



City of Mesa, Arizona Comprehensive Annual Financial Report



Financial Services Department

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Mesa, Arizona 85211-1466

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For the Fiscal Year Ended June 30, 2010



City of Mesa, Arizona Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2010

Scott Smith
Mayor

Scott Somers
Councilmember, District 6

Dave Richins
Councilmember, District 1

Chris Brady
City Manager

Alex Finter
Councilmember, District 2

Bryan Raines
Deputy City Manager

Dennis Kavanaugh
Councilmember, District 3

Jack Friedline
Deputy City Manager

Financial Services Department

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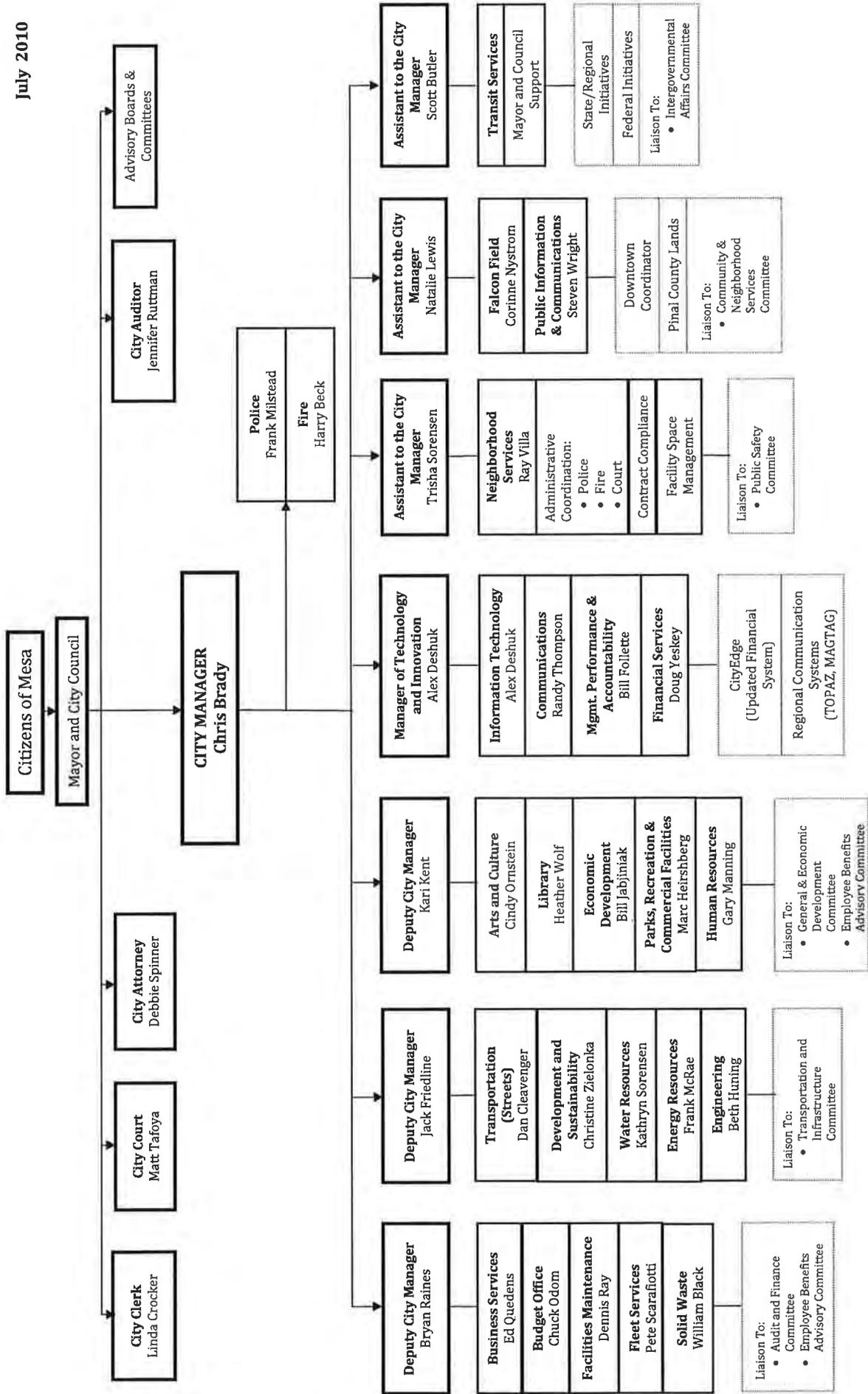
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Kyle Jones
Vice Mayor, District 4

Kari Kent
Deputy City Manager

Dina Higgins
Councilmember, District 5



Introductory Section



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December 23, 2010

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, 2010 is hereby submitted.

Prepared by the Accounting Services Division of 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 LarsonAllen, 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, 2010, 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 unqualified opinion that the City’s financial statements for the fiscal year ended June 30, 2010, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditors’ 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 over 465,000 within an incorporated area of approximately 133 square miles. Total land area encompasses 182 square miles. The City is the 39th largest city in the United States as well as the third largest in the State of Arizona and 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 3,529 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, solid waste, airport, golf courses and the Mesa Art Center which includes 212,755 square feet of performing arts, visual arts and art education facilities.

The financial statements include the funds for the City and its blended component unit, the City Mesa Municipal Development Corporation, collectively referred to as "the financial reporting entity". Although the corporation is legally separate from the City, it is reported as if it is part of the primary government because its sole purpose is to finance the acquisition and or construction of public facilities for the City.

The annual budget serves as the foundation for the City's financial planning and control. 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.

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 Payroll Agency fund. Capital Projects (both General Government and Proprietary) are budgeted as one item (as shown in Exhibit D-5). General Government debt service expenditures are budgeted in the General Fund and Special Revenue Funds. Budget schedules for the major governmental funds (General and Highway User Revenue Fund) are presented in the Required Supplementary Section, and the other funds are located in the Supplementary Information Section.

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 indicators for residential construction in fiscal year 2009-10 were slightly higher than the very low activity levels experienced in fiscal year 2008-09, but they are still well below previous years. The number of dwelling units built in fiscal year 2009-10 remains significantly lower than fiscal year 2007-08. During fiscal year 2009-10, the City issued 668 permits for new residential construction. This is 202 more than the previous fiscal year, but 512 units less than the 1180 units built in fiscal year 2007-08. The corresponding dollar valuation associated with fiscal year 2009-10 permits increased approximately \$50 million from the prior fiscal year.

Commercial construction valuation continues a severe decline from \$821 million in fiscal year 2007-08 to \$141 million in fiscal year 2009-10.

City sales tax revenue declines that began during the 2007-08 fiscal year continued during fiscal year 2009-10, although the rate of decline appears to be flattening. Sales tax revenues decreased by 6.2% or \$8.1 million from the previous fiscal year. Contracting, retail and rental sales tax categories incurred the most significant losses, accounting for \$7 million of the overall loss.

To accommodate the decline in revenues the City continued to reduce fund allocations for a variety of City services. Ultimately, the required changes resulted in the combining of City departments, the elimination of various positions, and the reduction or total elimination of many city services that reduced current year expenditures by a total of more than \$60 million. Services throughout the City, including public safety and street maintenance, were impacted. The operation of the City's various utilities were the only areas not impacted.

The early and significant response to the declining economic indicators allowed the City to retain and enhance fund balance levels during the year. All funds' balances were maintained at or above the levels prescribed by financial policy and prudent practice.

Major Initiatives

During the year several major accomplishments have continued to be realized. Some of these were:

- Building on the success of the 2008 initiation of the initial light rail segment of 20 miles connecting the cities of Mesa, Tempe and Phoenix, Mesa has received the approval to build a 3.1-mile extension to continue the system along Main Street. The program will include four stations and one park-and-ride lot, and is expected to be fully operational in 2016. Ridership for fiscal year 2009-10 continues to exceed projections with 1,119,519 riders reported through Mesa's Sycamore station.
- Build America Bonds (BABS); in May 2009 Mesa Council accepted bids for \$59.9 million for Utility system revenue bonds. Net interest cost of the ten BAB bids submitted was 4.12% with an anticipated interest savings of \$12.5 million. Transaction was first of its type in Arizona and the largest twin-bid to date.
- The City has been awarded \$70.73 million in ARRA grants, both formula and competitive. These grants will assist in the construction of two new fire stations as well as numerous Transporting, Streets, Energy, Public Safety and Sustainability projects.
- Phoenix-Mesa Gateway Airport jointly operated and maintained by the Phoenix-Mesa Gateway Airport Authority (PMGAA), a Joint Powers Airport Authority comprised of the City of Mesa, City of Phoenix, Town of Queen Creek, Town of Gilbert, and the Gila River Indian Community, received \$13.9 million in FAA grants for airport improvements and expansion, continuing to solidify the airport's role in the east valley community.
- Gaylord Entertainment remains committed to the 1,200 room, 5-star resort and convention facility planned for an under-developed area of the City previously occupied by General Motors, the location near Phoenix-Mesa Gateway Airport, despite setbacks with economy and a flood of the Gaylord Nashville property.

Long-term Financial Planning

To stay current with the rapidly changing economy the City continues to refine its methods for making informed financial decisions. We have begun the process of implement a fully integrated ERP system to provide us with near real-time accounting, grants management, budgeting, purchasing, human resources and inventory information, expected go live is for fiscal year 2012.

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, 2009. This was the twenty-eighth consecutive year the City has received this prestigious award. 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 Controller, Doug Yeskey, and the devoted staff of the Accounting Services Division has made the preparation of the comprehensive annual financial report on a very timely basis 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,



Alex P. Deshuk,
Manager of Technology and Innovation

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, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Financial Section



INDEPENDENT AUDITORS' REPORT

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

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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

The management's discussion and analysis on pages 3 through 17, the Public Safety Personnel Retirement System Schedule of Funding Progress on page 82, the Other Postemployment Benefit Plan Schedule of Funding Progress on page 83, and budgetary comparison information on pages 84 through 86 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, supplemental information, introductory section and statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining and individual nonmajor fund financial statements and supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

LarsonAllen LLP

LarsonAllen LLP

Mesa, Arizona
December 23, 2010

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, 2010. This discussion and analysis is designed to 1) assist the reader in focusing on significant financial issues, 2) provide an overview of the City's financial activities, 3) identify changes in the City's financial position, 4) identify any material deviations from the financial plan (the approved annual budget), and 5) identify individual fund issues and concerns.

The management's discussion and analysis should be read in conjunction with the transmittal letter presented on pages V–IX, as well as the financial statements beginning on page 18 and the accompanying notes to the financial statements.

Financial Highlights

- The City's total net assets decreased \$62 million in fiscal year 2010.
- Total net assets of the City are \$1.69 billion, of which \$275 million are unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- As of the end of fiscal year 2010, the City's governmental funds reported a combined ending fund balance of \$234.2 million, a \$37.4 million increase from the previous year. A complete reconciliation of the governmental funds' fund balance to the governmental activities' net assets is on page 22.
- At the end of the fiscal year, the City's unreserved fund balance for the General Fund was \$92.2 million, or 26.4% of total General Fund expenditures, compared to \$74.7 million, or 19.6% of total General Fund expenditures the previous year.
- The City recognized \$14.3 million in secondary property taxes. This is the first property tax the City has collected in over 65 years and was a result of a voter-approved initiative during 2008. The property tax revenue is restricted to pay for the debt service requirements for general obligation bonds.
- The City issued \$30.9 million in taxable general obligation debt during the current fiscal year for new street, storm sewer and public safety improvement projects. These taxable bonds qualify as Build America Bonds under the America's Economic Recovery and Reinvestment Act of 2009 and include a 35% interest rebate from the Federal government that will total \$10.5 million over the life of the bonds.
- The City issued \$45 million in Highway Project Advancement Notes during the current fiscal year. These notes will be used to accelerate the design and right-of-way acquisition for highway improvements to the State Route 802 between State Route 202L and Ellsworth Road. 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.
- The City issued \$50.4 million in taxable utility system revenue debt during the current fiscal year. These taxable bonds qualify as Build America Bonds under the America's

Economic Recovery and Reinvestment Act of 2009 and include a 35% interest rebate from the Federal government that will total \$25.9 million over the life of the bonds.

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 18–20) 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 assets* presents information on all the City's assets and liabilities, with the difference between the two being reported as *net assets*. Over time increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed over the most recent fiscal year. All changes to net assets 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 statement also focuses on both the gross and net costs of the various functions of the City, based only on direct functional revenues and expenses. This is designed to show the extent to which the various functions depend on general revenues for support.

The activities of the City are presented in two columns on these statements – governmental activities and business-type activities. A total column for the City is also provided.

- 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 courses, stadium, convention center and district cooling. These activities are primarily supported by user charges and fees.

Fund Financial Statements

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, proprietary funds and fiduciary funds. These fund financial statements now focus on major funds of the City, rather than fund types used in the previous financial reporting model.

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 (pages 21-24) 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 (pages 50-55).

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; and the 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 assets. 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 (pages 25–30) 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 (pages 101-106).

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 (page 31) 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 (pages 32–81) 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 and major special revenue funds 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 these budgetary statements as required supplementary information beginning on page 84.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following tables, graphs and analysis discuss the financial position and changes to the financial position for the City as a whole as of and for the year ended June 30, 2010 and as of and for the year ended June 30, 2009.

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Assets of the City for June 30, 2010 and 2009.

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

	Governmental Activities		Business-type Activities		Total Primary Government		Change	
	2010	2009	2010	2009	2010	2009	Dollars	Percent
Cash and Other Assets	\$ 428,176	\$ 375,676	\$ 449,421	\$ 446,887	\$ 877,597	\$ 822,563	\$ 55,034	6.69 %
Capital Assets	1,262,647	1,238,993	1,266,288	1,232,484	2,528,935	2,471,477	57,458	2.32
Total Assets	<u>1,690,823</u>	<u>1,614,669</u>	<u>1,715,709</u>	<u>1,679,371</u>	<u>3,406,532</u>	<u>3,294,040</u>	<u>112,492</u>	<u>3.42</u>
Non-current Liabilities,								
Outstanding	639,725	540,612	900,502	845,466	1,540,227	1,386,078	154,149	11.12
Other Liabilities	115,715	98,638	61,677	58,372	177,392	157,010	20,382	12.98
Total Liabilities	<u>755,440</u>	<u>639,250</u>	<u>962,179</u>	<u>903,838</u>	<u>1,717,619</u>	<u>1,543,088</u>	<u>174,531</u>	<u>11.31</u>
Net Assets:								
Invested in Capital Assets,								
Net of Related Debt	844,777	791,524	434,814	413,944	1,279,591	1,205,468	74,123	6.15
Restricted	86,955	92,532	47,011	82,697	133,966	175,229	(41,263)	(23.55)
Unrestricted	<u>3,651</u>	<u>91,363</u>	<u>271,705</u>	<u>278,892</u>	<u>275,356</u>	<u>370,255</u>	<u>(94,899)</u>	<u>(25.63)</u>
Total Net Assets	<u>\$ 935,383</u>	<u>\$ 975,419</u>	<u>\$ 753,530</u>	<u>\$ 775,533</u>	<u>\$ 1,688,913</u>	<u>\$ 1,750,952</u>	<u>\$ (62,039)</u>	<u>(3.54)</u>

In the case of the City, the combined net assets (governmental activities and business-type activities) exceeded liabilities by \$1.69 billion at the close of the most recent year.

The net assets decreased \$62 million (3.5%) in fiscal year 2010. The governmental activities decreased \$40 million, a 4.1% decrease, while the business-type activities decreased \$22 million, a 2.8% decrease.

The largest portion of net assets (76%) 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.

\$134 million of the City's net assets represent resources that are subject to external restrictions on how they may be used. The unrestricted net assets of \$275 million may be used to meet the City's ongoing obligations to citizens and creditors.

Changes in Net Assets

The following table shows the revenues and expenses of the City for the fiscal years ended June 30, 2010 and 2009.

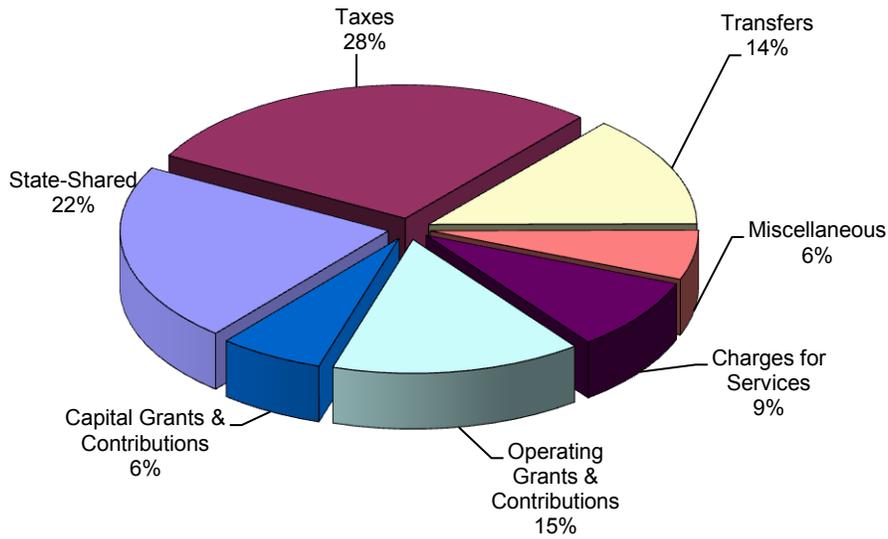
Changes in Net Assets
(In thousands of dollars)

