<u>\$ 1,593,917</u>	<u>\$ 1,430,527</u>	<u>\$ 1,421,529</u>	<u>\$ 874,325</u>

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

EXPENSES	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
GOVERNMENTAL ACTIVITIES:					
General Government	\$ 44,568	\$ 48,201	\$ 63,633	\$ 54,226	\$ 54,863
Public Safety	212,011	232,100	292,396	290,928	288,929
Cultural-Recreational	65,389	64,592	72,999	67,039	54,010
Community Environment	97,613	91,664	99,415	121,736	104,096
Interest on Long-term Debt	<u>16,061</u>	<u>18,037</u>	<u>19,083</u>	<u>18,659</u>	<u>20,013</u>
Total Governmental Activities Expenses	<u>435,642</u>	<u>454,594</u>	<u>547,526</u>	<u>552,588</u>	<u>521,911</u>
BUSINESS-TYPE ACTIVITIES:					
Electric	26,817	26,281	31,612	27,634	27,106
Gas	38,743	37,826	43,247	35,992	35,466
Water	54,111	59,965	59,225	68,956	80,915
Wastewater	67,181	60,603	61,293	80,349	70,228
Solid Waste	25,070	27,891	32,877	31,953	31,504
Airport	4,194	2,721	3,317	3,703	3,944
Golf Course	2,524	2,602	3,012	3,083	2,715
Convention Center	4,822	5,667	5,447	4,558	4,158
Hohokam Stadium/Fitch Complex	-	-	-	-	7,408
Cubs Stadium	-	-	-	-	-
District Cooling	67	1,090	769	976	1,000
Interest on Long-term Debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Business-type Activities Expenses	<u>223,529</u>	<u>224,646</u>	<u>240,799</u>	<u>257,204</u>	<u>264,444</u>
Total Primary Government Expenses	<u>\$ 659,171</u>	<u>\$ 679,240</u>	<u>\$ 788,325</u>	<u>\$ 809,792</u>	<u>\$ 786,355</u>

TABLE II
(Continued)

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

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

PROGRAM REVENUES	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
GOVERNMENTAL ACTIVITIES:				
Charges for services:				
Licenses and Permits	\$ 23,145	\$ 20,128	\$ 23,342	\$ 13,426
Charges for Services	17,650	22,039	23,703	24,740
Fines and Forfeitures	9,049	10,277	10,761	10,215
Other activities	282	433	324	78
Operating Grants and Contributions	68,784	74,498	63,787	63,055
Capital Grants and Contributions	16,777	44,858	21,916	35,436
Total Governmental Activities Program Revenues	<u>135,687</u>	<u>172,233</u>	<u>143,833</u>	<u>146,950</u>
BUSINESS-TYPE ACTIVITIES:				
Charges for services:				
Electric	36,113	34,519	34,148	35,313
Gas	44,089	45,250	46,540	41,708
Water	88,498	92,007	97,559	95,995
Wastewater	49,618	55,398	53,951	54,720
Solid Waste	38,899	42,895	46,168	46,762
Airport	2,087	2,954	3,192	2,959
Golf Course	2,522	2,457	2,448	2,310
Convention Center	3,728	4,746	3,658	2,687
Hohokam Stadium/Fitch Complex	-	-	-	-
Cubs Stadium	-	-	-	-
District Cooling	55	193	229	834
Economic Investment	-	-	-	-
Operating Grants and Contributions	141	147	11	101
Capital Grants and Contributions	27,692	20,724	80,570	31,222
Total Business-type Activities Program Revenues	<u>293,442</u>	<u>301,290</u>	<u>368,474</u>	<u>314,611</u>
Total Primary Government Program Revenues	<u>\$ 429,129</u>	<u>473,523</u>	<u>512,307</u>	<u>461,561</u>
NET (EXPENSE)/REVENUE				
Governmental Activities	\$ (299,955)	\$ (282,361)	\$ (403,693)	\$ (405,638)
Business-type Activities	<u>69,913</u>	<u>76,644</u>	<u>127,675</u>	<u>57,407</u>
Total Primary Government Net Expense	<u>\$ (230,042)</u>	<u>\$ (205,717)</u>	<u>\$ (276,018)</u>	<u>\$ (348,231)</u>

TABLE II
(Continued)