	Governmental		Business-type		Total Primary		Change		
	Activities		Activities		Government		Dollars	Percent	
	2010	2009	2010	2009	2010	2009			
REVENUES									
Program Revenues:									
Charges for Services	\$ 42,386	\$ 48,459	\$ 289,374	\$ 283,287	\$ 331,760	\$ 331,746	\$ 14	0.00	%
Operating Grants & Contributions	72,812	63,054	210	101	73,022	63,155	9,867	15.62	
Capital Grants & Contributions	30,343	35,436	17,782	31,222	48,125	66,658	(18,533)	(27.80)	
General Revenues:									
Sales Taxes	121,557	126,520	-	-	121,557	126,520	(4,963)	(3.92)	
Property Taxes	14,318	-	-	-	14,318	-	14,318	100.00	
Occupancy Taxes	1,581	1,808	-	-	1,581	1,808	(227)	(12.56)	
Unrestricted State-Shared Contributions	104,581	117,543	-	-	104,581	117,543	(12,962)	(11.03)	
Unrestricted Investment Income	14,757	14,741	-	-	14,757	14,741	16	0.11	
Miscellaneous	261	1,896	508	1,894	769	3,790	(3,021)	(79.71)	
	13,846	15,849	-	407	13,846	16,256	(2,410)	(14.83)	
Total Revenues	416,442	425,306	307,874	316,911	724,316	742,217	(17,901)	(2.41)	
EXPENSES									
Governmental Activities:									
General Government	54,863	54,226	-	-	54,863	54,226	637	1.17	%
Public Safety	288,929	290,928	-	-	288,929	290,928	(1,999)	(0.69)	
Cultural-Recreational	54,010	67,039	-	-	54,010	67,039	(13,029)	(19.43)	
Community Environment	104,096	121,736	-	-	104,096	121,736	(17,640)	(14.49)	
Interest on Long-term Debt	20,013	18,658	-	-	20,013	18,658	1,355	7.26	
Business-type Activities:									
Electric	-	-	27,106	27,633	27,106	27,633	(527)	(1.91)	
Gas	-	-	35,466	35,992	35,466	35,992	(526)	(1.46)	
Water	-	-	80,915	68,956	80,915	68,956	11,959	17.34	
Wastewater	-	-	70,228	80,349	70,228	80,349	(10,121)	(12.60)	
Solid Waste	-	-	31,504	31,953	31,504	31,953	(449)	(1.41)	
Airport	-	-	3,944	3,703	3,944	3,703	241	6.51	
Golf Course	-	-	2,715	3,082	2,715	3,082	(367)	(11.91)	
Convention Center	-	-	4,158	4,558	4,158	4,558	(400)	(8.78)	
Hohokam Stadium/Fitch Complex	-	-	7,408	-	7,408	-	7,408	100.00	
District Cooling	-	-	1,000	976	1,000	976	24	2.46	
Total Expenses	521,911	552,587	264,444	257,202	786,355	809,789	(23,434)	(2.89)	
Increase (decrease) in Net Assets Before Transfers	(105,469)	(127,281)	43,430	59,709	(62,039)	(67,572)	5,533	(8.19)	
Transfers	65,433	96,599	(65,433)	(96,599)	-	-	-	0.00	
Change in Net Assets	(40,036)	(30,682)	(22,003)	(36,890)	(62,039)	(67,572)	5,533	(8.19)	
Net Assets-Beginning	975,419	1,006,101	775,533	812,423	1,750,952	1,818,524	(67,572)	(3.72)	
Net Assets-Ending	\$ 935,383	\$ 975,419	\$ 753,530	\$ 775,533	\$ 1,688,913	\$ 1,750,952	\$ (62,039)	(3.54)	

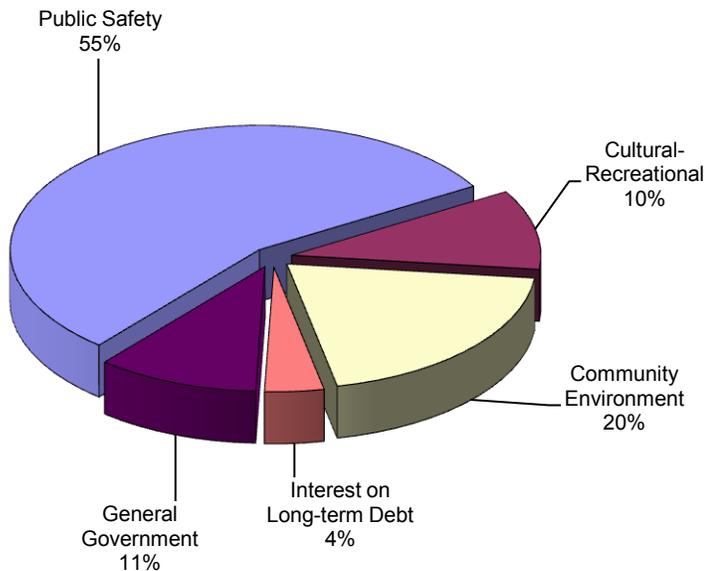
Governmental Activities

As presented in the following two graphs, the largest funding sources, including transfers, for the governmental activities are taxes (28%) and state-shared revenues (22%). The largest users of resources for the governmental activities are Public Safety (55%), Community Environment (20%), General Government (11%), and Cultural-Recreational (10%).

Revenues by Source Including Transfers – Governmental Activities
For the Fiscal Year Ended June 30, 2010

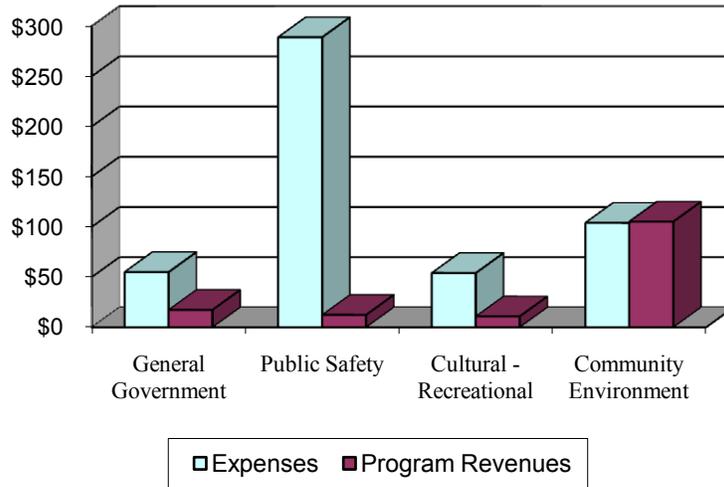


Functional Expenses – Governmental Activities
For the Fiscal Year Ended June 30, 2010



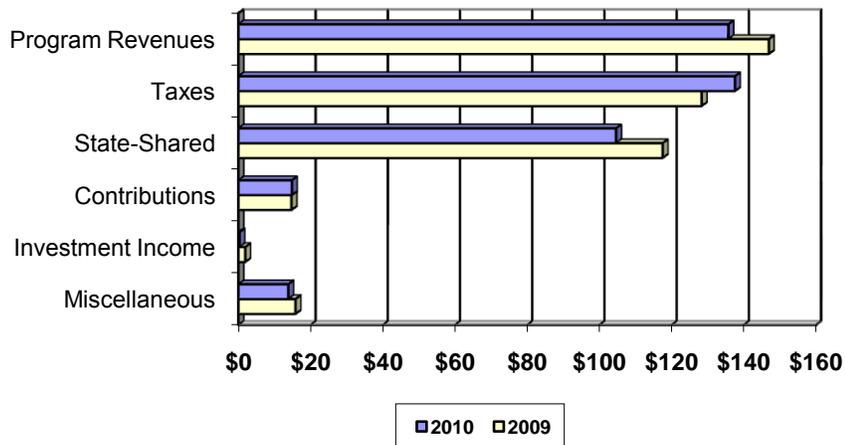
The following graph shows the functional revenues and expenses of the governmental activities to demonstrate the extent to which the governmental functions produce direct revenues to offset the program costs. It should be noted that this is not intended to represent the full cost allocation to these functions. General revenues of the City, including a \$65.4 million transfer from the business-type activities, cover expenses not generated by direct program revenues.

Expenses and Program Revenues – Governmental Activities
For the Fiscal Year ended June 30, 2010
(In millions of dollars)



Governmental activities decreased the net assets of the City by \$40 million accounting for a 4.1% decrease. Governmental activities accounted for 57% of the total revenues and 66% of the total expenses of the City in fiscal year 2010. This compares to 57% of total revenues and 68% of the total expenses in fiscal year 2009.

Governmental Activities Revenues
For Fiscal Years 2010 and 2009
(In millions of dollars)



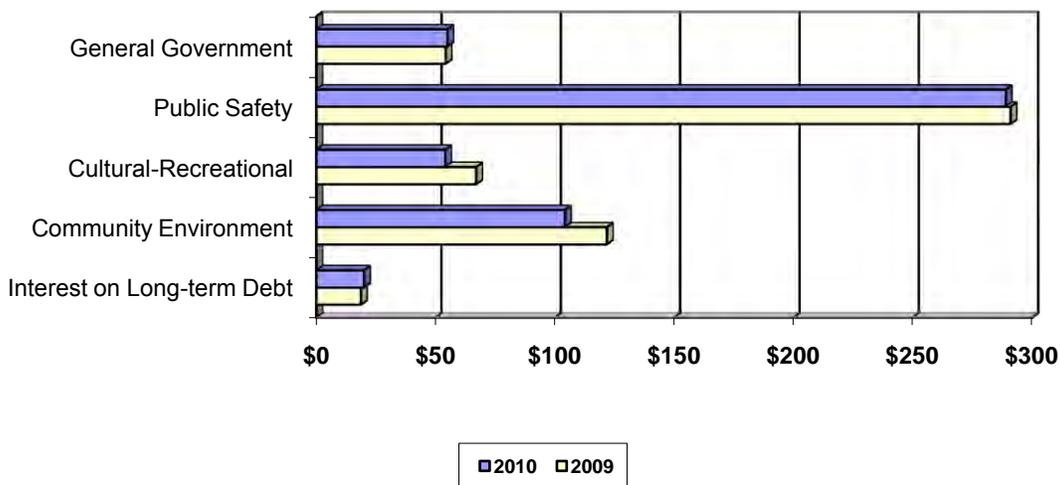
The graph above compares governmental activities revenues from fiscal year 2010 to fiscal year 2009. Total governmental activities revenues decreased \$8.9 million from \$425.3 million to \$416.4 million. This is the third consecutive year that governmental activities revenues declined. Key factors in this change include:

- The program revenues (charges for services, grants and contributions that are clearly identifiable to an operating activity) of the governmental activities decreased \$1.4 million

over the previous year. Charges for services decreased by \$6.1 million over the previous year as a result of the City transferring the Hohokam Stadium/Fitch Park Complex from the General Fund to the Enterprise Fund during fiscal year 2009-10. Prior year revenues for Hohokam Stadium/Fitch Park Complex were \$7 million. There was an \$8.3 million decrease in the amount of capital contributions of streets, storm sewers and retention basins by developers over the previous year. These capital contributions are not cash revenues and therefore are not available to cover operating expenses. Operating grants and contributions increased by \$9.8 million over the previous year due to increased federal funding resulting from the American Reinvestment and Recovery Act of 2009.

- Sales taxes decreased by \$5 million over the previous year primarily as a result of the continuing weak economy and the downturn in the construction industry within the City limits.
- State shared revenues decreased by \$13 million over the previous year because of reduced revenues received from the state.
- The City recognized \$14.3 million in secondary property taxes. This is the first property tax the City has collected in over 65 years and was a result of a voter-approved initiative during 2008. The property tax revenue is restricted to pay for the debt service requirements for general obligation bonds.

Governmental Activities Functional Expenses
For Fiscal Years 2010 and 2009
(In millions of dollars)



The graph above compares governmental activities expenses from fiscal year 2010 to fiscal year 2009. Total governmental expenses decreased by \$30.7 million (5.6%) from \$552.6 million to \$521.9 million. Key factors in this change include:

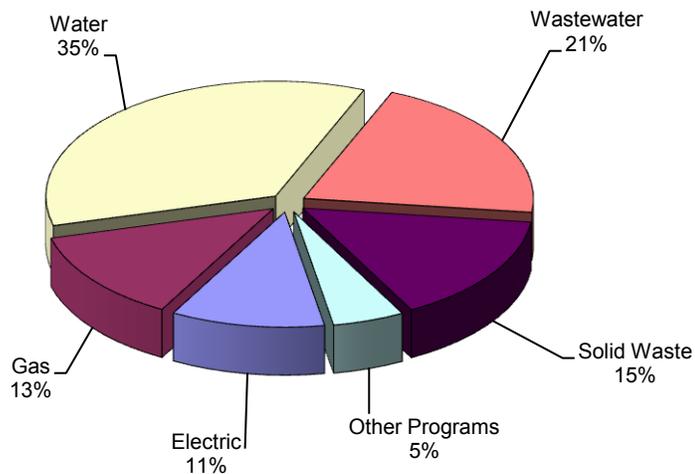
- The City had additional budget reductions during fiscal year 2009-2010 that included workforce eliminations of 277 full time equivalent positions with the majority of the impact affecting the Governmental Activities programs and changes to the types of services provided.

- The City transferred the Hohokam Stadium/Fitch Park Complex from the General Fund to the Enterprise Fund during fiscal year 2009-10. Hohokam Stadium/Fitch Park Complex had \$7.4 million in expenditures during the most recent fiscal year.
- There was a decrease in the Community Environment expenses compared to the prior fiscal year due to the recognition of a \$6.3 million loss on sale of property that occurred in the prior fiscal year.

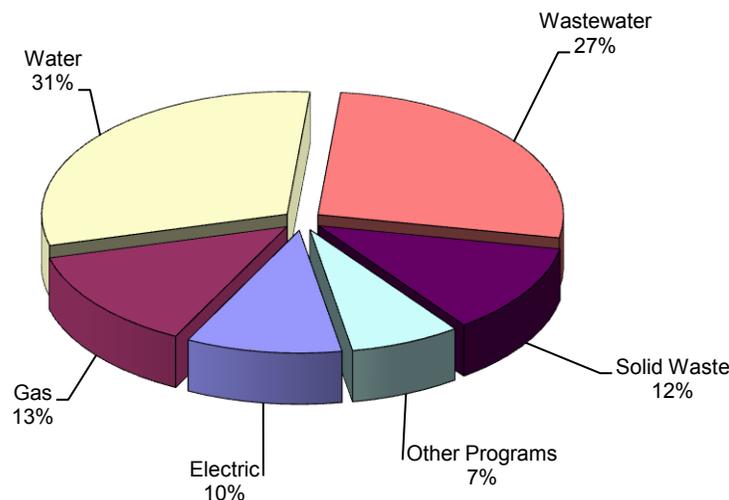
Business-type Activities

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



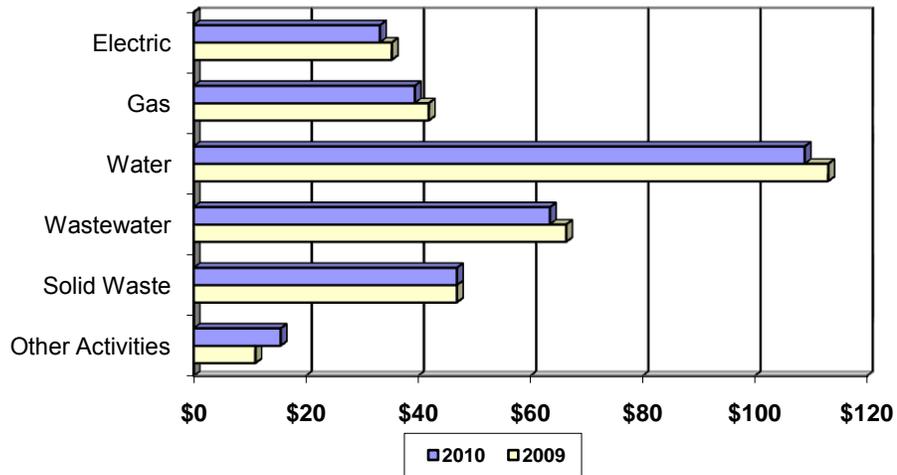
Functional Expenses – Business-type Activities



Business-type activities decreased the City's net assets by \$22 million a 2.8% decrease. Total business-type activities program and general revenues decreased by \$9 million (2.9%) from \$316.9 million to \$307.9 million, while the business-type activities total expenses increased by \$7.2 million (2.8%) from \$257.2 million to \$264.4 million. Business-type activities accounted

for 43% of the total revenues and 34% of the total expenses of the City in fiscal year 2010. This compares to 43% of total revenues and 32% of the expenses in fiscal year 2009.

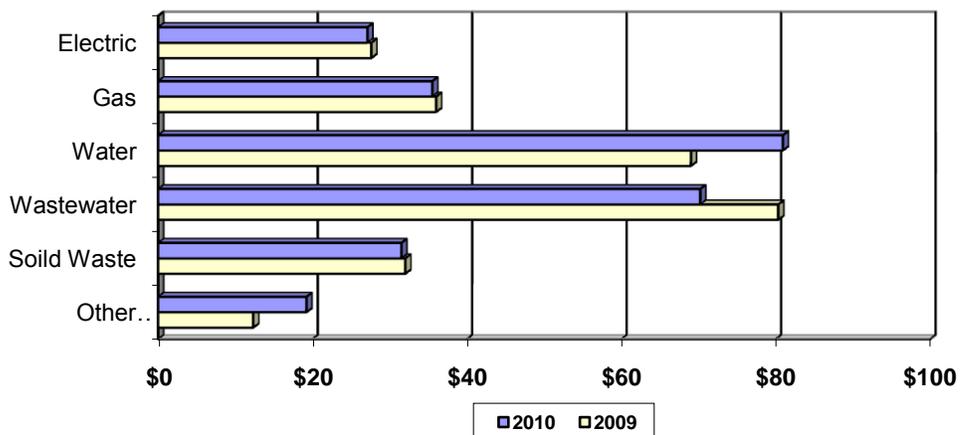
Business-type Activities
Program Revenues
For Fiscal Years 2010 and 2009
(In millions of dollars)



The graph above compares program revenues for the Business-type Activities from fiscal year 2010 to fiscal year 2009. Total business-type activities program revenues decreased by \$7.2 million (2.3%) from \$314.6 million to \$307.4 million. Key factors in this change include:

- Capital contributions decreased by \$13 million from the previous year and, while they continue to be a major revenue source for the business-type activities, the amount contributed each year is dependent on how well the construction activity in the City is performing.
- Changes in Water and Wastewater revenues resulted from reduction in consumption for the fiscal year.

Business-type Activities
Functional Expenses
For the Fiscal Years 2010 and 2009



- The decrease in Wastewater activities resulted primarily from a reduction in depreciation amounts related to the City's participation in joint ventures with other cities. The increase in Water activities resulted from higher operating, depreciation and bond interest expenses.
- The transfer to the General Fund decreased by \$31.2 million over the previous fiscal year. This transfer is used by the governmental activities programs to cover expenses not generated by direct program revenues.

Financial Analysis of the City's Funds

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 (pages 21-24) 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. Unreserved 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 \$234.2 million, a \$37.4 million increase from the previous year. \$139.8 million of this total amount is in unreserved fund balance, available for spending in the coming year. The remainder of fund balance (\$94.4 million) is reserved to indicate it is not available for new spending as it is already committed. These fund balance reservations include \$25.2 million committed to liquidate contracts and purchase orders of the prior fiscal year, \$6.6 million reserved for Quality of Life Projects, \$16.7 million reserved for Transportation programs, \$45.3 million reserved for debt service and the remaining \$0.6 million is reserved for prepaid costs.

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 \$132.9 million, while unreserved fund balance was \$92.2 million.

As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. For 2010, unreserved fund balance represents 26.4% of total General Fund expenditures of \$350 million, while total fund balance represents 38% of the same amount. For 2009, unreserved fund balance was 19.6% of total General Fund expenditures of \$382 million, while total fund balance was 33.1% of the same amount.

Total fund balance of the City's General Fund increased by \$6.3 million during the current fiscal year from \$126.6 million to \$132.9 million. Total revenues of \$318 million were \$5 million less than the previous year, while total expenditures of \$350 million were \$32 million less than the previous year. Sales taxes collected were \$5 million less than the previous year primarily as a result of the weakening local economy and the downturn in the construction industry. The City collected \$13.9 million in property taxes reflecting the voter-approved initiative passed in 2008 that enacted a secondary property tax for the City. This property tax is restricted to be used for the debt service requirements of the general obligation debt.

The decrease in General Fund expenditures is primarily a result of City implementing additional budget reduction during fiscal year 2009-2010, that included workforce eliminations of over 277 full time positions with the impact predominately affecting the General Fund. The City transferred the Hohokam Stadium/Fitch Park Complex from the General Fund to the Enterprise Fund during fiscal year 2009-10. Hohokam Stadium/Fitch Park Complex had \$7.4 million in expenditures reported in the Cultural-Recreational function during the most recent fiscal year.

The transfer in of \$85.5 million, mostly from the Enterprise Fund, was reduced by \$47 million in transfers out to other funds, compared with a transfer in from the Enterprise Fund of \$96.6 million that was reduced by \$46 million in transfers out to other funds in the previous year.

The Highway User Revenue Fund that accounts for the capital and maintenance costs for the City's streets received \$1.7 million less in state-shared revenue and had a decrease of \$16 million in street-related expenditures.

The City's Capital Project Funds that account for the acquisition and construction of major capital facilities other than those reported in the proprietary funds reported an increase of \$20.2 million in capital expenditures. These expenditures were for improvements in law enforcement, fire, storm sewers, streets, parks and other city facilities.

Proprietary Funds - The City's Enterprise Fund (pages 25-30) provides the same type of information as the government-wide financial statements, except in more detail. The total net assets of the Enterprise Fund decreased by \$21.2 million in fiscal year 2010 from \$776.9 million in fiscal year 2009 to \$755.7 million. The unrestricted net assets of the Enterprise Fund amounted to \$273.8 million. However, \$257.6 million of the unrestricted net assets are invested in joint ventures. Other factors concerning the finances of the Enterprise Fund have already been addressed in the discussion on the City's business-type activities.

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 major special revenue funds and may be found on pages 84-86. These schedules compare the original adopted budget, the budget as amended throughout the year, and the actual expenditures prepared on a budgetary basis. Budgetary schedules for the other governmental funds as well as the proprietary funds are also presented on pages 108-135.

Amendments to the adopted budget may occur throughout the year in a legally permissible manner (see Note 1.q. and Note 1.r. of the notes to the financial statements for more information on budget policies). No amendments increasing the City's total adopted budget of \$1.137 billion occurred during fiscal year 2010. Contingency allocations were made at fiscal year-end to cover programs in the General Fund of \$3.8 million.

General Fund revenues of \$317.3 million, on a budgetary basis, were less than budgeted revenues of \$355.3 million by \$38 million while expenditures of \$385.8 million were only 77% of budgeted expenditures. The shortfall in revenues is due to lower revenue received in sales taxes and intergovernmental revenue. Sales taxes continue to decline because of the weak economy and the stagnated local housing market. Federal grant revenues were less than budgeted however, since the majority of the Federal grants are on a reimbursement basis, the City also did not have the associated expenditures. Reduced expenditures resulted from budget

reductions including eliminating an additional 277 full-time equivalent positions, a hiring freeze and unused contingency allocations.

Capital Asset and Debt Administration

Capital Assets – The City’s investment in capital assets for its governmental and business-type activities amounts to \$2.5 billion (net of accumulated depreciation/amortization) as of June 30, 2010. This 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. Effective July 1, 2009 the City implemented GASB Statement No. 51 - *Accounting and Financial Reporting for Intangible Assets*, which requires the capitalization of intangible assets. Intangible assets for the City include goodwill, right of way, easements and computer software.

The following table provides a breakdown of the City’s capital assets at June 30, 2010 and 2009.

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

	Governmental		Business-type		Total		Change	
	Activities		Activities		Primary Government		Dollars	Percent
	2010	2009	2010	2009	2010	2009		
Land	\$ 261,771	\$ 257,858	\$ 59,947	\$ 52,028	\$ 321,718	\$ 309,886	\$ 11,832	3.82 %
Water Rights	-	-	17,570	15,524	17,570	15,524	2,046	13.18
Buildings	239,228	217,712	58,759	47,709	297,987	265,421	32,566	12.27
Other Improvements	82,990	73,647	957,296	914,082	1,040,286	987,729	52,557	5.32
Machinery & Equipment	41,746	45,494	43,460	51,914	85,206	97,408	(12,202)	(12.53)
Intangibles	15	-	4,219	3,594	4,234	3,594	640	17.81
Infrastructure	498,342	478,752	6,879	-	505,221	478,752	26,469	5.53
Construction-in-Progress	138,555	165,530	118,158	147,633	256,713	313,163	(56,450)	(18.03)
Total	\$ 1,262,647	\$ 1,238,993	\$ 1,266,288	\$ 1,232,484	\$ 2,528,935	\$ 2,471,477	\$ 57,458	2.32

Major capital assets completed or constructed during the current fiscal year included:

- The City continued construction of the South Central Arizona Project Water Treatment Plant with \$9.8 million spent during fiscal year 2010. The \$87.7 million facility will serve the growing southeast area of the City. The plant will have an initial capacity of 24 million gallons a day with the ability to expand to 48 million gallons a day.
- The City completed construction of a new City Court building with \$.4 million spent during fiscal year 2010. The \$36.8 million facility has more courtrooms, office space for judges, juror facilities and records storage.

Additional information on the City’s capital assets can be found in Note 1(l.) of the notes to the financial statements.

Debt Administration - At the end of the current fiscal year, the City had total bonded debt outstanding of \$1.247 billion. Of this amount, \$273.3 million comprises debt backed by the full

faith and credit of the City and \$974.1 million represents bonds secured by specified revenue sources (i.e., Utility System Revenue Bonds and Highway User Revenue Bonds).

The City's outstanding long-term debt, including bonds, capital leases and notes payable was \$1.307 billion at June 30, 2010. \$460 million of this total was in governmental activities and \$847 million was in business-type activities. The City's outstanding long-term debt (considering new borrowings, debt retirements and refunding) increased \$85 million. New borrowings during the fiscal year included \$30.9 million in general obligation bonds, \$45 million in Highway Project Advancement Notes and \$50.4 million in taxable utility system revenue bonds.

The City issued \$30.9 million in taxable general obligation bonds and \$50.4 million in taxable utility systems revenue bonds that qualify as Build America Bonds under the America's Economic Recovery and Reinvestment Act of 2009. These taxable bonds include a 35% interest rebate from the United States Government. The total interest rebate to be received from the Federal government over the life of the bonds is \$10.5 million for the general obligation bonds and \$25.9 million for the utility revenue bonds.

The City issued \$45,000,000 of Highway Project Advancement Notes to provide funds to the Arizona Department of Transportation (ADOT) to accelerate the right-of-way acquisition and for the design of highway improvements to the State Route 802 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 802. 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.

The following schedule shows the outstanding long-term debt of the City as of June 30, 2010 and 2009.

Outstanding Long-term Debt
(In thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Change	
	2010	2009	2010	2009	2010	2009	Dollars	Percent
General Obligation Bonds	\$ 270,593	\$ 264,200	\$ 2,672	\$ 2,978	\$ 273,265	\$ 267,178	\$ 6,087	2.28 %
Utility System Revenue Bonds		-	841,864	800,222	841,864	800,222	41,642	5.20
Highway User Revenue Fund Bonds	132,220	137,543	-	-	132,220	137,543	(5,323)	(3.87)
Special Assessment Bonds								
with Governmental Commitment	6,550	7,294	-	-	6,550	7,294	(744)	(10.20)
Capital Leases	5,406	9,730	-	158	5,406	9,888	(4,482)	(45.33)
Notes Payable	45,000	-	2,964	333	47,964	333	47,631	14,303.60
Total	\$ 459,769	\$ 418,767	\$ 847,500	\$ 803,691	\$ 1,307,269	\$ 1,222,458	\$ 84,811	6.94

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	A1
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 total debt margin available July 1, 2010 is:

6% Bonds	\$239,577,898
20% Bonds	<u>548,311,722</u>
Total Available	<u>\$787,889,620</u>

Additional information on the City’s long-term obligations can be found in Note 5 and Note 6 of the notes to the financial statements.

Economic Factors

In June 2010, the City Council approved a \$1.113 billion budget, which is approximately a 2.1% decrease from the prior year’s budget. The fiscal year 2010–11 budget includes \$944 million for operations and \$169 million for scheduled bond capital improvements.

The difficult economic period continues for the City of Mesa. The on-going decline in available revenues further reduced planned expenditures requiring continued redefinition and prioritization of services. In response to the economic shifts, additional reductions were identified that eliminated 180 full-time equivalent positions and over \$17 million in anticipated expenditures from the fiscal year 2010-2011 budget. These reductions occurred predominately in departments receiving General Fund dollars. In addition, and in response to the loss of the Local Transportation Assistance Funds from the State, transit funding was reduced by almost \$2.5 million resulting in the elimination of routes, longer wait times between buses and the delay in initiating new services.

Significant economic factors affecting the City are as follows:

- The City’s unemployment rate of 8.7% compares favorably to the state unemployment rate of 9.6% and the national average rate of 9.5%.
- New residential and commercial building permits for the fiscal year remained at all-time lows.

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 City of Mesa Controller, P.O. Box 1466, Mesa, Arizona, 85211-1466.



Basic Financial Statements



CITY OF MESA, ARIZONA
EXHIBIT A-1
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 208,313,967	\$ 39,111,806	\$ 247,425,773
Investments	8,758,992	5,021,900	13,780,892
Receivables:			
Accounts and Miscellaneous (Net of Allowances)	17,862,724	26,030,889	43,893,613
Accrued Interest	128,119	12,153	140,272
Due From Other Governments	33,690,104	5,406,709	39,096,813
Internal Balances	2,140,225	(2,140,225)	-
Inventory	5,964,364	-	5,964,364
Prepaid Costs	938,724	27,776	966,500
Deposits	374,931	6,926,728	7,301,659
Restricted Assets:			
Cash and Cash Equivalents	41,109,457	104,634,443	145,743,900
Cash with Trustee	33,110,780	-	33,110,780
Accounts Receivable	9,867,430	-	9,867,430
Due From Other Governments	12,227,979	-	12,227,979
Customer Deposits	-	3,264,802	3,264,802
Unamortized Bond Issue Costs	1,545,430	3,536,595	5,082,025
Investment in Joint Ventures	52,143,017	257,587,431	309,730,448
Capital Assets:			
Non-Depreciable	400,325,223	195,674,670	595,999,893
Depreciable, Net	862,321,747	1,070,613,365	1,932,935,112
Total Assets	1,690,823,213	1,715,709,042	3,406,532,255
LIABILITIES			
Warrants Outstanding	3,157,664	-	3,157,664
Accounts Payable	27,067,945	7,962,332	35,030,277
Other Accrued Expenses	29,088,317	-	29,088,317
Customer and Defendant Deposits	9,338,642	-	9,338,642
Compensated Absences	1,265,901	-	1,265,901
Liabilities Payable From Restricted Assets	45,796,609	53,713,991	99,510,600
Noncurrent Liabilities:			
Due Within One Year	35,382,683	14,112,254	49,494,937
Due in More Than One Year	604,342,306	886,389,948	1,490,732,254
Total Liabilities	755,440,067	962,178,525	1,717,618,592
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	844,777,095	434,813,786	1,279,590,881
Restricted For:			
Quality of Life Projects	6,605,784	-	6,605,784
Convention Center	-	262,875	262,875
Airport	-	4,815,651	4,815,651
Hohokam Stadium/Fitch Complex	-	242,342	242,342
Golf Courses	-	21,937	21,937
Debt Service	45,338,759	31,291,280	76,630,039
Bond Indentures	-	9,683,617	9,683,617
Grant Programs	2,463,678	-	2,463,678
Transportation Programs	32,546,293	-	32,546,293
Water, Wastewater & Solid Waste Improvements	-	693,506	693,506
Unrestricted	3,651,537	271,705,523	275,357,060
Total Net Assets	\$ 935,383,146	\$ 753,530,517	\$ 1,688,913,663

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, 2010

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 54,862,584	\$ 15,397,839	\$ 1,886,260	\$ -
Public Safety	288,928,693	8,989,208	2,085,361	1,221,010
Cultural-Recreational	54,010,115	9,565,672	1,245,030	-
Community Environment	104,096,133	8,433,546	67,595,093	29,122,077
Interest on Long-Term Debt	20,013,068	-	-	-
Total Government Activities	521,910,593	42,386,265	72,811,744	30,343,087
Business-type Activities:				
Electric	27,106,177	33,078,601	-	146,271
Gas	35,466,448	38,923,919	34,000	481,051
Water	80,915,190	98,806,049	19,669	10,042,370
Wastewater	70,227,712	57,698,904	-	5,782,814
Solid Waste	31,503,513	46,685,307	55,497	122,421
Airport	3,943,651	3,124,886	100,908	1,057,399
Golf Course	2,714,896	2,265,452	-	50,000
Convention Center	4,158,023	1,970,891	-	-
Hohokam Stadium/Fitch Complex	7,407,501	5,836,650	-	100,000
District Cooling	1,000,347	983,592	-	-
Total Business-type Activities	264,443,458	289,374,251	210,074	17,782,326
Total Primary Government	\$ 786,354,051	\$ 331,760,516	\$ 73,021,818	\$ 48,125,413

General Revenues:

- Sales Taxes
- Property Taxes
- Occupancy Taxes
- Unrestricted State Shared Revenue
- Contributions Not Restricted to Specific Programs
- Unrestricted Investment Income
- Miscellaneous
- Transfers In (Out)
- Total General Revenues and Transfers
- Change in Net Assets
- Net Assets - Beginning
- Net Assets - Ending

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

EXHIBIT A-2 (Continued)

**Net (Expense) Revenue and
Changes in Net Assets**

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (37,578,485)	\$ -	\$ (37,578,485)
(276,633,114)	-	(276,633,114)
(43,199,413)	-	(43,199,413)
1,054,583	-	1,054,583
(20,013,068)	-	(20,013,068)
<u>(376,369,497)</u>	<u>-</u>	<u>(376,369,497)</u>
-	6,118,695	6,118,695
-	3,972,522	3,972,522
-	27,952,898	27,952,898
-	(6,745,994)	(6,745,994)
-	15,359,712	15,359,712
-	339,542	339,542
-	(399,444)	(399,444)
-	(2,187,132)	(2,187,132)
-	(1,470,851)	(1,470,851)
-	(16,755)	(16,755)
<u>-</u>	<u>42,923,193</u>	<u>42,923,193</u>
\$ (376,369,497)	\$ 42,923,193	\$ (333,446,304)
121,556,751	-	121,556,751
14,318,257	-	14,318,257
1,580,533	-	1,580,533
104,580,393	-	104,580,393
14,757,171	-	14,757,171
260,939	507,752	768,691
13,846,390	-	13,846,390
65,433,214	(65,433,214)	-
<u>336,333,648</u>	<u>(64,925,462)</u>	<u>271,408,186</u>
(40,035,849)	(22,002,269)	(62,038,118)
<u>975,418,995</u>	<u>775,532,786</u>	<u>1,750,951,781</u>
<u>\$ 935,383,146</u>	<u>\$ 753,530,517</u>	<u>\$ 1,688,913,663</u>

CITY OF MESA, ARIZONA
EXHIBIT A-3
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010

	<u>General Fund</u>	<u>Highway User Revenue Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 117,394,610	\$ 3,772,119	\$ 53,291,423	\$ 174,458,152
Investments	3,757,742	-	-	3,757,742
Accounts Receivable (Net of Allowances)	16,539,709	600	68,638	16,608,947
Accrued Interest Receivable	107,459	-	-	107,459
Due From Other Governments	24,345,544	2,908,947	6,414,159	33,668,650
Due From Other Funds	3,625,000	-	-	3,625,000
Prepaid Costs	541,336	-	1,008	542,344
Deposits	374,931	-	-	374,931
Restricted Assets:				
Cash and Cash Equivalents	-	-	41,109,457	41,109,457
Cash With Trustee	-	-	33,110,780	33,110,780
Accounts Receivable	3,837,133	-	6,030,297	9,867,430
Due From Other Governments	-	-	12,227,979	12,227,979
Total Assets	<u>\$ 170,523,464</u>	<u>\$ 6,681,666</u>	<u>\$ 152,253,741</u>	<u>\$ 329,458,871</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants Outstanding	\$ 3,157,664	\$ -	\$ -	\$ 3,157,664
Accounts Payable	18,628,239	614,584	6,284,976	25,527,799
Due To Other Funds	-	-	3,625,000	3,625,000
Customer and Defendant Deposits	9,336,767	25	1,850	9,338,642
Compensated Absences	1,265,901	-	-	1,265,901
Payable From Restricted Assets:				
Accrued Lease Interest Payable	-	-	2,793	2,793
Accrued Bond Interest Payable	-	-	10,823,241	10,823,241
Accrued Note Interest Payable	-	-	449,167	449,167
Deferred Revenue	5,199,910	-	6,030,297	11,230,207
Matured General Obligation Bonds Payable	-	-	24,058,189	24,058,189
Matured Highway User Revenue Bonds Payable	-	-	5,720,000	5,720,000
Matured Capital Leases Payable	-	-	56,067	56,067
Total Liabilities	<u>37,588,481</u>	<u>614,609</u>	<u>57,051,580</u>	<u>95,254,670</u>
Fund Balances				
Reserved For Encumbrances	16,896,222	10,041	8,324,660	25,230,923
Reserved For Prepaid Costs	541,336	-	1,008	542,344
Reserved For Quality of Life Projects	6,605,784	-	-	6,605,784
Reserved for Transportation Programs	16,704,894	-	-	16,704,894
Reserved For Debt Service	-	-	45,338,759	45,338,759
Unreserved, reported in:				
General Fund	92,186,747	-	-	92,186,747
Special Revenue Funds	-	6,057,016	25,813,648	31,870,664
Capital Project Funds	-	-	15,724,086	15,724,086
Total Fund Balances	<u>132,934,983</u>	<u>6,067,057</u>	<u>95,202,161</u>	<u>234,204,201</u>
Total Liabilities and Fund Balances	<u>\$ 170,523,464</u>	<u>\$ 6,681,666</u>	<u>\$ 152,253,741</u>	<u>\$ 329,458,871</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 ASSETS
JUNE 30, 2010

Fund Balances - total governmental funds	\$ 234,204,201
Amounts reported for governmental activities in the statement of net assets 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.	1,258,664,460
Other assets used in governmental activities are not financial resources and therefore not reported in the governmental funds.	53,688,447
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore not reported in the governmental funds.	(635,334,074)
Deferred revenue for long-term rehabilitation loans and special assessments is shown on the governmental funds, but is not deferred on the statement of net assets.	6,543,055
Internal service funds are used by management to charge the costs of certain activities to individual funds.	<u>17,617,057</u>
Net assets of the governmental activities - statement of net assets	<u>\$ 935,383,146</u>