<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
\$ 11,824	\$ 12,577	\$ 13,359	\$ 17,693	\$ 18,797	\$ 20,892
20,419	20,304	25,779	27,675	32,106	36,260
10,135	11,820	11,294	9,885	9,890	10,505
9	8	18	2,945	400	5,741
72,812	65,284	60,355	55,312	29,514	26,418
30,343	31,461	23,503	25,049	20,714	75,907
<u>145,542</u>	<u>141,454</u>	<u>134,308</u>	<u>138,559</u>	<u>111,421</u>	<u>175,723</u>
33,079	33,138	34,625	31,075	31,198	33,601
38,924	41,370	39,139	39,125	38,600	39,422
98,806	102,215	113,418	111,933	112,003	121,205
57,699	59,659	64,544	64,413	66,457	77,172
46,685	47,538	47,631	47,369	47,452	52,748
3,125	3,318	3,271	3,484	3,813	3,454
2,265	2,250	2,169	1,472	1,622	1,737
1,971	2,826	2,122	2,597	2,057	2,475
5,837	6,161	6,074	5,496	36	2
-	52	825	-	174	202
984	945	1,092	975	1,142	1,274
-	-	-	148	-	-
210	25	2,126	9,401	9,056	157
17,782	10,774	15,814	7,997	17,331	18,107
<u>307,367</u>	<u>310,271</u>	<u>332,850</u>	<u>325,485</u>	<u>330,941</u>	<u>351,556</u>
<u>452,909</u>	<u>451,725</u>	<u>467,158</u>	<u>464,044</u>	<u>442,362</u>	<u>527,279</u>
\$ (376,369)	\$ (373,480)	\$ (387,477)	\$ (468,626)	\$ (469,418)	\$ (407,206)
<u>42,923</u>	<u>50,177</u>	<u>74,272</u>	<u>6,643</u>	<u>53,270</u>	<u>57,376</u>
<u>\$ (333,446)</u>	<u>\$ (323,303)</u>	<u>\$ (313,205)</u>	<u>\$ (461,983)</u>	<u>\$ (416,148)</u>	<u>\$ (349,830)</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>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
GOVERNMENTAL ACTIVITIES:				
Sales Taxes	\$ 128,372	\$ 155,817	\$ 147,763	\$ 126,520
Property Taxes	-	-	-	-
Occupancy Taxes	2,190	2,390	2,395	1,808
Unrestricted Intergovernmental Revenues	103,849	113,049	122,561	117,543
Contributions Not Restricted to Specific Programs	12,206	14,038	14,746	14,741
Investment Income	5,431	7,825	6,282	1,896
Miscellaneous	10,052	7,054	6,679	15,849
Transfers	<u>72,902</u>	<u>61,440</u>	<u>94,121</u>	<u>96,599</u>
Total Governmental Activities	<u>335,002</u>	<u>361,613</u>	<u>394,547</u>	<u>374,956</u>
BUSINESS-TYPE ACTIVITIES:				
Occupancy Taxes	-	-	-	-
Contributions Not Restricted to Specific Programs	-	-	-	-
Investment Income	4,819	8,125	6,546	1,894
Miscellaneous	554	429	694	407
Special Item - Gain on Sale of Capital Assets	-	-	-	-
Transfers	<u>(72,902)</u>	<u>(61,440)</u>	<u>(94,121)</u>	<u>(96,599)</u>
Total Business-type Activities	<u>(67,529)</u>	<u>(52,886)</u>	<u>(86,881)</u>	<u>(94,298)</u>
Total Primary Government	<u>\$ 267,473</u>	<u>\$ 308,727</u>	<u>\$ 307,666</u>	<u>\$ 280,658</u>
Change in Net Position				
Governmental Activities	\$ 35,047	\$ 79,252	\$ (9,146)	\$ (30,682)
Business-type Activities	<u>2,384</u>	<u>23,758</u>	<u>40,794</u>	<u>(36,891)</u>
Total Primary Government	<u>\$ 37,431</u>	<u>\$ 103,010</u>	<u>\$ 31,648</u>	<u>\$ (67,573)</u>

TABLE II
(Concluded)