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, 2010

	<u>General Fund</u>	<u>Highway User Revenue Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Sales Taxes	\$ 121,556,751	\$ -	\$ -	\$ 121,556,751
Property Taxes	13,885,749	-	-	13,885,749
Occupancy Taxes	1,580,533	-	-	1,580,533
Special Assessments	-	-	922,651	922,651
Licenses and Permits	9,271,058	-	2,552,700	11,823,758
Intergovernmental	137,515,938	31,605,938	21,609,406	190,731,282
Charges For Services	11,739,505	34,775	8,645,011	20,419,291
Fines and Forfeitures	9,363,903	8,800	761,804	10,134,507
Investment Income	159,520	-	31,196	190,716
Miscellaneous	12,552,373	141,376	981,686	13,675,435
Total Revenues	<u>317,625,330</u>	<u>31,790,889</u>	<u>35,504,454</u>	<u>384,920,673</u>
Expenditures:				
Current:				
General Government	40,112,552	-	-	40,112,552
Public Safety	210,783,051	-	5,242,813	216,025,864
Cultural-Recreational	40,129,484	-	20,550	40,150,034
Community Environment	37,967,436	12,534,006	21,579,831	72,081,273
Debt Service:				
Principal Retirement	-	-	34,845,924	34,845,924
Interest on Bonds	-	-	20,366,043	20,366,043
Interest on Leases	-	-	370,600	370,600
Interest on Notes	-	-	449,167	449,167
Service Charges	-	-	9,397	9,397
Cost of Issuance	-	-	538,824	538,824
Capital Outlay	20,821,645	774,100	60,934,696	82,530,441
Total Expenditures	<u>349,814,168</u>	<u>13,308,106</u>	<u>144,357,845</u>	<u>507,480,119</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(32,188,838)</u>	<u>18,482,783</u>	<u>(108,853,391)</u>	<u>(122,559,446)</u>
Other Financing Sources (Uses):				
Transfers In	85,519,851	-	63,917,480	149,437,331
Transfers Out	(46,969,736)	(12,416,168)	(7,268,000)	(66,653,904)
Face Amount of Bonds Issued	-	-	30,865,000	30,865,000
Face Amount of Notes Issued	-	-	45,000,000	45,000,000
Premium on Issuance of Bonds	-	-	401,850	401,850
Premium on Issuance of Notes	-	-	869,000	869,000
Total Other Financing Sources (Uses)	<u>38,550,115</u>	<u>(12,416,168)</u>	<u>133,785,330</u>	<u>159,919,277</u>
Net Change in Fund Balances	6,361,277	6,066,615	24,931,939	37,359,831
Fund Balances - Beginning	126,573,706	442	70,270,222	196,844,370
Fund Balances - Ending	<u>\$ 132,934,983</u>	<u>\$ 6,067,057</u>	<u>\$ 95,202,161</u>	<u>\$ 234,204,201</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, 2010

Net change in fund balances - total governmental funds	\$ 37,359,831
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.	(150,326)
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.	(56,645,572)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$82,530,441) exceeded depreciation (\$56,694,347) in the current period.	25,589,094
The net effect of miscellaneous transactions involving capital assets (e.g., donations, transfers and disposals) is to increase net assets.	(2,670,760)
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 assets.	(41,019,076)
Governmental funds report the effect of bond issuance costs, 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.	308,224
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	<u>(2,807,264)</u>
Change in net assets of the governmental activities - statement of activities	\$ <u><u>(40,035,849)</u></u>

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

CITY OF MESA, ARIZONA
EXHIBIT A-7
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Business-type Activities	Governmental Activities - Internal Service Funds
	Enterprise Fund	
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 39,111,806	\$ 33,855,815
Investments	5,021,900	5,001,250
Accounts Receivable (Net of Allowances of \$2,238,186)	26,030,889	499,679
Accrued Premiums Receivable	-	754,098
Accrued Interest Receivable	12,153	20,660
Due From Other Governments	5,406,709	21,454
Inventory	-	5,964,364
Prepaid Costs	27,776	396,380
Deposits	6,926,728	-
Restricted Assets:		
Cash and Cash Equivalents	46,867,848	-
Customer Deposits	3,264,802	-
Total Current Assets	132,670,611	46,513,700
Noncurrent Assets:		
Restricted Assets:		
Impact & Development Fees:		
Cash and Cash Equivalents	753,771	-
Bond Replacement, Extensions and Reserves:		
Cash and Cash Equivalents	9,756,810	-
Capital Projects:		
Cash and Cash Equivalents	47,256,014	-
Unamortized Bond Issue Costs	3,536,595	-
Total Restricted Assets	61,303,190	-
Capital Assets:		
Land	59,946,543	-
Water Rights	17,569,867	-
Buildings	92,701,747	2,014,156
Other Improvements	1,363,453,007	4,944,866
Machinery and Equipment	131,049,353	2,095,871
Intangibles	13,564,978	-
Infrastructure	7,145,836	-
Construction in Progress	118,158,260	44,702
Less Accumulated Depreciation and Amortization	(537,301,556)	(5,117,085)
Total Capital Assets, Net	1,266,288,035	3,982,510
Investment in Joint Ventures	257,587,431	-
Total Noncurrent Assets	1,523,875,466	3,982,510
Total Assets	\$ 1,717,849,267	\$ 50,496,210

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

CITY OF MESA, ARIZONA
EXHIBIT A-7 (Continued)
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Business-type Activities	Governmental Activities - Internal Service Funds
	Enterprise Fund	
LIABILITIES		
Current Liabilities-Payable From Current Assets:		
Accounts Payable	\$ 7,962,332	\$ 1,540,146
Other Accrued Expenses	-	29,088,317
Current Liabilities-Payable From Restricted Assets:		
Impact & Development Fees-Accounts Payable	60,264	-
Bond Replacement, Extensions and Reserves-Accounts Payable	73,193	-
Capital Projects-Accounts Payable	3,447,884	-
Accrued Notes Interest Payable	6,964	-
Accrued Bond Interest Payable	20,418,908	-
Matured Bonds Payable	10,741,811	-
Matured Notes Payable	125,847	-
Customer Deposits and Prepayments	18,839,120	-
Current Portion of Long-term Liabilities:		
Current Portion of Revenue Bonds Payable	12,585,000	-
Current Portion of General Obligation Bonds Payable	469,601	-
Current Portion of Notes Payable	239,581	-
Current Portion of Compensated Absences	818,072	90,019
Total Current Liabilities	75,788,577	30,718,482
Long-Term Liabilities:		
Revenue Bonds Payable, Net of Deferred Amounts on Refundings	829,278,756	-
General Obligation Bonds Payable	2,202,106	-
Notes Payable	2,724,199	-
Unamortized Bond Premium	16,915,475	-
Compensated Absences	3,795,055	764,340
Post Employment Benefits	31,474,357	3,536,556
Total Long-Term Liabilities	886,389,948	4,300,896
Total Liabilities	962,178,525	35,019,378
NET ASSETS		
Invested In Capital Assets, Net of Related Debt	434,813,786	3,982,510
Restricted For:		
Convention Center	262,875	-
Airport	4,815,651	-
Golf Courses	21,937	-
Hohokam Stadium\Fitch Complex	242,342	-
Debt Service	31,291,280	-
Bond Indentures	9,683,617	-
Water, Wastewater & Solid Waste Improvements	693,506	-
Unrestricted	273,845,748	11,494,322
Total Net Assets	\$ 755,670,742	\$ 15,476,832
Adjustment to reflect the consolidation of the internal service funds related to the enterprise fund.	(2,140,225)	
Total net assets of the business-type activities	\$ 753,530,517	

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 FUND NET ASSETS

PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-type Activities	Governmental Activities - Internal Service Funds
	Enterprise Fund	
Operating Revenues:		
Electric Sales Pledged as Security for Revenue Bonds	\$ 33,078,601	\$ -
Gas Sales Pledged as Security for Revenue Bonds	38,923,919	-
Water Sales Pledged as Security for Revenue Bonds	98,806,049	-
Wastewater Charges Pledged as Security for Revenue Bonds	57,698,904	-
Solid Waste Charges Pledged as Security for Revenue Bonds	46,685,307	-
Airport Fees	3,124,886	-
Golf Course Fees	2,265,452	-
Convention Center Fees	1,970,891	-
Hohokam Stadium/Fitch Complex Fees	5,836,650	-
District Cooling Charges	983,592	-
Charges For Services	-	16,835,494
Self-Insurance Contributions	-	56,758,829
Other	-	133,467
Total Operating Revenues	289,374,251	73,727,790
Operating Expenses:		
Electric	23,211,018	-
Gas	29,615,303	-
Water	40,921,769	-
Wastewater	22,890,468	-
Solid Waste	28,729,107	-
Airport	2,587,431	-
Golf Course	2,411,164	-
Convention Center	2,894,614	-
Hohokam Stadium/Fitch Complex	7,407,183	-
District Cooling	611,877	-
Warehouse, Maintenance & Services	-	18,329,249
Self-Insurance	-	60,252,553
Total Operating Expenses	161,279,934	78,581,802
Operating Income Before Depreciation and Amortization	128,094,317	(4,854,012)
Depreciation and Amortization	(52,030,215)	(397,805)
Operating Income (Loss)	76,064,102	(5,251,817)

(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 FUND NET ASSETS

PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Business-type Activities</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>Enterprise Fund</u>	
Nonoperating Revenues (Expenses):		
Investment Income Pledged as Security for Revenue Bonds	503,382	-
Investment Income Unpledged	4,370	78,932
Intergovernmental	210,074	-
Interest Expense:		
Revenue Bonds	(36,280,691)	-
General Obligation Bonds	(134,780)	-
Notes Payable	(20,870)	-
Capital Leases	(3,558)	-
Amortization of Bond Issuance and Administrative Costs	(537,168)	-
Loss on Disposal of Capital Assets	(1,603,658)	(79,417)
Equity Interest in Joint Ventures	(11,797,464)	-
	<u>(49,660,363)</u>	<u>(485)</u>
Total Nonoperating Revenues (Expenses)		
Income before Transfers and Capital Contributions	26,403,739	(5,252,302)
Capital Contributions	36,795,839	26,618
Transfers In	134,560	1,663,300
Transfers Out	(84,581,287)	-
Change in Net Assets	(21,247,149)	(3,562,384)
Total Net Assets - Beginning	<u>776,917,891</u>	<u>19,039,216</u>
Total Net Assets - Ending	<u>\$ 755,670,742</u>	<u>\$ 15,476,832</u>
Adjustment to reflect consolidation of internal service funds related to the enterprise fund.	(755,120)	
Change in net assets of the business-type activities	<u>\$ (22,002,269)</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, 2010

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
Cash Flows From Operating Activities:		
Cash Received From Customers	\$ 278,400,436	\$ -
Cash Received From Users	6,057,142	73,889,610
Cash Payments to Suppliers	(91,659,979)	(75,341,083)
Cash Payments to Employees	(51,441,324)	(8,188,254)
Net Cash Provided By (Used For) Operating Activities	<u>141,356,275</u>	<u>(9,639,727)</u>
Cash Flows From Noncapital Financing Activities:		
Intergovernmental	202,574	-
Transfers In From Other Funds	134,560	1,689,918
Transfers Out to Other Funds	(84,581,287)	-
Net Cash Provided By (Used For) Noncapital Financing Activities	<u>(84,244,153)</u>	<u>1,689,918</u>
Cash Flows From Capital and Related Financing Activities:		
Proceeds From Bond Sales	51,134,189	-
Proceeds From WIFA Notes	3,486,902	-
Acquisition and Construction of Capital Assets	(56,007,562)	(49,729)
Investment in Joint Ventures	(9,937,347)	-
Proceeds From Sale of Capital Assets	233,031	-
Principal Paid on Bonds, Leases and Notes Maturities	(11,496,142)	-
Interest Paid on Bonds, Leases and Notes	(38,790,517)	-
Bond Issuance and Administrative Expenses	(390,050)	-
Capital Contributed by Other Governments	3,140,249	-
Capital Contributed by Subdividers	4,778,443	-
Net Cash Provided By (Used For) Capital and Related Financing Activities	<u>(53,848,804)</u>	<u>(49,729)</u>
Cash Flows From Investing Activities:		
Purchase of Investment Securities	(20,006,327)	(5,000,000)
Proceeds from Sale and Maturities of Investment Securities	25,798,119	5,001,250
Interest Received on Investments	755,709	82,670
Net Cash Provided By Investing Activities	<u>6,547,501</u>	<u>83,920</u>
Net Increase (Decrease) in Cash and Cash Equivalents	9,810,819	(7,915,618)
Cash and Cash Equivalents at Beginning of Year	<u>133,935,430</u>	<u>41,771,433</u>
Cash and Cash Equivalents at End of Year	<u>\$ 143,746,249</u>	<u>\$ 33,855,815</u>

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, 2010

	<u>Business-type Activities</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>Enterprise Fund</u>	
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:		
Operating Income	<u>\$ 76,064,102</u>	<u>\$ (5,251,817)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:		
Depreciation and Amortization	52,030,215	397,805
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	(4,916,673)	161,821
(Increase) in Inventory	-	(223,748)
Decrease in Deposits and Prepaid Costs	4,292,829	292,849
Increase in Accounts Payable	13,885,802	97,394
(Decrease) in Other Accrued Expense	<u>-</u>	<u>(5,114,031)</u>
Total Adjustments	<u>65,292,173</u>	<u>(4,387,910)</u>
Net Cash Provided By (Used For) Operating Activities	<u><u>\$ 141,356,275</u></u>	<u><u>\$ (9,639,727)</u></u>
Noncash Transactions Affecting Financial Position:		
Contributions of Capital Assets	\$ 9,814,746	\$ -
Transfers of Capital Assets from Governmental Funds	19,013,513	26,618
Loss on Disposal of Capital Assets	1,836,689	-
Amortization of Bond Premium	2,103,208	-
Amortization of Debt Issuance Costs	267,691	-
Amortization of Deferred Amounts on Refundings	1,738,836	-
Accretion of Certificates of Supplementary Interest Payments	41,235	-
Increase of Fair Market Value of Investments	15,573	1,250

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

CITY OF MESA, ARIZONA
EXHIBIT A-10
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2010

	Payroll Agency
ASSETS	
Cash and Cash Equivalents	<u>\$ 10,158,717</u>
Total Assets	<u><u>\$ 10,158,717</u></u>
LIABILITIES	
Accrued Payroll Payable	<u>\$ 10,158,717</u>
Total Liabilities	<u><u>\$ 10,158,717</u></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, 2010

The City of Mesa, Arizona, (the “City”) was incorporated July 5, 1883 with an approximate population of 300 and an area of one square mile. Today, the City’s estimated population is 467,355 within an area of approximately 136 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, solid waste, airport, golf courses, convention center, stadium 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.

For the fiscal year ended June 30, 2010, the City adopted GASB Statement No. 51 – *Accounting and Financial Reporting for Intangible Assets*. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. In implementing the requirements of GASB Statement No. 51 during the fiscal year ended June 30, 2010, the City has determined which assets meet the provisions to be classified as intangible and added them to the schedule capital assets.

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, the City of Mesa Municipal Development Corporation, collectively referred to as “the financial reporting entity”. In accordance with GASB No. 14, 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.

City of Mesa Municipal Development Corporation is a nonprofit corporation that is organized under the laws of the State of Arizona to assist the City in the acquisition and financing of municipal projects and facilities. The corporation is governed by a board of directors which is responsible for approving the corporation’s bond sales. Bond sales must also be approved by the City Council. Although it is legally separate from the City, the corporation is reported as if it is part of the primary government because its sole purpose is to finance the acquisition and or construction of public facilities for the City. Separate financial

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

statements for the corporation can be obtained through the City's Accounting Services Division.

b. **Jointly Governed Organizations**

Phoenix – Mesa Gateway Airport Authority (“PMGAA”) is a nonprofit corporation established and funded by the City, the City of Phoenix, and 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 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.

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. The City's annual membership fee for this fiscal year was approximately \$190,207. In addition, AMWUA contracts with the cities jointly using a multi-city sanitary sewer system to perform certain accounting, administrative and support services (see Note 12).

c. **Basic Financial Statements**

Government-wide Financial Statements: The government-wide financial statements (the statement of net assets 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 assets reports all financial and capital resources of the City, excluding fiduciary funds. It is presented in a format of assets less liabilities equals net

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be presented in three components: invested in capital assets, net of related debt; restricted and unrestricted. Invested in capital assets, net of related debt 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 assets 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. All net assets not otherwise classified as restricted, 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 assets are 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. Historically, the previous reporting model did not summarize or present net cost by function or activity.

Effective July 1, 2009, the City moved the Hohokam Stadium/Fitch Complex from the governmental activities to the business-type activities reflecting the desire to track the operations of this recreational complex.

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 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
(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 deferred 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 deferred special assessments 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 general rule is interest on long-term debt which is recorded when due.

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.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Proprietary Funds and Fiduciary 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.

GASB Statement No. 20 requires that governments' proprietary and business-type activities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins. Governments are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements to its enterprise fund and business-type activities.

The City has elected not to implement FASB Statements and Interpretations issued after November 30, 1989.

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 the 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 (General Government, Public Safety, Cultural-Recreational, etc.) 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.

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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 **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.

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.

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

Eight 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.

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 courses, convention center, stadium 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, and 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. **Cash and Cash Equivalents and Investments**

At year-end, City cash totaled \$6,438,291 which includes \$225,310 of petty cash. The carrying amount of the City's deposits was \$6,212,981 and the bank balance was \$2,088,066.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The entire balance was covered by federal depository insurance or by collateral held in the pledging banks trust department in the City's name. The difference of \$4,124,915 represents deposits in transits, outstanding checks and other reconciling items.

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 less than three years.

The City has purchased its own Special Improvement District Bonds with maturities that exceed three years.

Credit Risk. The City's 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 and the State Treasurer's Investment Pool. The State Treasurer's Investment Pool is overseen according to Arizona State Statute by the State Board of Deposit. The fair value of each share as of June 30, 2010, is equal to \$1.00. The State Treasurer's Investment Pool #7 that the City participates in does not receive a credit quality rating.

The City's investment in the bonds of U.S. Government agencies are rated AAA by Standard & Poor's and Aaa by Moody's. The Money Market Mutual Funds are all invested in U.S. Treasury securities. The City's Special Improvement District bonds have no credit rating.

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 that are reflected in the financial statements as cash equivalents total \$429,733,379.

The City's investments and cash equivalents at June 30, 2010 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>(In Years)</u>		
		<u>Less Than 1</u>	<u>1-2</u>	<u>3-12</u>
U.S. Government Agencies	\$ 10,023,150	\$	\$ -	\$ 10,023,150 *
City of Mesa Special Improvement District Bonds	<u>3,757,742</u>	<u>744,000</u>	<u>744,000</u>	<u>2,269,742</u> **
Total Investments	<u>\$ 13,780,892</u>	<u>\$ 744,000</u>	<u>\$ 744,000</u>	<u>\$ 12,292,892</u>

*\$10,023,150 of these bonds are callable from July 7, 2010 to November 12, 2010.

**These bonds are callable from July 1, 2010 to July 1, 2020.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Fair Value</u>
<u>Investments:</u>	
U.S. Government Agencies	\$ 10,023,150
City of Mesa Special Improvement District Bonds	<u>3,757,742</u>
Total Investments as Reported in the Financial Statements	<u>13,780,892</u>
<u>Cash Equivalents:</u>	
Money Market Mutual Funds	\$ 24,023
Investments in State Treasurer's Local Government Investment Pool	391,429,314
Repurchase Agreement	5,436,762
Cash with Trustee	<u>33,110,780</u>
Total Cash Equivalents	<u>430,000,879</u>
Total Investments and Cash Equivalents	<u>\$ 443,781,771</u>

Interest income from investments is recorded as revenue within the fund that made the investment, with the exception of the Debt Service, 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.

The City had a net decrease in the fair value of investments during fiscal year 2009-10 of \$216,433. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year.

g. **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 uncollectibles as follows:

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Fund</u>	<u>Receivables</u>	<u>Allowance</u>	<u>Net</u>
Governmental Activities:			
General Fund:			
Taxes	\$ 13,837,113	\$ (2,401,100)	\$ 11,436,013
Courts	46,876,829	(43,864,418)	3,012,411
Other Customers	3,224,936	(1,133,651)	2,091,285
Restricted	3,837,133	-	3,837,133
Due from Other Governments			
State Shared Revenues	7,202,407	-	7,202,407
Other	17,143,137	-	17,143,137
Highway User Revenue Fund:			
Customers	600	-	600
Due from Other Governments:	2,908,947	-	2,908,947
Non-Major Governmental Funds:			
Customers	68,638	-	68,638
Restricted-Spec. Assessments	6,030,297	-	6,030,297
Due from Other Governments	6,414,159	-	6,414,159
Restricted-Due from Other Governments	12,227,979	-	12,227,979
Internal Service Funds			
Customers	1,253,777	-	1,253,777
Due from Other Governments	21,454	-	21,454
Total Governmental Activities	<u>\$ 121,047,406</u>	<u>\$ (47,399,169)</u>	<u>\$ 73,648,237</u>
Business-Type Activities:			
Utility Customers	\$ 26,275,377	\$ (2,005,186)	\$ 24,270,191
Other Customers	1,993,698	(233,000)	1,760,698
Due from Other Governments	5,406,709	-	5,406,709
Total Business-type Activities	<u>\$ 33,675,784</u>	<u>\$ (2,238,186)</u>	<u>\$ 31,437,598</u>

h. **Deferred Revenue**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

Rehabilitation Revolving Loans not yet due (General Fund)	\$ 80,250
Surcharges included in Court Receivables (General Fund)	3,756,882
Grants received prior to meeting all eligibility requirements (General Fund)	930,270
Delinquent Property Taxes (General Fund)	432,508
Special assessments not yet due (Debt Service Fund)	<u>6,030,297</u>
Total deferred revenue for governmental funds	<u>\$11,230,207</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

i. **Interfund Receivables, Payables, and Transfers**

The following interfund activities are included in the fund financial statements at June 30, 2010:

Fund	Interfund Receivables	Interfund Payables
Governmental funds:		
General Fund	\$ 3,625,000	\$ -
Special Revenue Funds	-	3,625,000
Total Governmental funds	\$ 3,625,000	\$ 3,625,000

The interfund balances at June 30, 2010 are short-term loans to cover temporary cash deficits in various funds. All interfund balances outstanding at June 30, 2010 are expected to be repaid within one year.

The net transfers of \$65,433,214 from business-type activities to governmental activities on the government-wide statement of activities are primarily operational subsidies from the Enterprise Fund to the General Fund and capital assets with a book value of \$19,013,513 that were transferred between governmental and business-type activities. The following interfund transfers are reflected in the fund financial statements for the year ended June 30, 2010:

Fund	Transfers Out	Transfers In
Governmental funds:		
General Fund	\$ 46,969,736	\$ 85,519,851
Highway User Revenue Fund	12,416,168	-
Non-major Governmental Funds	7,268,000	63,917,480
Total governmental funds	66,653,904	149,437,331
Proprietary funds:		
Enterprise Fund	84,581,287	134,560
Internal Service Funds	-	1,663,300
Total	\$ 151,235,191	\$ 151,235,191

The interfund transfers generally fall within one of the two following categories: 1) debt service payments made from a debt service fund but funded from an operating fund; 2) subsidy transfers.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

j. **Inventory**

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.

k. **Unbilled Accounts Receivable**

Unbilled utility service receivables are recorded in the year in which the services are provided. At June 30, 2010, unbilled utility service receivables are recorded in the Enterprise Fund as follows:

Electric	\$ 1,371,627
Gas	927,391
Water	4,669,565
Wastewater	2,089,092
Solid Waste	<u>1,671,746</u>
	<u>\$ 10,729,421</u>

l. **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. Effective July 1, 2009, the City implemented GASB Statement No. 51 - *Accounting and Financial Reporting for Intangible Assets*, which requires the capitalization of intangible assets. 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. Intangible assets will be capitalized and accounted for prospectively from July 1, 2009. 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. Effective July 1, 2009, the City moved the Hohokam Stadium/Fitch Complex from the governmental activities to the business-type activities. Capital assets with a value of \$19,013,513, net of accumulated depreciation, were transferred to the business-type activities.

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.

Prior to June 30, 1978, the City did not maintain detailed property cost records of its capital assets other than for rolling stock. A physical inventory was performed during the fiscal year ended June 30, 1978 and detailed property records were prepared. Generally, the assets were

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

recorded at cost. Where historical cost information was not available, the assets were valued at estimated cost using engineering estimates, appraisals or current replacement cost, adjusted to the year of acquisition.

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	10-50 Years
Machinery and Equipment	3-30 Years
Intangibles	3-99 Years
Infrastructure	10-99 Years

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2010 follows:

	Balance July 1, 2009	Additions	Retirements	Transfers	Balance June 30, 2010
Governmental Activities:					
Non-depreciable Assets:					
Land	\$ 257,858,440	\$ 4,597,901	\$ -	\$ (685,657)	\$ 261,770,684
Construction-in-Progress	165,530,225	82,580,163	(109,555,849)	-	138,554,539
Total Non-depreciable Assets	<u>423,388,665</u>	<u>87,178,064</u>	<u>(109,555,849)</u>	<u>(685,657)</u>	<u>400,325,223</u>
Depreciable Assets:					
Buildings	284,809,762	39,939,202	(1,171,629)	(18,312,936)	305,264,399
Other Improvements	127,800,378	23,490,200	(1,161,746)	(8,251,602)	141,877,230
Machinery & Equipment	152,085,182	15,696,258	(3,609,888)	(872,976)	163,298,576
Intangibles	-	150,107	-	-	150,107
Infrastructure	735,085,394	42,690,289	(2,461,760)	-	775,313,923
Total Depreciable Assets	<u>1,299,780,716</u>	<u>121,966,056</u>	<u>(8,405,023)</u>	<u>(27,437,514)</u>	<u>1,385,904,235</u>
Less Accumulated Depreciation for:					
Buildings	(67,097,912)	(5,156,301)	1,166,812	5,051,387	(66,036,014)
Other Improvements	(54,153,379)	(8,916,172)	851,117	3,330,802	(58,887,632)
Machinery & Equipment	(106,591,230)	(19,269,540)	3,581,051	727,469	(121,552,250)
Intangibles	-	(134,590)	-	-	(134,590)
Infrastructure	(256,333,866)	(23,099,896)	2,461,760	-	(276,972,002)
Total Accum. Depreciation	<u>(484,176,387)</u>	<u>(56,576,499)</u>	<u>8,060,740</u>	<u>9,109,658</u>	<u>(523,582,488)</u>
Total Depreciable Assets, net	<u>815,604,329</u>	<u>65,389,557</u>	<u>(344,283)</u>	<u>(18,327,856)</u>	<u>862,321,747</u>
Governmental Activities Capital Assets, net	<u>\$ 1,238,992,994</u>	<u>\$ 152,567,621</u>	<u>\$ (109,900,132)</u>	<u>\$ (19,013,513)</u>	<u>\$ 1,262,646,970</u>

Depreciation expense was charged to governmental functions in the government-wide financial statements as follows:

General Government	\$ 4,925,077
Public Safety	18,100,881
Cultural - Recreational	6,582,621
Community Environment	26,570,115
Capital assets held by the City's Internal Service funds are charged to the various functions based on their usage of the assets	<u>397,805</u>
Total Depreciation	<u>\$56,576,499</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Balance July 1, 2009	Additions	Retirements	Transfers	Balance June 30, 2010
Business-type Activities:					
Non-depreciable Assets:					
Land	\$ 52,027,492	\$ 7,233,394	\$ -	\$ 685,657	\$ 59,946,543
Water Rights	15,523,973	2,045,894	-	-	17,569,867
Construction-in-Progress	147,632,984	53,011,810	(82,486,534)	-	118,158,260
Total Non-depreciable Assets	<u>215,184,449</u>	<u>62,291,098</u>	<u>(82,486,534)</u>	<u>685,657</u>	<u>195,674,670</u>
Depreciable Assets:					
Buildings	74,361,132	27,679	-	18,312,936	92,701,747
Other Improvements	1,281,588,116	76,341,207	(2,727,918)	8,251,602	1,363,453,007
Machinery & Equipment	128,749,601	4,409,493	(3,009,335)	899,594	131,049,353
Intangibles	12,522,509	1,042,469	-	-	13,564,978
Infrastructure	-	7,145,836	-	-	7,145,836
Total Depreciable Assets	<u>1,497,221,358</u>	<u>88,966,684</u>	<u>(5,737,253)</u>	<u>27,464,132</u>	<u>1,607,914,921</u>
Less Accum. Depr. & Amort. for:					
Buildings	(26,652,069)	(2,239,106)	-	(5,051,387)	(33,942,562)
Other Improvements	(367,506,440)	(36,302,997)	982,610	(3,330,802)	(406,157,629)
Machinery & Equipment	(76,835,185)	(12,804,045)	2,804,196	(754,087)	(87,589,121)
Intangibles	(8,928,177)	(417,417)	-	-	(9,345,594)
Infrastructure	-	(266,650)	-	-	(266,650)
Total Accum. Depr. & Amort.	<u>(479,921,871)</u>	<u>(52,030,215)</u>	<u>3,786,806</u>	<u>(9,136,276)</u>	<u>(537,301,556)</u>
Total Depreciable Assets, net	<u>1,017,299,487</u>	<u>36,936,469</u>	<u>(1,950,447)</u>	<u>18,327,856</u>	<u>1,070,613,365</u>
Business-type Activities					
Capital Assets, net	<u>\$ 1,232,483,936</u>	<u>\$ 99,227,567</u>	<u>\$ (84,436,981)</u>	<u>\$ 19,013,513</u>	<u>\$ 1,266,288,035</u>

Depreciation and Amortization expense was charged to enterprise functions in the government-wide financial statement as follows:

Electric	\$ 3,372,147
Gas	3,394,025
Water	19,379,577
Wastewater	20,348,628
Solid Waste	2,296,471
Airport	1,335,495
Golf Course	252,859
Convention Center	515,182
Stadium	747,361
District Cooling	<u>388,470</u>
Total Depreciation and Amortization	<u>\$ 52,030,215</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

<u>Governmental Activities</u>	<u>Construction in Progress</u>	<u>Commitments</u>
General Government	\$ 11,142,816	\$ 206,541
Public Safety	25,540,596	6,062,464
Cultural-Recreational	22,460,838	6,790,110
Community Environmental	79,365,587	19,704,675
Warehouse, Maintenance & Services	44,702	6,458
Total	<u>\$ 138,554,539</u>	<u>\$ 32,770,248</u>
 <u>Business-type Activities</u> 		
Electric	\$ 13,356,031	\$ 235,029
Gas	13,940,418	932,570
Water	64,044,655	10,136,409
Wastewater	17,944,536	2,976,925
Solid Waste	1,097,438	112,819
Airport	5,523,657	232,984
Golf Course	537,573	1,023
Convention Center	1,422,211	-
Stadium	159,956	6,901
District Cooling	131,785	-
Total	<u>\$ 118,158,260</u>	<u>\$ 14,634,660</u>

m. **Capitalization of Interest**

For the year ended June 30, 2010, the City capitalized net interest costs of \$3,453,424 (interest expense of \$3,476,485 reduced by interest income of \$23,061 in the Business-type Activities Enterprise Fund). Total interest expense and income in the Business-type Activities Enterprise Fund before capitalization was \$39,916,384 and \$530,813 respectively.

n. **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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 \$175,000 per contract year. There were no changes in insurance coverage during this fiscal year for any of the three Self-Insurance Funds.

The various funds of the City include, as expenditures, amounts contributed to each of the self-insurance funds during the fiscal year. The Property and Public Liability and the Employee Benefits Self-Insurance Funds establish a liability for actuarially computed estimates for those claims incurred but not yet reported. The claims incurred but not reported in the Workers' Compensation Fund consist of actual claims reported during July 2010.

The stop loss receivable balance for the Workers' Compensation Fund at June 30, 2010 is \$39,946. Over the past three fiscal years the Fund has received settlements in excess of insurance coverage of \$422,086 with \$93,080 received this current fiscal year. The Property and Public Liability Fund does not have a stop loss receivable at June 30, 2010, and the Fund has not received any settlements in excess of insurance coverage over the past three fiscal years. The stop loss receivable for the Employee Benefits Fund at June 30, 2010 is \$459,733. Over the past three fiscal years the Fund has received settlements in excess of insurance coverage of \$1,919,050 with \$148,619 received this current fiscal year.

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

	<u>Property & Public Liability</u>	<u>Workers' Compensation</u>	<u>Employee Benefits</u>	<u>Total</u>
Unpaid Claims, 6/30/08	\$ 16,800,000	\$ 6,239,328	\$ 5,650,397	\$ 28,689,725
Adjustments to Reserves-FY 08-09	8,304,458	3,146,731	45,104,935	56,556,124
Claim Payments-FY 08-09	<u>(1,604,458)</u>	<u>(2,423,429)</u>	<u>(46,962,265)</u>	<u>(50,990,152)</u>
Unpaid Claims, 6/30/09	\$ 23,500,000	\$ 6,962,630	\$ 3,793,067	\$ 34,255,697
Adjustments to Reserves-FY 09-10	\$ 768,233	\$ 3,711,902	\$ 50,014,525	\$ 54,494,660
Claim Payments-FY 09-10	<u>(6,632,233)</u>	<u>(2,953,506)</u>	<u>(50,076,301)</u>	<u>(59,662,040)</u>
Unpaid Claims, 6/30/10	<u>\$ 17,636,000</u>	<u>\$ 7,721,026</u>	<u>\$ 3,731,291</u>	<u>\$ 29,088,317</u>

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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The Property and Public Liability Self Insurance Fund reported a decrease in unpaid claim reserves of \$5.9 million during the fiscal year ended June 30, 2010. This decrease is due to the settlement of three large claims, dismissals of several high exposure cases and reserve estimates were revised during the current year.

o. **Compensated Absences**

The current portion of governmental funds accrued vacation and sick leave benefits payable are included as a liability in the fund financial statements. The entire amount of accumulated unpaid vested vacation pay 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 (see Note 5 for additional disclosure of long-term balances).

p. **Statement of Cash Flows**

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

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

q. **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 to the City Council a proposed operating budget 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.

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CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The legally adopted budget consists of all funds except the Agency Fund. Capital Projects (both Governmental and Proprietary) are budgeted as one item (as shown in Exhibit D-5). Governmental debt service expenditures are budgeted in the General Fund and Special Revenue Funds.

Budget schedules for the major governmental funds (General and Highway User Revenue Funds) are presented in the Required Supplementary Information Section, and the other funds are located in the Supplementary Information Section. Additional detailed budget schedules for the General and Highway User Revenue Funds are also located in the Supplementary Information Section.

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

Budgeted amounts are as originally adopted by the City Council on June 22, 2009.

r. **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, 2010 and are made in accordance with State Statutes.

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CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

2. RECONCILIATION OF GOVERNMENTAL FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE 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. Additional reconciliations are provided on the next page.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Reconciliation of the Governmental Funds Balance Sheet to the government-wide Statement of
Net Assets:

	Total Governmental Funds	Long-term Assets/ Liabilities(1)	Internal Service Funds(2)	Reclassifications and Eliminations	Statement of Net Assets Total
Assets					
Cash and Cash Equivalents	\$ 174,458,152	\$	\$ 33,855,815		\$ 208,313,967
Investments	3,757,742		5,001,250		8,758,992
Accounts Receivable, net	16,608,947		1,253,777		17,862,724
Interest Receivable	107,459		20,660		128,119
Due From Other Governments	33,668,650		21,454		33,690,104
Due From Other Funds	3,625,000		2,140,225	(3,625,000)	2,140,225
Inventories			5,964,364		5,964,364
Prepaid Costs	542,344		396,380		938,724
Deposits	374,931				374,931
Restricted Cash and Cash Equivalents	41,109,457				41,109,457
Restricted Cash With Trustee	33,110,780				33,110,780
Restricted Accounts Receivable - Deferred	9,867,430				9,867,430
Restricted Due From Other Governments	12,227,979				12,227,979
Unamortized Bond Issuance Costs		1,545,430			1,545,430
Investment in Joint Ventures		52,143,017			52,143,017
Capital Assets		1,258,664,460	3,982,510		1,262,646,970
Total Assets	\$ <u>329,458,871</u>	\$ <u>1,312,352,907</u>	\$ <u>52,636,435</u>	\$ <u>(3,625,000)</u>	\$ <u>1,690,823,213</u>
Liabilities					
Warrants Outstanding	\$ 3,157,664	\$	\$	\$	\$ 3,157,664
Accounts Payable	25,527,799		1,540,146		27,067,945
Other Accrued Expenses			29,088,317		29,088,317
Due To Other Funds	3,625,000			(3,625,000)	-
Customer and Defendant Deposits	9,338,642				9,338,642
Compensated Absences	1,265,901				1,265,901
Restricted Lease Interest Payable	2,793				2,793
Restricted Bond Interest Payable	10,823,241				10,823,241
Restricted Note Interest Payable	449,167				449,167
Restricted Deferred Revenue	11,230,207	(6,543,055)			4,687,152
Matured G.O. Bonds Payable	24,058,189				24,058,189
Matured HURF Bonds Payable	5,720,000				5,720,000
Matured Capital Leases Payable	56,067				56,067
Long-term Liabilities		635,334,074	4,390,915		639,724,989
Total Liabilities	<u>95,254,670</u>	<u>628,791,019</u>	<u>35,019,378</u>	<u>(3,625,000)</u>	<u>755,440,067</u>
Fund Balance/Net Assets					
Total Fund Balance/Net Assets	<u>234,204,201</u>	<u>683,561,888</u>	<u>17,617,057</u>	<u>-</u>	<u>935,383,146</u>
Total Liabilities and Fund Balance/Net Assets	\$ <u>329,458,871</u>	\$ <u>1,312,352,907</u>	\$ <u>52,636,435</u>	\$ <u>(3,625,000)</u>	\$ <u>1,690,823,213</u>

(1) 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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

in governmental funds, and thus a reduction in fund balance. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Costs of capital assets	\$1,777,129,863
Accumulated depreciation	<u>(518,465,403)</u>
	<u>\$1,258,664,460</u>

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 assets for the City as a whole.

Investment in joint ventures	\$ <u>52,143,017</u>
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Bond issuance costs are expended when incurred in governmental funds, but are deferred and amortized over the life of the bonds in the statement of net assets.