<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
\$ 121,557	\$ 121,046	\$ 126,644	\$ 137,280	\$ 140,567	\$ 146,337
14,318	14,244	14,234	14,354	22,549	33,241
1,581	2,148	2,019	1,903	1,919	2,081
104,580	92,613	86,103	104,462	135,075	145,266
14,757	15,610	17,171	49,569	88,646	47,761
261	617	1,503	1,692	966	1,786
13,846	7,060	8,939	7,424	5,550	7,844
<u>65,433</u>	<u>83,334</u>	<u>83,615</u>	<u>83,615</u>	<u>109,520</u>	<u>94,427</u>
<u>336,333</u>	<u>336,672</u>	<u>340,228</u>	<u>400,299</u>	<u>504,792</u>	<u>478,743</u>
-	-	-	825	851	999
-	-	-	-	-	-
508	839	850	860	1,453	1,141
-	-	-	-	288	233
-	-	-	-	18,697	5,157
<u>(65,433)</u>	<u>(83,334)</u>	<u>(83,615)</u>	<u>(83,615)</u>	<u>(109,520)</u>	<u>(94,427)</u>
<u>(64,925)</u>	<u>(82,495)</u>	<u>(82,765)</u>	<u>(81,930)</u>	<u>(88,231)</u>	<u>(86,897)</u>
\$ <u>271,408</u>	\$ <u>254,177</u>	\$ <u>257,463</u>	\$ <u>318,369</u>	\$ <u>416,561</u>	\$ <u>391,846</u>
\$ (40,036)	\$ (36,808)	\$ (47,249)	\$ (68,327)	\$ 35,374	\$ 71,537
<u>(22,002)</u>	<u>(32,318)</u>	<u>(8,493)</u>	<u>(75,287)</u>	<u>(34,961)</u>	<u>(29,521)</u>
\$ <u>(62,038)</u>	\$ <u>(69,126)</u>	\$ <u>(55,742)</u>	\$ <u>(143,614)</u>	\$ <u>413</u>	\$ <u>42,016</u>

CITY OF MESA, ARIZONA

TABLE III

FUND BALANCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

(in thousands)

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
GENERAL FUND					
Reserved (1)(2)	\$ 61,257	\$ 77,177	\$ 84,886	\$ 51,862	\$ 4,048
Unreserved	27,994	57,030	50,283	74,711	92,187
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Total General Fund	<u>\$ 89,251</u>	<u>\$ 134,207</u>	<u>\$ 135,169</u>	<u>\$ 126,573</u>	<u>\$ 96,235</u>
ALL OTHER GOVERNMENTAL FUNDS					
Reserved	\$ 8,392	\$ 5,885	\$ 8,643	\$ 17,013	\$ 53,674
Unreserved, Reported in:					
Special Revenue Funds	21,746	24,627	24,922	24,816	31,871
Capital Project Funds	18,611	17,568	11,143	28,442	15,724
Nonspendable	-	-	-	-	-
Restricted (3)(4)	-	-	-	-	-
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 48,749</u>	<u>\$ 48,080</u>	<u>\$ 44,708</u>	<u>\$ 70,271</u>	<u>\$ 101,269</u>

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

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

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

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

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

TABLE III
(Concluded)

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

CITY OF MESA, ARIZONA

TABLE IV

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

(in thousands)

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
REVENUES					
Sales Taxes (1)(2)	\$ 128,372	\$ 155,817	\$ 147,763	\$ 126,520	\$ 121,557
Property Taxes	-	-	-	-	13,886
Occupancy Taxes	2,190	2,390	2,395	1,808	1,581
Special Assessments	5	417	1,218	806	923
Licenses and Permits	23,145	20,128	23,342	13,426	11,824
Intergovernmental	178,553	190,826	193,585	191,085	190,731
Charges for Services	17,650	22,039	23,703	24,343	20,419
Fines and Forfeitures	9,049	10,277	10,761	10,215	10,135
Investment Income	4,376	6,463	5,178	2,018	191
Capital Contributions	-	-	-	-	-
Miscellaneous	9,633	6,366	6,422	14,755	13,675
Total Revenues	<u>372,973</u>	<u>414,723</u>	<u>414,367</u>	<u>384,976</u>	<u>384,922</u>
EXPENDITURES					
General Government	36,731	40,662	48,112	36,507	40,113
Public Safety	190,762	210,542	233,507	230,864	216,026
Cultural-Recreational	56,188	54,711	57,765	53,171	40,150
Community Environment	60,080	65,314	66,616	72,647	72,081
Debt Service					
Principal	8,857	8,358	25,871	36,906	34,846
Interest	16,181	18,151	19,230	18,845	21,186
Issuance Cost on Refunding Bonds	234	-	-	-	-
Service Charges	56	57	58	28	9
Cost of Issuance	-	-	-	-	539
Capital Outlay	<u>79,317</u>	<u>77,475</u>	<u>77,309</u>	<u>77,899</u>	<u>82,530</u>
Total Expenditures	<u>448,406</u>	<u>475,270</u>	<u>528,468</u>	<u>526,867</u>	<u>507,480</u>
Excess of Revenues Under Expenditures	<u>(75,433)</u>	<u>(60,547)</u>	<u>(114,101)</u>	<u>(141,891)</u>	<u>(122,558)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	106,254	99,901	147,478	155,697	149,437
Transfers Out	(32,340)	(33,233)	(53,960)	(59,106)	(66,654)
Face Amount of Bonds Issued	26,410	30,682	15,450	61,830	30,865
Face Amount of Notes Issued	-	-	-	-	45,000
Premium on Issuance of Bonds	2,004	573	195	437	402
Premium on Issuance of Notes	-	-	-	-	869
Proceeds from Obligations of					
Capital Leases	6,402	6,911	2,529	-	-
Proceeds From Refunding Issue	25,482	-	-	-	-
Refunding Advance	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	<u>(27,475)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>106,737</u>	<u>104,834</u>	<u>111,692</u>	<u>158,858</u>	<u>159,919</u>
Net Change in Fund Balances	<u>\$ 31,304</u>	<u>\$ 44,287</u>	<u>\$ (2,409)</u>	<u>\$ 16,967</u>	<u>\$ 37,361</u>
Debt Service as a percentage of Noncapital Expenditures	6.86%	6.68%	10.01%	12.42%	13.19%

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

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

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

TABLE IV
(Concluded)

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

CITY OF MESA, ARIZONA

TABLE V

SALES TAX COLLECTIONS BY CATEGORY

LAST TEN FISCAL YEARS

(in thousands)

	<u>2005-06</u>	<u>2006-07 (1)</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Utilities	\$ 7,539	\$ 9,116	\$ 9,668	\$ 9,654	\$ 9,757	\$ 11,104
Communications	2,839	3,939	4,312	3,749	3,809	4,456
Publishing	1,792	1,963	1,923	1,402	1,102	999
Printing & Advertising	454	478	375	280	175	342
Contracting	14,581	21,424	19,301	15,263	10,913	8,388
Retail Sales	74,421	85,015	77,308	63,230	63,469	60,266
Restaurants & Bars	9,418	11,726	12,039	10,956	10,948	11,165
Amusements	1,210	1,457	1,349	1,363	1,176	1,433
Rentals	15,786	20,534	21,369	20,514	20,123	22,219
Miscellaneous	<u>332</u>	<u>165</u>	<u>119</u>	<u>107</u>	<u>84</u>	<u>674</u>
Total	<u>\$ 128,372</u>	<u>\$ 155,817</u>	<u>\$ 147,763</u>	<u>\$ 126,518</u>	<u>\$ 121,555</u>	<u>\$ 121,046</u>
City Direct Tax Rate	1.50%	1.75%	1.75%	1.75%	1.75%	1.75%

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

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

Source: City of Mesa Tax & Licensing Division

TABLE V
(Concluded)

	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
\$	11,878	\$ 12,549	\$ 12,344	\$ 13,111
	4,483	4,651	4,230	4,796
	934	866	830	747
	336	434	455	461
	9,962	12,402	13,794	14,103
	62,191	66,789	69,276	71,996
	11,864	12,577	12,972	13,708
	1,434	1,432	1,469	1,542
	22,968	24,847	24,374	25,102
	595	732	823	771
	<u>\$ 126,645</u>	<u>\$ 137,279</u>	<u>\$ 140,567</u>	<u>\$ 146,337</u>
	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>City Direct Rate</u>		<u>Maricopa County</u>		<u>State of Arizona</u>	
2005-06	1.50	%	0.70	%	5.60	%
2006-07	1.75		0.70		5.60	
2007-08	1.75		0.70		5.60	
2008-09	1.75		0.70		5.60	
2009-10	1.75		0.70		6.60	*
2010-11	1.75		0.70		6.60	
2011-12	1.75		0.70		6.60	
2012-13	1.75		0.70		5.60	
2013-14	1.75		0.70		5.60	
2014-15	1.75		0.70		5.60	

Source: City of Mesa Tax & Licensing Office

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



CITY OF MESA, ARIZONA

TABLE VII

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

(in thousands)

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Governmental Activities				
General Obligation Bonds	\$ 207,860	\$ 223,115	\$ 221,625	\$ 267,063
Municipal Development Corporation Bonds	9,970	9,970	9,970	-
Highway User Revenue Bonds	131,950	142,460	142,290	140,265
Special Assessment Bonds	5,049	8,798	8,046	7,294
Community Facilities District	-	-	-	-
Capital Leases	23,273	22,989	17,503	9,730
Notes Payable	-	-	-	-
Business-type Activities				
Utility System Revenue Bonds	655,085	723,185	767,445	817,530
General Obligation Bonds	3,290	3,290	3,290	2,957
Excise Tax Revenue Obligation Bonds	-	-	-	-
Municipal Development Corporation Bonds	9,600	5,100	-	-
Notes Payable	760	589	432	333
Capital Leases	4,301	2,869	1,541	158
Total Primary Government	<u>\$ 1,051,138</u>	<u>\$ 1,142,365</u>	<u>\$ 1,172,142</u>	<u>\$ 1,245,330</u>
Percentage of Personal Income (1)	9.97%	10.54%	10.68%	11.03%
Per Capita (1)	\$ 2,309	\$ 2,483	\$ 2,529	\$ 2,677