Unamortized bond issuance costs	\$ <u>1,545,430</u>
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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	\$ 409,362,629
Notes payable	45,000,000
Capital leases	5,406,120
Compensated absences	17,697,898
Post employment benefits	150,011,737
Unamortized bond premiums	<u>7,855,690</u>
	\$ <u>635,334,074</u>

Deferred revenue for the long-term special assessment receivables, property tax receivables and for the rehabilitation loan program shown on the governmental fund statements is not deferred on the statement of net assets.

Deferred property tax revenues	432,508
Deferred special assessment revenue	\$ 6,030,297
Deferred rehabilitation loan revenue	<u>80,250</u>
	\$ <u>6,543,055</u>

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

Total	\$ <u>17,617,057</u>
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(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

	Total Governmental Funds	Long-term Revenues/ Expenses (1)	Capital - Related Items (2)	Internal Service Funds (3)	Long-term Debt Transactions (4)	Eliminations and Adjustments (5)	Statement of Activities
Revenues and Other Sources							
Taxes	\$ 121,556,751	\$	\$	\$	\$	\$	\$ 121,556,751
Property Taxes	13,885,749	432,508					14,318,257
Occupancy Taxes	1,580,533						1,580,533
Special Assessments	922,651	(600,187)					322,464
Licenses and Permits	11,823,758						11,823,758
Intergovernmental	190,731,282	17,353					190,748,635
Charges for Services	20,419,291						20,419,291
Contributions				14,757,171			14,757,171
Fines and Forfeitures	10,134,507						10,134,507
Investment Income	190,716			78,932			269,648
Miscellaneous	13,675,435			133,467	37,488		13,846,390
Other Sources:							
Capital Contributions			16,664,125				16,664,125
Transfers In	149,437,331			992,905		(63,917,480)	86,512,756
Face Amount of Bond Sales	30,865,000				(30,865,000)		-
Premiums on Issuance of Bonds	401,850				(401,850)		-
Face Amount of Notes Issued	45,000,000				(45,000,000)		-
Premiums on Issuance of Notes	869,000				(869,000)		-
Total Revenues and Other Sources	611,493,854	(150,326)	16,664,125	15,962,475	(77,098,362)	(63,917,480)	502,954,286
Expenditures / Expenses							
Current:							
General Government	40,112,552	7,265,196	4,932,241	2,550,750	1,845		54,862,584
Public Safety	216,025,864	40,060,765	18,136,117	14,668,535	37,412		288,928,693
Cultural-Recreational	40,150,034	4,962,033	7,103,924	1,760,142	33,982		54,010,115
Community Environment	72,081,273	4,366,975	27,063,819	487,325	96,741		104,096,133
Debt Service:							
Principal Payments	34,845,924				(34,845,924)		-
Interest on Bonds	20,366,043				(1,172,742)		19,193,301
Interest on Capital Leases	370,600						370,600
Interest on Notes	449,167						449,167
Service Charges	9,397	(9,397)					-
Cost of Issuance	538,824				(538,824)		-
Capital Outlay	82,530,441		(82,530,441)				-
Total Expenditures \ Expenses	507,480,119	56,645,572	(25,294,340)	19,466,752	(36,387,510)	-	521,910,593
Other Financing Uses / Changes in Net Assets							
Transfers Out	66,653,904		19,040,131	(697,013)		(63,917,480)	21,079,542
Total Expenditures \ Expenses & Other Financing Uses	574,134,023	56,645,572	(6,254,209)	18,769,739	(36,387,510)	(63,917,480)	542,990,135
Net Change for the Year	\$ 37,359,831	\$ (56,795,898)	\$ 22,918,334	\$ (2,807,264)	\$ (40,710,852)	\$ -	\$ (40,035,849)

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

Property tax revenue	\$ 432,508
Special assessment revenue	(600,187)
Rehabilitation loan revenue	17,353
Total	\$ (150,326)

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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	\$ 1,316,639
Accrual of post employment benefits	<u>(57,962,211)</u>
Total	<u>\$ (56,645,572)</u>

- (2) When capital assets that are to be used in the governmental activities are purchased or constructed, or are to be classified as investment in joint venture, 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 assets decrease by the amount of depreciation expense charged for the year.

Capital outlay for capital assets	\$ 80,915,523
Capital outlay for joint venture	1,614,918
Depreciation expense	(56,178,694)
Depreciation expense for joint venture	<u>(762,653)</u>
Total	<u>\$ 25,589,094</u>

The net effect of miscellaneous transactions involving capital assets (donations, transfers and disposals) is to increase net assets.

Donation of capital assets	\$ 16,664,125
Loss on disposal of capital assets	(294,754)
Transfer of capital assets reclassified to transfer in	<u>(19,040,131)</u>
Total	<u>\$ (2,670,760)</u>

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

Revenue and other sources	\$ 14,969,570
Expenditures and other uses	(19,466,752)
Transfers in from General Fund	697,013
Transfer in from Enterprise Fund	966,287
Transfer of capital assets from governmental activities	<u>26,618</u>
Change in net assets	<u>\$ (2,807,264)</u>

(Continued)

CITY OF MESA, ARIZONA
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 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

- (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	\$ (30,865,000)
Highway Project Advancement Notes	(45,000,000)
Principal repayments	<u>34,845,924</u>
Total	\$ <u>(41,019,076)</u>

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

Current year bond issue cost additions	\$ 621,873
Amortization of bond issue costs	(169,980)
Amortization of deferred amounts	(1,190,187)
Accretion of certificates	1,124,069
Current year bond premium additions	(1,270,850)
Amortization of bond premiums	<u>(1,193,299)</u>
Total	\$ <u>308,224</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	\$ (63,917,480)
Transfers in	<u>63,917,480</u>
Total	\$ <u> -</u>

(Continued)

3. RETIREMENT AND PENSION PLANS

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

Arizona State Retirement System:

a. **Plan Description**

All the City's full-time general employees participate in the Arizona State Retirement System ("System"), a multiple-employer, cost-sharing defined benefit pension plan. The System 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. The System is administered in accordance with Title 38, Chapter 5 of the Arizona Revised Statutes. The System provides for retirement, disability, and death and survivor benefits. The System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Arizona State Retirement System, 3300 N. Central Avenue, Suite 1300, Phoenix, Arizona, 85012 or by calling 1-800-621-3778.

b. **Funding Policy**

Covered employees were required by state statute to contribute 9.40 percent of their salary to the System during fiscal year 2009-10 and the City was required to match it. The Arizona Revised Statutes ("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. Although the statutes prescribe the basis of making the actuarial calculation, the Arizona legislature is able to legislate a contribution rate other than the actuarially determined rate. The City's contributions to the System for the years ending June 30, 2010, 2009 and 2008 were \$13,134,628, \$13,983,834 and \$14,784,935 respectively, which were equal to the required contributions for each year. The City's employees contributed equal amounts to the System for the same time period.

Elected Officials Retirement Plan:

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

(Continued)

CITY OF MESA, ARIZONA
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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 issues a publicly 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. **Funding Policy**

The retirement plan's funding policy (required by State Statutes) provides for periodic employer contributions at actuarially determined rates and employee contributions of 7 percent of their annual covered salary. The employer rate for 2009-10 was 26.25 percent. The City's contributions to EORP for the fiscal years ending June 30, 2010, 2009 and 2008 were \$39,152, \$42,300 and \$30,470 respectively, which were equal to the required contributions for each year. The City's employees contributed \$10,440, \$10,575 and \$10,554, for the same time period.

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 fire and police agencies within the state. All police and fire personnel are eligible to participate in the plan. The plan provides retirement and disability benefits, and death benefits to plan members and beneficiaries. The PSPRS is jointly administered by the Fund Manager and 162 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.

b. **Funding Policy**

PSPRS members are required to contribute 7.65 percent of their annual covered salary and the City is required to contribute an actuarially determined rate. The rate for 2009-10 was 21.88 (21.44 pension plus .44 health care) percent for fire personnel and 21.44 (20.90 pension plus .54 health care) percent for police members. 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)

(Continued)

CITY OF MESA, ARIZONA
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 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

c. **Annual Pension Cost**

Police personnel contributed \$4,347,225 and fire personnel \$2,101,874 during fiscal year 2009-10. For 2010, the City’s annual pension cost of \$12,183,595 for police and \$6,011,633 for fire was equal to the City’s required and actual contributions. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 8.5 percent investment rate of return, (b) projected salary increases of 5.5 percent attributable to inflation, (c) additional projected salary increases ranging from 0.0 percent to 3.0 percent per year, attributable to seniority/merit. The actuarial value of PSPRS assets was determined using the smooth market value method. PSPRS’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over an closed period of 27 years.

d. **Three Year Trend Information for PSPRS** (Latest Available Information):

Police

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2007	\$ 7,112,462	100%	\$ -
2008	9,525,313	100	-
2009	13,261,044	100	-

Fire

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2007	\$ 3,501,613	100%	\$ -
2008	5,098,956	100	-
2009	6,677,496	100	-

e. **Annual Other Post Employment Benefits Cost**

For 2009 the City’s annual Other Post Employment Benefits (OPEB) cost of \$1,030,688 for police and \$469,225 for fire was equal to the City’s required contributions. The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and the two preceding years were as follows:

(Continued)

CITY OF MESA, ARIZONA
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Police

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2007	\$ 1,000,670	100%	\$ -
2008	971,065	100	-
2009	1,030,688	100	-

Fire

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2007	\$ 489,195	100%	\$ -
2008	477,752	100	-
2009	469,225	100	-

4. POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 3, 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, 2010, approximately 1,428 former employees were eligible for these benefits, an increase of 107 participants from the prior year or an 8.1% increase.

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 09-10 was \$72,089,991. A liability of \$12,723,899 is accrued in the business type activities financial statements, the remaining \$59,366,092 has been accrued in the governmental activities column in the government-wide financial statements.

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CITY OF MESA, ARIZONA
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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, as 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 benefits 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, 2009, Membership Consisted of:

Retirees and Beneficiaries Receiving Benefits	1,296
Active Employees	<u>3,167</u>
Total	<u>4,463</u>

Funding Policy

The plan premium rates are determined annually by the Benefits Advisory Board and approved by the City Council. The City’s contribution to the retirees 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, 2010, the City contributed \$9,879,765 to the plan (approximately 65.4 percent of total premiums). Plan members receiving benefits contributed \$5,235,201 or approximately 34.6 percent of total premiums.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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, 2010:

Annual Required Contribution	\$ 83,522,342
Interest on Net OPEB Obligation	5,081,970
Adjusted to Annual Required Contribution	<u>(6,634,556)</u>
Annual OPEB Cost	81,969,756
Contributions Made	<u>9,879,765</u>
Increase in Net OPEB Obligation	72,089,991
Net OPEB Obligation – Beginning of year	<u>112,932,659</u>
Net OPEB Obligation – End of year	\$ <u>185,022,650</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, 2008 through 2010 were as follows:

Fiscal Year Ended	Annual Required Contributions	Actual Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2008	\$65,194,175	\$8,191,946	12.57%	\$ 57,002,229
2009	65,194,175	9,263,746	14.21	112,932,659
2010	81,969,756	9,879,765	12.05	185,022,650

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010 was as follows:

Actuarial Value of Plan Assets	\$ -
Actuarial Accrued Liability	<u>916,615,559</u>
Unfunded actuarial accrued liability	\$ <u>916,615,559</u>
Funded ratio	0%
Covered payroll	\$ 321,012,148
Unfunded actuarial accrued liability as a percentage of covered payroll	286.0%

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

(Continued)

CITY OF MESA, ARIZONA
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 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 method and assumptions used for this fiscal year valuation were as follows:

Valuation Date	July 1, 2009
Actuarial Cost Method	Entry age normal, level dollar amount
Amortization method	30 – year amortization open
Remaining amortization period	30 years remaining as of June 30, 2009
Asset Valuation Method	N/A, no assets in trust

Actuarial Assumptions:

Discount rate	4.50%
Projected salary increases	N/A
Health care cost trend rate:	

- Medical, Drug, Vision 10.0% in 2009-2010, grading down by 0.5% each year to an ultimate rate of 5.0%
- Dental, Mental Health 5% for all years
- Retiree contribution increase Same as medical Trend
- Cost of living adjustments N/A

Medical Reimbursements

The federal government may provide the City subsidies per the Medicare Part D Prescription Drug Subsidy Program for providing healthcare for Medicare eligible employees. Any current and future year subsidies are recorded as revenue in the year received and is not recognized as a reduction to the actuarial accrued liability.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

5. LONG-TERM OBLIGATIONS

a. Changes in Long-Term Obligations

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

	<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	\$ 267,062,537	\$ 30,865,000	\$ (24,058,188)	\$ 273,869,349	\$ 21,675,399
Highway User Revenue Bonds	140,265,000	-	(5,720,000)	134,545,000	6,030,000
Special Assessment Bonds					
with Governmental Commitment	7,294,000	-	(744,000)	6,550,000	744,000
Add Certificates of Supplemental Interest	1,124,069	43,097	(1,167,166)	-	-
Less Deferred Amounts on Refundings	<u>(6,708,552)</u>	<u>-</u>	<u>1,106,832</u>	<u>(5,601,720)</u>	<u>-</u>
Total Bonds Payable	<u>409,037,054</u>	<u>30,908,097</u>	<u>(30,582,522)</u>	<u>409,362,629</u>	<u>28,449,399</u>
Capital Leases	9,729,856	-	(4,323,736)	5,406,120	3,240,527
Highway Project Advancement Notes	-	45,000,000	-	45,000,000	-
Unamortized Premiums	7,778,139	1,270,850	(1,193,299)	7,855,690	-
Post Employment Benefits	94,182,201	67,502,076	(8,135,984)	153,548,293	-
Compensated Absences	19,885,086	12,506,267	(13,839,096)	18,552,257	3,692,757
Governmental Activities Total	<u>\$ 540,612,336</u>	<u>\$ 157,187,290</u>	<u>\$ (58,074,637)</u>	<u>\$ 639,724,989</u>	<u>\$ 35,382,683</u>
Business-type Activities:					
Bonds Payable:					
Revenue Bonds	\$ 817,530,000	\$ 50,380,000	\$ (10,475,000)	\$ 857,435,000	\$ 12,585,000
General Obligation Bonds	2,957,463	-	(266,812)	2,690,651	469,601
Add Certificates of Supplemental Interest	41,234	1,582	(42,816)	-	-
Less Deferred Amounts on Refundings	<u>(17,329,024)</u>	<u>-</u>	<u>1,738,836</u>	<u>(15,590,188)</u>	<u>-</u>
Total Bonds Payable	<u>803,199,673</u>	<u>50,381,582</u>	<u>(9,045,792)</u>	<u>844,535,463</u>	<u>13,054,601</u>
Notes Payable	333,189	3,486,902	(856,311)	2,963,780	239,581
Capital Leases	158,413	-	(158,413)	-	-
Unamortized Bond Premiums	18,264,494	754,189	(2,103,208)	16,915,475	-
Post Employment Benefits	18,750,458	14,467,680	(1,743,781)	31,474,357	-
Compensated Absences	4,759,465	2,886,703	(3,033,041)	4,613,127	818,072
Business-type Activities Total	<u>\$ 845,465,692</u>	<u>\$ 71,977,056</u>	<u>\$ (16,940,546)</u>	<u>\$ 900,502,202</u>	<u>\$ 14,112,254</u>

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CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

b. **Bonds Payable**

At June 30, 2010, long-term bonds payable consisted of:

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

General Obligation Bonds

\$36,500,000 2000 general obligation serial bonds (partially refunded by general obligation refunding bonds, series 2002A, 2004 & 2006), due in annual principal installments ranging from \$2,500,000 to \$2,750,000, plus semi-annual interest of 6.50 percent through July 1, 2011.	\$ 2,750,000
\$25,375,000 2002 general obligation serial bonds (partially refunded by general obligation refunding bonds, series 2002A, 2004 & 2006), due in annual principal installments ranging from \$1,750,600 to \$1,825,000, plus semi-annual interest ranging from 5.25 percent to 6.00 percent through July 1, 2011.	1,743,700
\$24,720,000 2002 general obligation refunding serial bonds, due in annual principal installments ranging from \$59,706 to \$9,498,229, plus semi-annual interest ranging from 3.75 percent to 5.375 percent through July 1, 2015.	5,803,957
\$41,680,611 2002A general obligation refunding serial bonds, due in annual principal installments ranging from \$1,461,369 to \$10,277,813, plus semi-annual interest ranging from 3.75 percent to 4.20 percent through July 1, 2016. Total bonds outstanding at June 30, 2008, include \$1,473,597 of certificates of ownership of supplemental interest payments and \$98,701 of capital appreciation maturing through 2010.	32,179,011
\$22,565,000 2003 general obligation serial bonds, due in annual installments ranging from \$1,250,000 to \$2,315,000, plus semi-annual interest ranging from 3.50 percent to 5.00 percent through July 1, 2022.	21,315,000
\$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.	44,281,391
\$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.	11,705,000
\$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.	9,710,000
\$25,482,000 2006 general obligation refunding serial bonds, due in annual installments ranging from \$143,425 to \$11,306,746, plus semi-annual interest ranging from 4.25 percent to 5.25 percent through July 1, 2014.	24,694,494
\$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.	15,915,000

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\$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. \$ 14,700,000

\$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. 54,930,000

\$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. 30,865,000

Total General Obligation Bonds **\$270,592,553**
Deferred amounts on refundings 3,276,796
Bonds not including deferred amounts on refunding \$273,869,349

Street and Highway User Revenue Bonds

\$20,000,000 2000 street and highway user revenue bonds (partially refunded by street and highway user revenue refunding bonds, series 2002A, 2004 & 2005), due in annual principal installments of \$1,500,000, plus semi-annual interest of 6.50 percent through July 1, 2011. \$ 1,500,000

\$25,800,000 2002 street and highway user revenue bonds (partially refunded by street and highway user revenue refunding bonds, series 2002A, 2004 & 2005), due in annual principal installments ranging from \$800,000 to \$1,000,000, plus semi-annual interest ranging from 5.75 percent to 6.25 percent through July 1, 2012. 2,000,000

\$31,985,000 2002 street and highway user revenue refunding bonds, due in annual installments ranging from \$40,000 to \$6,270,000, plus semi-annual interest ranging from 2.0 percent to 5.0 percent through July 1, 2017. 28,612,457

\$26,805,000 2003 street and highway user revenue bonds, 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, 2022. 26,300,000

\$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. 1,475,000

\$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. 17,098,621

\$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. 22,758,998

\$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, 2024. 10,125,000

(Continued)

CITY OF MESA, ARIZONA
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\$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, 2025. \$ 11,675,000

\$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, 2027. 10,675,000

Total Street and Highway User Revenue Bonds **\$132,220,076**
 Deferred amounts on refundings 2,324,924
 Total Street and Highway User Revenue Bonds not including deferred amounts on refundings \$134,545,000

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. \$ 3,685,000

\$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. 2,865,000

Total Special Assessment Bonds **\$ 6,550,000**

Total bonds payable recorded in governmental activities **\$409,362,629**

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

General Obligation Bonds

\$1,200,000 2002 general obligation serial bonds (partially refunded by 2002A, 2004 & 2006 general obligation refunding bonds), due in annual principal installments ranging from \$79,100 to \$82,490, plus semi-annual interest ranging from 5.25 percent to 6.00 percent through July 1, 2011. \$ 81,300