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

TABLE VII
(Concluded)

<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
273,869 \$	281,514 \$	288,669 \$	327,265 \$	346,860 \$	338,401
-	-	-	-	-	-
134,545	128,515	121,395	120,942	112,882	106,740
6,550	5,806	5,062	4,318	3,574	2,830
-	-	-	2,712	5,897	11,012
5,406	2,166	822	140	72	-
45,000	45,000	122,835	129,435	83,610	82,785
857,435	898,800	952,500	973,670	987,454	996,705
2,691	2,221	1,601	887	605	474
-	-	-	105,079	104,499	103,919
-	-	-	-	-	-
2,964	2,731	2,493	2,370	2,244	2,116
-	-	-	-	-	-
<u>1,328,460 \$</u>	<u>1,366,753 \$</u>	<u>1,495,377 \$</u>	<u>1,666,818 \$</u>	<u>1,647,697 \$</u>	<u>1,644,982</u>
11.49%	13.06%	14.10%	16.09%	15.42%	14.53%
2,843 \$	3,101 \$	3,390 \$	3,747 \$	3,621 \$	3,561

CITY OF MESA, ARIZONA

TABLE VIII

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

(in thousands)

Year	<u>General Bonded Debt Outstanding</u>				Percentage of Secondary Assessed Value	Per Capita (2)
	Secondary Assessed Value (1)	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total		
2006	\$ 2,921,999	\$ 211,150	\$ -	\$ 211,150	7.23%	\$ 464
2007	3,083,070	226,405	-	226,405	7.34%	492
2008	4,114,527	224,915	-	224,915	5.47%	486
2009	4,793,082	259,895	-	259,895	5.42%	559
2010	4,749,617	276,560	-	276,560	5.82%	592
2011	4,094,037	283,735	134	283,601	6.93%	645
2012	3,164,277	290,270	1	290,269	9.17%	658
2013	2,770,422	328,152	138	328,014	11.84%	739
2014	2,559,634	347,465	372	347,093	13.56%	765
2015	2,821,173	338,875	3,584	335,291	11.88%	726

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, 2015

(in thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding (2)</u>	<u>Proportion Applicable to the City of Mesa</u>	
		<u>Percent (2)</u>	<u>Amount</u>
Debt repaid with property taxes			
Maricopa County Community College District	\$ 654,190	8.04 %	\$ 52,597
Mesa Unified School District No. 4	281,950	86.24	243,154
Gilbert Unified School District No. 41	116,680	26.24	30,617
Queen Creek Unified School District No. 95	64,350	29.48	18,970
Higley Unified School District No. 60	98,505	0.75	739
Tempe Union High School District No. 213	105,000	0.23	242
Tempe Elementary School District No. 3	124,260	0.55	683
Eastmark Community Facilities District	3,250	100.00	3,250
Other Debt:			
Maricopa County	131,380	8.04	<u>10,563</u>
Subtotal, overlapping debt			360,815
City direct debt (3)			<u>547,016</u>
Total Direct and Overlapping Debt			<u><u>\$ 907,831</u></u>

(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.

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.

Proportion applicable to the City is computed on the ratio of secondary assessed valuation as calculated for fiscal year 2014/15 for the overlapping jurisdiction to the amount of such valuation which lies within the City.

Source:

(2) Wedbush Securities

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

CITY OF MESA, ARIZONA

TABLE X

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

(in thousands)

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
6% Limitation					
Legal Debt Limitation Equal to 6% of Assessed Valuation	\$ 175,320	\$ 184,984	\$ 246,872	\$ 287,585	\$ 284,977
Total Net Debt Applicable to 6% Limit	<u>115,400</u>	<u>22,453</u>	<u>17,688</u>	<u>13,569</u>	<u>6,064</u>
Margin Available for Future General Obligation Bond Issues for 6% Bonds	<u>\$ 59,920</u>	<u>\$ 162,531</u>	<u>\$ 229,184</u>	<u>\$ 274,016</u>	<u>\$ 278,913</u>
Total Net Debt Applicable to the 6% Limit as a Percentage of the 6% Legal Debt Limitation	65.82%	12.14%	7.16%	4.72%	2.13%
20% Limitation					
Legal Debt Limitation Equal to 20% of Assessed Valuation	\$ 584,400	\$ 616,614	\$ 922,905	\$ 958,616	\$ 949,923
Total Net Debt Applicable to 20% Limit	<u>95,750</u>	<u>203,952</u>	<u>207,227</u>	<u>246,326</u>	<u>270,496</u>
Margin Available for Future General Obligation Bond Issues for 20% Bonds	<u>\$ 488,650</u>	<u>\$ 412,662</u>	<u>\$ 715,678</u>	<u>\$ 712,290</u>	<u>\$ 679,427</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of the 20% Legal Debt Limitation	16.38%	33.08%	22.45%	25.70%	28.48%
Total Margin Available	<u>\$ 548,570</u>	<u>\$ 575,193</u>	<u>\$ 944,862</u>	<u>\$ 986,306</u>	<u>\$ 958,340</u>

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

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

TABLE X
(Concluded)

Legal Debt Margin Calculation for Fiscal Year 2014-15

Secondary Assessed Value	\$		2,821,173		
		<u>6% Bonds (1)</u>		<u>20% Bonds (2)</u>	
Legal Debt Limitation	\$	169,270	\$	564,235	
Debt Applicable to Limit:					
General Obligation Bonds		1,275		343,370	
Less: Cash With Fiscal Agents		-		-	
		<u>1,275</u>		<u>343,370</u>	
Total Net Debt Applicable to Limit		<u>1,275</u>		<u>343,370</u>	
Margin Available for Future General Obligation Bond Issues	\$	<u>167,995</u>	\$	<u>220,865</u>	
Total Margin Available	\$		\$	<u>388,860</u>	
<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	
\$ 245,642	\$ 189,857	\$ 166,225	\$ 153,578	\$ 169,270	
<u>5,326</u>	<u>1,370</u>	<u>175</u>	<u>605</u>	<u>1,275</u>	
<u>\$ 240,316</u>	<u>\$ 188,487</u>	<u>\$ 166,050</u>	<u>\$ 152,973</u>	<u>\$ 167,995</u>	
2.17%	0.72%	0.11%	0.39%	0.75%	
\$ 818,807	\$ 632,855	\$ 554,084	\$ 511,927	\$ 564,235	
<u>278,409</u>	<u>288,900</u>	<u>300,735</u>	<u>344,040</u>	<u>343,370</u>	
<u>\$ 540,398</u>	<u>\$ 343,955</u>	<u>\$ 253,349</u>	<u>\$ 167,887</u>	<u>\$ 220,865</u>	
34.00%	45.65%	54.28%	67.20%	60.86%	
<u>\$ 780,714</u>	<u>\$ 532,442</u>	<u>\$ 419,399</u>	<u>\$ 320,860</u>	<u>\$ 388,860</u>	

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		
2005-06	\$ 254,216	\$ 174,561	\$ 79,656	\$ 340	\$ 25,844	3.04	
2006-07	270,070	175,942	94,128	340	29,305	3.18	
2007-08	278,366	196,130	82,236	7,960	34,658	1.93	
2008-09	274,497	197,992	76,505	9,815	37,225	1.63	
2009-10	275,193	194,159	81,034	10,475	40,380	1.59	
2010-11	283,921	190,441	93,480	12,585	42,814	1.69	
2011-12	299,356	180,296	119,060	21,365	43,465	1.84	
2012-13	293,915	241,128	52,787	21,630	46,412	0.78	
2013-14	295,710	203,187	92,523	22,550	51,927	1.24	
2014-15	311,506	209,677	101,829	117,705	46,423	0.62	

Highway User Revenue Fund Revenue Bonds

	Highway User Fund Revenues	Debt Service		Coverage Ratio
		Principal	Interest	
2005-06	\$ 38,285	\$ 135	\$ 5,830	6.42
2006-07	40,975	135	6,401	6.27
2007-08	38,512	170	6,828	5.50
2008-09	34,260	2,025	6,823	3.87
2009-10	31,791	5,720	6,691	2.56
2010-11	32,053	6,030	6,365	2.59
2011-12	27,825	3,290	5,563	3.14
2012-13	30,046	6,145	5,627	2.55
2013-14	30,923	6,945	5,472	2.49
2014-15	33,952	6,305	4,982	3.01