\$120,000 2002 general obligation refunding serial bonds, due in annual principal installments ranging from \$294 to \$46,771, plus semi-annual interest ranging from 3.75 percent to 5.375 percent through July 1, 2015. 27,364

\$1,529,379 2002A general obligation refunding serial bonds, due in annual principal installments ranging from \$53,631 to \$377,187, plus semi-annual interest ranging from 3.75 percent to 4.20 percent through July 1, 2016. Total bonds outstanding at June 30, 2007, include \$54,062 of certificates of ownership of supplemental interest payments and \$3,640 of capital appreciation maturing through 2010. 1,180,711

\$214,700 2004 general obligation refunding serial bonds, due in annual principal installments ranging from \$35,000 to \$32,000,000, plus semi-annual interest ranging from 2.4 percent to 5.0 percent through July 1, 2016. 214,332

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

\$1,168,000 2006 general obligation refunding serial bonds, due in annual principal installments ranging from \$6,574 to \$518,254, plus semi-annual interest ranging from 4.25 percent to 5.25 percent through July 1, 2014. \$ 1,168,000

Total General Obligation Bonds \$ **2,671,707**
Deferred amounts on refundings 18,944

Total General Obligation Bonds not including deferred amounts on refunding \$ 2,690,651

Utility Systems Revenue Bonds

\$94,730,000 1997 utility systems revenue serial bonds (partially refunded by 1998, 2002 & 2006 utility systems revenue refunding bonds), due on July 1, 2012, plus semi-annual interest of 7.25 percent through July 1, 2012. \$ 4,000,000

\$32,500,000 1998 utility systems revenue refunding serial bonds (partially refunded by 2002A, 2006 and 2008 utility systems revenue refunding bonds), due in annual principal installments ranging from \$100,000 to \$9,105,000, plus semi-annual interest ranging from 4.25 percent to 5.00 percent through July 1, 2013. 15,751

\$69,200,000 2000 utility systems revenue serial bonds (partially refunded by 2002, 2002A & 2004 utility systems revenue refunding bonds), due in annual principal installments ranging from \$4,200,000 to \$5,250,000, plus semi-annual interest of 6.50 percent through July 1, 2011. 5,250,000

\$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. 7,000,000

\$129,000,000 2002 utility systems revenue refunding serial 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. 126,727,949

\$48,850,000 2002A utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$40,000 to \$17,890,000, plus semi-annual interest ranging from 3.00 percent to 5.00 percent through July 1, 2017. 47,327,045

\$50,470,000 2003 utility systems revenue serial bonds, (partially refunded by 2006 (Series 2) 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, 2022. 24,000,000

\$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, 2028. 6,125,000

\$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. 38,628,461

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CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

\$91,200,000 2005 utility systems revenue serial bonds, (partially refunded by 2006 (Series 2) 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, 2029.	\$ 71,200,000
\$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.	87,325,000
\$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.	55,023,086
\$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.	120,168,301
\$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.	65,550,000
\$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.	52,875,000
\$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.	20,368,163
\$50,380,000 2010 utility systems revenue bonds, due in one principal installment plus semi-annual interest 6.10 percent through July 1, 2034.	50,380,000
\$59,900,000 2009 utility systems revenue refunding 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.	<u>59,900,000</u>
Total Utility Systems Revenue Bonds	\$ 841,863,756
Deferred amounts on refundings	<u>15,571,244</u>
Total Utility System Revenue Bonds not including deferred amounts on refundings	<u>857,435,000</u>
Total bonds payable recorded in business-type activities	\$ <u>844,535,463</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The following tables summarize the City's debt service requirements to maturity for its long term bonds payable at June 30, 2010. 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>
2011	\$ 21,675,399	\$ 12,780,313	\$ 34,455,712	2011	\$ 6,030,000	\$ 6,365,243	\$ 12,395,243
2012	20,955,638	11,714,226	32,669,864	2012	6,390,000	6,028,242	12,418,242
2013	21,868,905	10,720,190	32,589,095	2013	6,745,000	5,695,242	12,440,242
2014	14,007,029	9,666,567	23,673,596	2014	7,040,000	5,378,088	12,418,088
2015	10,964,033	9,076,090	20,040,123	2015	7,355,000	5,088,587	12,443,587
2016-20	75,228,345	35,801,352	111,029,697	2016-20	42,110,000	20,010,620	62,120,620
2021-25	48,620,000	21,636,431	70,256,431	2021-25	51,200,000	9,022,638	60,222,638
2026-30	<u>60,550,000</u>	<u>9,513,176</u>	<u>70,063,176</u>	2026-30	<u>7,675,000</u>	<u>491,938</u>	<u>8,166,938</u>
TOTALS	\$ 273,869,349	\$ 120,908,345	\$ 394,777,694	TOTALS	\$ 134,545,000	\$ 58,080,598	\$ 192,625,598

Special Assessment Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 744,000	\$ 337,040	\$ 1,081,040
2012	744,000	297,160	1,041,160
2013	744,000	257,280	1,001,280
2014	744,000	217,400	961,400
2015	744,000	177,520	921,520
2016-20	2,495,000	381,025	2,876,025
2021	<u>335,000</u>	<u>9,715</u>	<u>344,715</u>
TOTALS	\$ 6,550,000	\$ 1,677,140	\$ 8,227,140

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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>
2011	\$ 469,601	\$ 122,787	\$ 592,388	2011	\$ 12,585,000	\$ 42,835,311	\$ 55,420,311
2012	679,363	103,843	783,206	2012	24,840,000	41,948,511	66,788,511
2013	706,095	70,521	776,616	2013	34,030,000	40,618,536	74,648,536
2014	357,971	35,722	393,693	2014	35,595,000	38,983,886	74,578,886
2015	210,966	21,061	232,027	2015	37,595,000	37,163,311	74,758,311
2016-20	266,655	28,934	295,589	2016-20	174,275,000	157,753,579	332,028,579
2021-25	-	-	-	2021-25	154,900,000	118,724,294	273,624,294
2026-30	-	-	-	2026-30	194,460,000	78,417,059	272,877,059
2031-34	-	-	-	2031-34	189,155,000	27,992,221	217,147,221
TOTALS	<u>\$ 2,690,651</u>	<u>\$ 382,868</u>	<u>\$ 3,073,519</u>	TOTALS	<u>\$ 857,435,000</u>	<u>\$ 584,436,708</u>	<u>\$ 1,441,871,708</u>

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, 2010, 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, 2010 are \$6,550,000.

General Obligation Bonds

The general obligation bonds are backed by the ultimate taxing power and general revenues of the City; however, \$2,671,707 of these bonds at June 30, 2010 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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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, 2010 is:

6% Bonds	\$239,577,898
20% Bonds	<u>548,311,722</u>
Total Available	<u>\$787,889,620</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, 2010, the amount provided in the Replacement and Extension Funds equaled \$9,683,617 which is in compliance with the bond provisions.

f. **Notes Payable**

Governmental Activities

The City issued \$45,000,000 of Highway Project Advancement Notes to provide funds to the Arizona Department of Transportation (ADOT) for the acceleration of the right-of-way acquisition and for design of highway improvements to State Route 802 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 802. 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. The repayments are not secured by any lien upon or pledge of any particular revenues, monies or property of ADOT. No assurance can be given that ADOT will have funds available for repayments due at the times or in the amounts set forth under the agreement.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 \$3,846,902 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, 2010:

Fiscal Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ -	\$ 1,575,694	\$ 1,575,694	\$ 232,654	\$ 59,775	\$ 292,429
2012	-	1,512,500	1,512,500	237,490	61,185	298,675
2013	-	1,512,500	1,512,500	122,290	54,714	177,004
2014	-	1,512,500	1,512,500	124,945	52,058	177,003
2015	20,000,000	1,512,500	21,512,500	127,660	49,343	177,003
2016-2020	25,000,000	812,500	25,812,500	681,225	203,792	885,017
2021-2025	-	-	-	758,948	126,070	885,018
2026-2029	-	-	-	678,568	38,701	717,269
TOTALS	\$ 45,000,000	\$ 8,438,194	\$ 53,438,194	\$ 2,963,780	\$ 645,638	\$ 3,609,418

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

e. **Lease Obligations**

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2010.

Governmental Activities			
Fiscal Year	Principal	Interest	Total
2011	\$ 3,240,527	\$ 204,646	\$ 3,445,173
2012	1,344,045	83,368	1,427,413
2013	681,953	34,186	716,139
2014	67,952	6,581	74,533
2015	71,643	2,889	74,532
TOTALS	\$ 5,406,120	\$ 331,670	\$ 5,737,790

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Asset:		
Land	\$ 3,642,860	\$ -
Buildings	10,567,294	-
Other Improvements	3,664,352	10,646,407
Machinery & Equipment	30,084,585	2,863,145
Infrastructure	85,936	-
Construction Work in Process	4,351,277	3,041
Less: Accumulated depreciation	(26,448,694)	(11,989,301)
Total	\$ 25,947,610	\$ 1,523,292

f. **Short-term Debt**

The City had no short-term debt activity for the fiscal year ended June 30, 2010.

6. 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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Government. These securities are then deposited in an irrevocable trust under an escrow agreement which provides that all proceeds from the trust will be used to fund the principal and interest payments of the previously issued bonded debt being refunded. The trust deposits have been computed so that the securities in the trust, along with future cash flow generated by the securities, will be sufficient to service the previously issued bonds.

In accordance with GASB Statement No. 7, the refunded debt outstanding at June 30, 2010 as reflected below is not included in the City's financial statements.

Utility Systems Revenue Bond Issue dated September 1, 1995	\$ 7,000,000
Utility System Revenue Bond Issue dated April 1, 1997	7,000,000
Utility System Revenue Refunding Bond Issue dated March 1, 1998	7,405,000
Utility System Revenue Bond Issue dated March 1, 1998	13,125,000
General Obligation Bond Issue dated January 1, 2002	21,250,000
Utility System Revenue Bond Issue dated January 1, 2002	49,000,000
Street and Highway User Revenue Bond Issue dated January 1, 2002	23,000,000
Utility System Revenue Bond Issue dated March 1, 2003	25,500,000
Street and Highway User Revenue Bond Issue dated June 1, 2004	8,000,000
Utility System Revenue Bond Issue dated June 1, 2004	58,500,000
Utility System Revenue Bond Issue dated June 1, 2005	20,000,000
Utility System Revenue Bond Issue dated June 1, 2006	<u>18,075,000</u>
Total Refunded Bonds Outstanding	\$ <u>257,855,000</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

7. CAPITAL CONTRIBUTIONS

During the year, external capital contributions consisted of the following:

	<u>Property Owners</u>	<u>Governmental Agencies</u>	<u>Developers</u>	<u>Total</u>
Governmental Activities:				
Federal and State Funds	\$ -	\$ 13,678,962	\$ -	\$ 13,678,962
Contributions - Capital Assets	124,437	9,788,806	6,750,882	16,664,125
Total	<u>\$ 124,437</u>	<u>\$ 23,467,768</u>	<u>\$ 6,750,882</u>	<u>\$ 30,343,087</u>
Business-type Activities:				
Federal and State Funds	\$ -	\$ 3,140,249	\$ -	\$ 3,140,249
Developers - Impact and Development Fees	-	-	3,654,875	3,654,875
Contributions-In-Aid	1,172,456	-	-	1,172,456
Contributions - Capital Assets	-	-	9,814,746	9,814,746
Total	<u>\$ 1,172,456</u>	<u>\$ 3,140,249</u>	<u>\$ 13,469,621</u>	<u>\$ 17,782,326</u>

8. 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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

pay 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, 2010, is \$6,957,085.

9. ENTERPRISE ACTIVITIES OPERATIONS DETAIL

The Enterprise Fund includes operations of electricity, gas, water, wastewater, solid waste, airport, golf course, convention center, stadium 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, 2010 for these services are as follows:

<u>Functions</u>	<u>Operating Revenues</u>	<u>Operating Expenses</u>		<u>Operating Income (Loss)</u>
		<u>Depreciation and Amortization</u>	<u>Other</u>	
Electric	\$ 33,078,601	\$ 3,372,147	\$ 23,211,018	\$ 6,495,436
Gas	38,923,919	3,394,025	29,615,303	5,914,591
Water	98,806,049	19,379,577	40,921,769	38,504,703
Wastewater	57,698,904	20,348,628	22,890,468	14,459,808
Solid Waste	46,685,307	2,296,471	28,729,107	15,659,729
Airport	3,124,886	1,335,495	2,587,431	(798,040)
Golf Course	2,265,452	252,859	2,411,164	(398,571)
Convention Center	1,970,891	515,182	2,894,614	(1,438,905)
Hohokam /Fitch Complex	5,836,650	747,361	7,407,183	(2,317,894)
District Cooling	983,592	388,470	611,877	(16,755)
Total	<u>\$ 289,374,251</u>	<u>\$ 52,030,215</u>	<u>\$ 161,279,934</u>	<u>\$ 76,064,102</u>

10. NET ASSETS

a. **Restricted Net Assets**

The government-wide statement of net assets reports \$133,965,722 of restricted net assets, of which \$39,152,077 is restricted by enabling legislation.

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CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

b. **Designated Net Assets**

The net assets in the Employee Benefit and Workers' Compensation Self Insurance Funds are designated for anticipated future losses and are a result of excess premiums charged to increase the fund balance specifically for this purpose.

c. **Deficit Net Assets**

The deficit in the Property and Public Liability Self-Insurance Fund is the result of the large increases in the estimated liability for claims during prior fiscal years. Settlements in three claims, dismissals of several high exposure cases and adjustments to reported reserve amounts resulted in a reduction of the deficit net assets during the fiscal year. Contributions from the various funds will need to be increased in future years to cover this deficit.

11. **PLEDGED REVENUES**

a. **Utility System Revenue Bonds**

The City has pledged future utility customer revenues, net of specified operating expenses, to repay approximately \$1.223 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 2034. Annual principal and interest payments on the bonds were 63 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,441,871,708. Principal and interest paid for the current year and total customer net revenues were \$50,854,631 and \$81,037,308, respectively.

b. **Highway User Revenue Bonds**

The City has pledged future Highway User Taxes Revenue to repay \$188.3 million in highway user revenue bonds issued since 2000. 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 39 percent of eligible revenues. The total principal and interests remaining to be paid on the bonds is \$192,625,598. Principal and interest paid for the current year and total highway user tax revenues were \$12,411,417 and \$31,790,889, respectively.

c. **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.

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CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 \$8,227,140. Principal and interest paid for the current year and total assessments collected were \$1,120,920, and \$922,651, respectively.

12. JOINT VENTURES

The City participates with the cities of Phoenix, Glendale, Scottsdale and Tempe in a multi-city sanitary sewer system (the “System”) in which Phoenix is the lead agency. 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. 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 investment in the joint venture is reflected in the proprietary funds financial statements.

The System has no debt outstanding. Audited summary financial information on the System (GAAP basis) as of and for the fiscal year ended June 30, 2009 (latest information available) is as follows:

Assets	
Equity in Pooled Cash and Investments	\$ 37,478,000
Receivables	25,627,000
Inventories at Average Cost	537,000
Capital Assets	<u>900,813,000</u>
 Total Assets	 <u>964,455,000</u>
 Liabilities	 <u>53,259,000</u>
 Net Assets	 <u>\$ 911,196,000</u>
 Total Revenues	 \$ 173,417,000
Total Expenses	<u>(67,878,000)</u>
 Increase (Decrease) in Net Assets	 <u>\$ 105,539,000</u>

Separate financial statements for the activity under the Joint Venture agreement can be obtained through the AMWUA office at 4041 N. Central Avenue, Phoenix, Arizona, 85012.

The City also participates with the City of Phoenix in a water treatment plant. 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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 reflected in the proprietary funds financial statements.

The water treatment plant has no debt outstanding. Audited summary financial information for the plant (GAAP basis) as of and for the fiscal year ended June 30, 2009 (latest information available) is as follows:

Assets	
Equity in Pooled Cash and Investments	\$ 7,674,000
Receivables	7,385,000
Inventories	277,000
Capital Assets, Net of Accumulated Depreciation	<u>230,288,000</u>
Total Assets	<u>245,624,000</u>
Liabilities	<u>10,588,000</u>
Net Assets	<u>\$ 235,036,000</u>
Total Revenues	\$ 72,205,000
Total Expenses	<u>(24,388,000)</u>
Increase in Net Assets	<u>\$ 47,817,000</u>

Separate financial statements for the activity can be obtained through the City of Phoenix at 305 W. Washington Street, Phoenix, Arizona, 85003.

Construction of a joint water reclamation plant with the Towns of Gilbert and Queen Creek was completed on December 2, 2006. 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.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Total investment in the joint venture as of June 30, 2010 is:

Mesa's Share	\$ 72,322,270
Gilbert's Share	68,796,562
Queen Creek's Share	<u>30,058,417</u>
Total Joint Venture	<u>\$171,177,249</u>

In June 2002, the City agreed to participate in the Central Phoenix/East Valley Light Rail Transit (LRT). The City participates with the cities of Phoenix, Tempe and Glendale. Valley Metro Rail, Inc. (VMR) will design, construct, and operate the LRT project. A total of \$51,429,715 has been spent on this project through the fiscal year ended June 30, 2010. The City has received \$41.6 million of funding from the Federal Transit Administration (FTA); Congestion Mitigation Air Quality (DMAQ) and Public Transit Funds (PTF) related to this project. The City's investment in the joint venture is reflected in the governmental activities column on the government-wide financial statements.

Audited summary financial information on the system (GAAP basis), as of and for the fiscal year ended June 30, 2009, (latest information available) is as follows:

Assets	
Current Assets	\$ 159,051,762
Non Current Assets	<u>1,221,349,623</u>
Total Assets	<u>1,380,401,385</u>
Liabilities	<u>192,544,719</u>
Net Assets	<u>\$ 1,187,856,666</u>
Total Revenues	\$ 179,370,902
Total Expenses	<u>(75,076,079)</u>
Increase in Net Assets	<u>\$ 104,294,823</u>

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

Valley Metro Rail Inc. (METRO) and the City of Mesa (COM) are advancing the planning to implement an extension to the existing 20-mile Light Rail (LRT) starter line that opened in December 2008. The Central Mesa corridor is a 3.1 mile extension east into downtown Mesa that

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

will connect to the existing Light Rail line. The new line is anticipated to commence passenger operations in 2016. The project is identified in the voter approved Regional Transportation Plan

(RTP) and is included in the Regional Transportation Improvement Plan (TIP) approved by the Maricopa Association of Governments (MAG) Regional Council. The total capital cost of the project is \$175 million in 2010 dollars and \$199 million in year of expenditure dollars.

In August 2008, the City of Mesa, the City of Apache Junction, Apache Junction Fire District the Town of Gilbert, and the Town of Queen Creek (the Parties) entered into an intergovernmental agreement to plan, design, construct, operate, maintain and finance the TOPAZ Regional Wireless Cooperative Network (Trunked Open Arizona Network – 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 subscriber units (radio counts). The City’s investment in the joint venture is reflected in the governmental funds financial statements. Separate financial statements are not prepared.