(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		
\$ 188	\$ 12	\$ 185	0.96		\$ -	\$ -	\$ -	-	
851	343	357	1.21		-	-	-	-	
1,710	752	457	1.41		-	-	-	-	
1,202	752	417	1.03		-	-	-	-	
923	744	377	0.82		-	-	-	-	
1,088	744	337	1.01		-	-	-	-	
996	744	297	0.96		-	-	-	-	
897	744	257	0.90		-	-	7	-	
861	744	217	0.90		195	65	131	0.99	
827	744	178	0.90		672	232	456	0.98	
Municipal Development Corporation Bonds					Highway Project Advancement Notes				
Excise Tax Revenues (2)	Debt Service		Coverage Ratio		Excise Tax Revenues (2)	Debt Service		Coverage Ratio	
	Principal	Interest				Principal	Interest		
\$ 187,580	\$ 3,900	\$ 479	42.83		\$ -	\$ -	\$ -	-	
216,897	4,500	309	45.10		-	-	-	-	
226,910	5,100	108	43.57		-	-	-	-	
203,198	9,970	17	20.35		-	-	-	-	
-	-	-	-		208,547	-	449	464.30	
-	-	-	-		200,873	-	1,576	127.48	
-	-	-	-		199,949	-	4,312	46.37	
-	-	-	-		213,309	-	5,404	39.47	
-	-	-	-		221,355	45	4,790	45.78	
-	-	-	-		234,183	-	3,892	60.17	

CITY OF MESA, ARIZONA

TABLE XII

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (2) (in thousands)</u>	<u>Per Capita Personal Income (3)</u>	<u>Median Age (3)</u>	<u>Public School Enrollment (4)</u>	<u>Unemployment Rate (5)</u>
2006	455,151	\$ 10,539,477	\$ 23,156	32.6	74,626	3.8 %
2007	460,155	10,840,792	23,559	32.9	74,128	2.9
2008	463,397	10,977,412	23,689	33.1	73,054	4.3
2009	465,272	11,288,895	24,263	33.3	70,297	8.0
2010	467,355	11,563,297	24,742	33.6	67,749	8.7
2011	440,677	10,465,197	23,748	32.6	66,144	9.0
2012	441,160	10,603,281	24,035	34.3	65,662	7.5
2013	444,856	10,361,141	23,291	34.4	64,892	7.2
2014	454,981	10,687,959	23,491	35.3	64,932	6.5
2015	462,376	11,321,276	24,485	35.5	64,532	5.4

Sources:

- (1) 2006-2013 City of Mesa Development Services (estimate), 2014-2015 ESRI Community Analyst
- (2) 2006-2010 Claritas (estimate), 2011-2013 SitesUSA (estimate), 2014-2015 ESRI Community Analyst
- (3) 2006-2010 Claritas, 2011-2013 SitesUSA, 2014-2015 ESRI Community Analyst
- (4) Mesa Public Schools
- (5) AZ Dept of Economic Security. Data is Phoenix - Mesa Metropolitan Area. Beginning in 2011 unemployment rate is not seasonally adjusted.

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

Employer	2015			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Banner Health Systems	9,573	1	5.97 %	6,600	2	2.83 %
Mesa Public Schools	8,500	2	5.30	10,000	1	4.29
Boeing	4,700	3	2.93	4,900	3	2.10
City of Mesa	3,545	4	2.21	3,700	4	1.59
Wal-Mart	2,507	5	1.56	2,280	5	0.98
Gilbert Unified School District	1,300	6	0.81	-		0.00
Fry's Food Stores	1,087	7	0.68	1,000	6	0.43
Maricopa Community College	1,002	8	0.62	-		0.00
Home Depot	963	9	0.60	750	10	0.32
County of Maricopa	902	10	0.56	-		0.00
TRW/Vehicle Safety Systems, Inc.	-		0.00	800	8	0.34
Empire Southwest Machinery	-		0.00	800	9	0.34
Bashas'	-		0.00	1,000	7	0.43
Total	34,079		21.24 %	31,830		13.65 %

Source: City of Mesa Office of Economic Development

CITY OF MESA, ARIZONA

TABLE XIV

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

Function/Program	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
General Government	934	979	966	838	835
Police	1,311	1,332	1,306	1,282	1,240
Fire	454	468	472	470	455
Cultural-Recreational	462	445	417	335	329
Community Environment	161	183	181	189	184
Energy Resources	115	125	132	140	122
Water Resources	156	177	166	213	232
Solid Waste	138	132	136	126	124
Airport	11	10	9	10	10
Total	<u>3,742</u>	<u>3,851</u>	<u>3,785</u>	<u>3,603</u>	<u>3,531</u>

Source: City of Mesa Budget and Research Division

TABLE XIV
(Concluded)

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

CITY OF MESA, ARIZONA

TABLE XV

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2005-06	2006-07	2007-08	2008-09
Police				
Major Crimes	24,904	22,437	21,388	18,482
Traffic Accidents	9,205	12,184	7,578	6,256
Fire				
Fires	1,605	1,428	1,200	1,165
Rescue or Emergency	43,073	38,003	34,207	32,478
False Alarms	2,595	2,875	2,456	2,125
Hazardous Conditions	676	608	567	663
Other Calls	7,820	11,792	12,976	11,923
Libraries				
Number of Registered Borrowers	233,836	266,839	275,449	306,427
Total Attendance	1,195,075	1,161,887	1,165,451	1,348,555
Access to Electronic Resources	2,307,051	3,029,001	2,910,088	3,661,261
Electric Connections	15,806	15,723	15,215	14,546
Gas Connections	48,622	50,478	51,454	51,911
Water				
Connections	133,105	133,249	133,086	132,771
Average Daily Consumption (mgd)*	94.5	89.6	85.8	79.7
Peak Daily Consumption (mg)**	131.28	128.83	125.72	108.68
Wastewater				
Connections	116,282	116,190	116,465	116,721
Average Daily Sewage Treatment (mgd)*	41.8	38.1	38.0	36.0
Solid Waste				
Customers Served	113,146	115,305	112,632	112,832
Refuse Collected (tons)	261,369	266,817	243,208	234,709
Recyclables Collected (tons)	32,869	38,660	39,296	37,841
Green Waste Collected (tons)	17,500	18,215	17,601	18,936
Falcon Field				
Average Number of Aircraft Based	924	901	934	873
Aircraft Operations (annual)	271,295	261,623	337,178	283,336

* mgd - millions of gallons per day

** mg - millions of gallons

TABLE XV
(Concluded)

<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
17,345	16,623	16,740	16,149	14,561	14,795
5,890	5,952	6,047	6,186	6,107	6,622
1,048	981	1,012	929	1,075	1,083
34,079	38,788	42,925	43,416	44,885	45,832
1,478	1,478	1,292	1,255	1,176	1,106
701	478	446	454	477	534
12,819	11,840	11,192	11,803	9,403	8,964
352,607	220,812	142,943	166,492	196,020	125,336
1,367,667	1,095,196	1,143,718	1,178,137	1,166,560	1,166,131
2,542,927	1,691,966	1,566,775	1,515,299	1,541,323	1,549,150
14,738	15,064	15,841	13,815	16,460	16,703
52,832	53,434	55,828	55,544	58,011	59,214
133,701	134,072	135,138	136,640	137,910	139,560
72.7	76.2	81.6	78.2	76.7	74.1
111.14	114.30	122.30	115.68	117.13	113.45
117,831	118,413	119,615	120,953	122,623	124,142
33.6	33.7	33.4	33.8	33.1	33.3
113,079	115,811	118,949	119,142	121,674	122,552
217,295	223,217	209,116	215,463	217,745	233,754
36,490	35,486	34,443	34,616	34,629	35,541
18,588	19,149	17,882	19,878	18,854	21,151
841	789	749	700	729	702
248,381	221,910	222,650	190,605	276,731	241,848

CITY OF MESA, ARIZONA

TABLE XVI

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Police Stations				
Stations	4	4	4	4
Vehicular Patrol Units	285	351	368	330
Fire Stations	17	17	17	17
Libraries	3	3	3	3
Parks and Recreation				
Developed Parks (acres)	1,184	1,184	1,180	1,180
Undeveloped Acres	1,251	1,251	1,251	1,251
Swimming Pools	12	12	12	12
Recreation Facilities	6	6	6	6
Community Environment				
Streets (miles)				
Paved	1,162	1,169	1,178	1,182
Unpaved	12	12	12	12
Storm Sewers (miles)	298	303	308	316
Gas Mains (miles)	1,121	1,147	1,202	1,223
Water				
Mains (miles)	2,022	2,008	2,068	2,104
Storage Capacity (millions of gallons)	117	117	117	125
Wastewater				
Mains (miles)	1,522	1,544	1,577	1,598
Treatment Capacity (millions of gallons per day)	56	60	60	60
Solid Waste				
Collection Trucks	78	68	70	69
Golf Courses	2	2	2	2

TABLE XVI
(Concluded)

<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
4	4	5	6	8	8
289	290	267	267	291	292
18	18	19	20	20	20
3	4	4	4	4	4
1,154	1,154	1,553	1,177	1,232	1,901
1,078	1,074	705	1,104	1,157	633
12	13	9	9	9	9
6	6	6	6	4	4
1,184	1,190	1,303	1,307	1,418	1,427
12	12	1	1	1	1
321	329	438	432	440	423
1,243	1,247	1,240	1,256	1,256	1,311
2,127	2,136	2,270	2,284	2,315	2,364
125	125	125	125	125	112
1,606	1,613	1,652	1,677	1,677	1,781
60	60	60	60	60	60
69	69	70	72	72	74
2	2	1	1	1	1