Total investment in the joint venture as of June 30, 2010 is:

City of Mesa	\$ 713,302
Town of Gilbert	190,815
City of Apache Junction	42,231
Apache Junction Fire District	19,056
Town of Queen Creek	<u>6,695</u>
Total Joint Venture	<u>\$ 972,099</u>

(Concluded)

Required Supplementary Information



CITY OF MESA, ARIZONA
EXHIBIT B-1
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Police

Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a % of Covered Payroll
2007	\$218,252,079	\$307,553,149	71.1 %	\$89,301,070	\$55,407,996	161.2 %
2008	233,493,642	320,603,102	72.8	87,109,460	59,211,259	147.1
2009	250,465,218	336,097,656	74.5	85,632,438	58,240,512	147.0

Fire

Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a % of Covered Payroll
2007	\$137,833,130	\$189,128,576	72.9 %	\$51,295,446	\$27,164,554	188.8 %
2008	145,931,808	192,991,745	75.6	47,059,937	28,607,906	164.5
2009	155,971,492	193,517,551	80.6	37,546,059	27,553,989	136.3

Other Post-Employment Benefits (Health Insurance Subsidy)

Police

Valuation Date June 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded ALL (UALL) (b - a)	Funded Ratio (a / b)	Annual Covered Payroll (c)	UALL as a % of Covered Payroll ((b - a) / c)
2007	\$ -	\$12,818,425	\$ 12,818,425	- %	\$55,407,996	23.1 %
2008	-	13,529,449	13,529,449	-	59,211,259	22.9
2009	-	12,123,354	12,123,354	-	58,240,512	20.8

Fire

Valuation Date June 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded ALL (UALL) (b - a)	Funded Ratio (a / b)	Annual Covered Payroll (c)	UALL as a % of Covered Payroll ((b - a) / c)
2007	\$ -	\$6,987,132	\$ 6,987,132	- %	\$27,164,554	25.7 %
2008	-	7,237,804	7,237,804	-	28,607,906	25.3
2009	-	5,787,717	5,787,717	-	27,553,989	21.0

CITY OF MESA, ARIZONA

EXHIBIT B-2

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 OTHER POST-EMPLOYMENT BENEFITS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percent Funded		Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
July 1, 2007	\$ -	\$ 664,071,640	-	%	\$ 664,071,640	\$ 344,654,766	192.7 %
July 1, 2008	-	664,071,640	-		664,071,640	338,835,124	196.0
July 1, 2009	-	916,615,559	-		916,615,559	321,012,148	285.5

CITY OF MESA, ARIZONA

EXHIBIT B-3

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
Revenues:				
Sales Taxes	\$ 131,660,000	\$ 131,660,000	\$ 122,806,058	\$ (8,853,942)
Property Taxes	14,138,000	14,138,000	13,885,749	(252,251)
Occupancy Taxes	1,831,000	1,831,000	1,580,533	(250,467)
Licenses and Permits	8,915,000	8,915,000	9,271,058	356,058
Intergovernmental	168,607,000	168,607,000	137,769,895	(30,837,105)
Charges For Services	13,379,000	13,379,000	11,842,883	(1,536,117)
Fines and Forfeitures	12,629,000	12,629,000	10,508,203	(2,120,797)
Investment Income	1,180,000	1,180,000	347,471	(832,529)
Miscellaneous	6,118,000	6,118,000	12,263,886	6,145,886
Total Revenues	358,457,000	358,457,000	320,275,736	(38,181,264)
Less: Bad Debts	3,200,000	3,200,000	2,958,519	241,481
Total Net Revenues	355,257,000	355,257,000	317,317,217	(37,939,783)
Expenditures:				
Current:				
General Government	43,119,714	44,810,392	42,203,367	2,607,025
Public Safety	229,301,446	229,316,635	211,004,366	18,312,269
Cultural-Recreational	45,584,464	45,549,372	40,124,198	5,425,174
Community Environment	40,380,227	41,647,099	37,937,374	3,709,725
Capital Outlay	59,709,163	59,201,762	22,029,244	37,172,518
Contingencies	56,650,000	47,158,747	-	47,158,747
Debt Service:				
Principal Retirement	21,462,607	22,202,998	20,128,233	2,074,765
Interest/Service Charges on Bonds	13,092,761	13,092,761	11,882,410	1,210,351
Interest/Service Charges on Notes	-	-	449,167	(449,167)
Total Expenditures	509,300,382	502,979,766	385,758,359	117,221,407
Deficiency of Revenues Under Expenditures	(154,043,382)	(147,722,766)	(68,441,142)	79,281,624
Other Financing Sources (Uses):				
Transfers In	83,734,000	83,734,000	85,506,000	1,772,000
Transfers Out	(13,049,000)	(13,049,000)	(9,630,573)	3,418,427
Total Other Financing Sources (Uses)	70,685,000	70,685,000	75,875,427	5,190,427
Net Change in Fund Balance	(83,358,382)	(77,037,766)	7,434,285	84,472,051
Fund Balance - Beginning	85,564,893	85,564,893	72,619,705	(12,945,188)
(Increase) Decrease in Restricted Fund Balance	(2,206,511)	(2,206,511)	4,128,293	6,334,804
Fund Balance - Ending	\$ -	\$ 6,320,616	\$ 84,182,283	\$ 77,861,667

See Note to Required Supplementary Information.

CITY OF MESA, ARIZONA

EXHIBIT B-4

HIGHWAY USER REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 33,267,000	\$ 33,267,000	\$ 31,605,938	\$ (1,661,062)
Charges For Services	38,000	38,000	34,775	(3,225)
Fines and Forfeitures	34,000	34,000	8,800	(25,200)
Investment Income	9,000	9,000	-	(9,000)
Miscellaneous	3,000	3,000	141,376	138,376
Total Revenues	<u>33,351,000</u>	<u>33,351,000</u>	<u>31,790,889</u>	<u>(1,560,111)</u>
Expenditures:				
Current:				
Community Environment	17,523,788	17,523,788	12,534,006	4,989,782
Capital Outlay	982,782	982,782	774,100	208,682
Contingencies	1,587,000	1,587,000	-	1,587,000
Debt Service:				
Principal Retirement	6,625,625	6,625,625	5,720,000	905,625
Interest/Service Charges on Bonds	6,695,817	6,695,817	6,696,168	(351)
Total Expenditures	<u>33,415,012</u>	<u>33,415,012</u>	<u>25,724,274</u>	<u>7,690,738</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(64,012)	(64,012)	6,066,615	6,130,627
Fund Balance - Beginning	<u>64,490</u>	<u>64,490</u>	<u>442</u>	<u>(64,048)</u>
Fund Balance - Ending	<u>\$ 478</u>	<u>\$ 478</u>	<u>\$ 6,067,057</u>	<u>\$ 6,066,579</u>

See Note to Required Supplementary Information.

CITY OF MESA, ARIZONA

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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, 2010 on the “GAAP basis” to the “budget basis” as follows:

Net Change in Fund Balance-Budget Basis - Exhibit B-3	\$ 7,434,285
Basis Differences:	
Compensated Absences	(649,839)
Special Assessments	(198,269)
Sales Tax Accrual	322,446
Unrealized Gain on Investments	(186,060)
Timing Differences:	
Grants & Contributions	(242,907)
Interest Earnings in Escrow Account	<u>(118,379)</u>
Net Change in Fund Balance-GAAP Basis - Exhibit A-5	\$ <u><u>6,361,277</u></u>



Combining Statements



NON-MAJOR FUNDS

OTHER GOVERNMENTAL FUNDS

Special Revenue Funds

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

Local Transportation Assistance Fund accounts for expenditures on local transportation operations and capital outlay, as mandated by the Arizona State Legislature. The principal financing source for this fund is the state shared lottery revenue.

Mesa Housing Authority Fund accounts for expenditures of the City's housing assistance programs that consist of housing owned and operated by the City and rent subsidy payments to private sector owners of dwelling units. Financing for this fund is derived from tenants and the United States Department of Housing and Urban Development.

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

Public Art Fund is designed to provide a balance of monies from which public art projects throughout the City may be developed. Funds are provided through allocations from the General Fund.

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.

Court Construction Fee Fund is designed to provide an accumulation of monies for the construction and debt service of the new Mesa Municipal Court building. These funds are provided through a fee on all court cases, except for parking violations.

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.

Regional Transportation Plan (RTP) Fund accounts for Maricopa Association of Government (MAG) Proposition 400 sales tax funds that are allocated to local subdivisions for transportation projects.

Special Revenue Funds (cont.)

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.

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.

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

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.

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

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

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.

Fire Construction Fund accounts for the cost of fire prevention facilities and equipment.

Storm Sewer Construction Fund accounts for the construction of drains, basins, channels and other storm sewer improvements.

Capital Projects Funds (cont.)

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

Parks Construction Fund accounts for the cost of new park site acquisitions as well as improvements.

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

Library Construction Fund accounts for the cost of improvements to the main library and expansion of branches.

Service Center Construction Fund accounts for the cost of improvements to the 6th Street service center.

Capital Leases Construction Fund accounts for the cost of acquiring various computer equipment, communications equipment and public improvements within the City.

CITY OF MESA, ARIZONA
EXHIBIT C-1
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Total Non-major Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 24,758,528	\$ -	\$ 28,532,895	\$ 53,291,423
Accounts Receivable (Net of Allowances)	68,638	-	-	68,638
Due From Other Governments	6,414,159	-	-	6,414,159
Prepaid Costs	1,008	-	-	1,008
Restricted Assets:				
Cash and Cash Equivalents	-	41,109,457	-	41,109,457
Cash with Trustee	-	33,110,780	-	33,110,780
Special Assessments Receivable	-	6,030,297	-	6,030,297
Due From Other Governments	-	12,227,979	-	12,227,979
Total Assets	<u>\$ 31,242,333</u>	<u>\$ 92,478,513</u>	<u>\$ 28,532,895</u>	<u>\$ 152,253,741</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 1,282,960	\$ -	\$ 5,002,016	\$ 6,284,976
Due To Other Funds	3,625,000	-	-	3,625,000
Customer Deposits	1,850	-	-	1,850
Payable From Restricted Assets:				
Accrued Lease Interest Payable	-	2,793	-	2,793
Accrued Bond Interest Payable	-	10,823,241	-	10,823,241
Accrued Note Interest Payable	-	449,167	-	449,167
Deferred Revenue	-	6,030,297	-	6,030,297
Matured General Obligation Bonds Payable	-	24,058,189	-	24,058,189
Matured Highway User Revenue Bonds Payable	-	5,720,000	-	5,720,000
Matured Capital Leases Payable	-	56,067	-	56,067
Total Liabilities	<u>4,909,810</u>	<u>47,139,754</u>	<u>5,002,016</u>	<u>57,051,580</u>
Fund Balances:				
Reserved For Encumbrances	517,867	-	7,806,793	8,324,660
Reserved For Prepaid Costs	1,008	-	-	1,008
Reserved For Debt Service	-	45,338,759	-	45,338,759
Unreserved	25,813,648	-	15,724,086	41,537,734
Total Fund Balances	<u>26,332,523</u>	<u>45,338,759</u>	<u>23,530,879</u>	<u>95,202,161</u>
Total Liabilities and Fund Balances	<u>\$ 31,242,333</u>	<u>\$ 92,478,513</u>	<u>\$ 28,532,895</u>	<u>\$ 152,253,741</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, 2010

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Total Non-major Governmental Fund</u>
Revenues:				
Special Assessments	\$ -	\$ 922,651	\$ -	\$ 922,651
Licenses and Permits	2,552,700	-	-	2,552,700
Intergovernmental	21,609,406	-	-	21,609,406
Charges For Services	8,645,011	-	-	8,645,011
Fees and Forfeitures	761,804	-	-	761,804
Investment Income	22,613	8,583	-	31,196
Miscellaneous	962,214	-	19,472	981,686
Total Revenues	<u>34,553,748</u>	<u>931,234</u>	<u>19,472</u>	<u>35,504,454</u>
Expenditures:				
Current:				
Public Safety	5,242,813	-	-	5,242,813
Cultural - Recreational	20,550	-	-	20,550
Community Environment	21,579,831	-	-	21,579,831
Debt Service:				
Principal Retirement	-	34,845,924	-	34,845,924
Interest on Bonds	-	20,366,043	-	20,366,043
Interest on Leases	-	370,600	-	370,600
Interest on Notes	-	449,167	-	449,167
Service Charges	-	9,397	-	9,397
Cost of Issuance	-	538,824	-	538,824
Capital Outlay	8,166,729	-	52,767,967	60,934,696
Total Expenditures	<u>35,009,923</u>	<u>56,579,955</u>	<u>52,767,967</u>	<u>144,357,845</u>
Deficiency of Revenues Under Expenditures	<u>(456,175)</u>	<u>(55,648,721)</u>	<u>(52,748,495)</u>	<u>(108,853,391)</u>
Other Financing Sources (Uses):				
Transfers In	8,799,000	55,118,480	-	63,917,480
Transfers Out	(7,254,149)	-	(13,851)	(7,268,000)
Face Amount of Bonds Issued	-	-	30,865,000	30,865,000
Face Amount of Notes Issued	-	45,000,000	-	45,000,000
Premium on Issuance of Bonds	-	-	401,850	401,850
Premium on Issuance of Notes	-	869,000	-	869,000
Total Other Financing Sources (Uses)	<u>1,544,851</u>	<u>100,987,480</u>	<u>31,252,999</u>	<u>133,785,330</u>
Net Change in Fund Balances	1,088,676	45,338,759	(21,495,496)	24,931,939
Fund Balances - Beginning	<u>25,243,847</u>	<u>-</u>	<u>45,026,375</u>	<u>70,270,222</u>
Fund Balances - Ending	<u>\$ 26,332,523</u>	<u>\$ 45,338,759</u>	<u>\$ 23,530,879</u>	<u>\$ 95,202,161</u>

CITY OF MESA, ARIZONA
EXHIBIT C-3
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010

	<u>Local Transportation Assistance</u>	<u>Mesa Housing Authority</u>	<u>Cemetery</u>	<u>Public Art</u>	<u>Development Impact Fees</u>
ASSETS					
Cash and Cash Equivalents	\$ 629	\$ 1,722,026	\$ 6,693,599	\$ 17,181	\$ 8,376,717
Accounts Receivable	-	21,258	47,380	-	-
Due From Other Governments	3,673,224	-	-	-	-
Prepaid Costs	310	164	164	-	-
	<u>310</u>	<u>164</u>	<u>164</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 3,674,163</u>	<u>\$ 1,743,448</u>	<u>\$ 6,741,143</u>	<u>\$ 17,181</u>	<u>\$ 8,376,717</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 36,156	\$ 132,659	\$ 13,580	\$ -	\$ 43,588
Due To Other Funds	3,625,000	-	-	-	-
Customer Deposits	-	-	1,850	-	-
	<u>-</u>	<u>-</u>	<u>1,850</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>3,661,156</u>	<u>132,659</u>	<u>15,430</u>	<u>-</u>	<u>43,588</u>
Fund Balances:					
Reserved For Encumbrances	12,697	-	-	-	14,565
Reserved For Prepaid Costs	310	164	164	-	-
Unreserved	-	1,610,625	6,725,549	17,181	8,318,564
	<u>-</u>	<u>1,610,625</u>	<u>6,725,549</u>	<u>17,181</u>	<u>8,318,564</u>
Total Fund Balances	<u>13,007</u>	<u>1,610,789</u>	<u>6,725,713</u>	<u>17,181</u>	<u>8,333,129</u>
Total Liabilities and Fund Balances	<u>\$ 3,674,163</u>	<u>\$ 1,743,448</u>	<u>\$ 6,741,143</u>	<u>\$ 17,181</u>	<u>\$ 8,376,717</u>

EXHIBIT C-3
(Continued)

<u>Court Construction Fee</u>	<u>Mesa Arts Center Restoration</u>	<u>Regional Transportation Plan</u>	<u>Environmental Compliance</u>	<u>Vehicle Replacement</u>	<u>Total</u>
\$ 382	\$ 1,023,335	\$ 126,245	\$ 1,108,121	\$ 5,690,293	\$ 24,758,528
-	-	-	-	-	68,638
-	-	2,740,935	-	-	6,414,159
-	-	-	370	-	1,008
<u>\$ 382</u>	<u>\$ 1,023,335</u>	<u>\$ 2,867,180</u>	<u>\$ 1,108,491</u>	<u>\$ 5,690,293</u>	<u>\$ 31,242,333</u>
\$ -	\$ 16,373	\$ -	\$ 189,624	\$ 850,980	\$ 1,282,960
-	-	-	-	-	3,625,000
-	-	-	-	-	1,850
-	16,373	-	189,624	850,980	4,909,810
-	11,804	52,590	33,911	392,300	517,867
-	-	-	370	-	1,008
382	995,158	2,814,590	884,586	4,447,013	25,813,648
<u>382</u>	<u>1,006,962</u>	<u>2,867,180</u>	<u>918,867</u>	<u>4,839,313</u>	<u>26,332,523</u>
<u>\$ 382</u>	<u>\$ 1,023,335</u>	<u>\$ 2,867,180</u>	<u>\$ 1,108,491</u>	<u>\$ 5,690,293</u>	<u>\$ 31,242,333</u>

CITY OF MESA, ARIZONA

EXHIBIT C-4

NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Local Transportation Assistance	Mesa Housing Authority	Cemetery	Public Art	Development Impact Fees
Revenues:					
Licenses and Permits	\$ -	\$ -	\$ -	\$ -	\$ 2,552,700
Intergovernmental	5,099,060	12,191,801	-	-	-
Charges for Services	1,481,060	1	1,174,962	-	-
Fines and Forfeitures	-	-	-	-	-
Investment Income	-	1,265	7,108	18	8,709
Miscellaneous	769,438	63,958	4,965	-	-
Total Revenues	7,349,558	12,257,025	1,187,035	18	2,561,409
Expenditures:					
Current:					
Public Safety	-	-	-	-	-
Cultural-Recreational	-	-	-	-	-
Community Environment	8,618,082	11,917,797	1,043,952	-	-
Capital Outlay	4,414,565	-	822,791	-	414,126
Total Expenditures	13,032,647	11,917,797	1,866,743	-	414,126
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,683,089)	339,228	(679,708)	18	2,147,283
Other Financing Sources (Uses):					
Transfers In	5,709,000	-	-	-	-
Transfers Out	(13,253)	-	-	-	(3,682,957)
Total Other Financing Sources (Uses)	5,695,747	-	-	-	(3,682,957)
Net Change in Fund Balances	12,658	339,228	(679,708)	18	(1,535,674)
Fund Balances - Beginning	349	1,271,561	7,405,421	17,163	9,868,803
Fund Balances - Ending	\$ 13,007	\$ 1,610,789	\$ 6,725,713	\$ 17,181	\$ 8,333,129

EXHIBIT C-4
(Continued)

Court Construction Fee	Mesa Arts Center Restoration	Regional Transportation Plan	Environmental Compliance	Vehicle Replacement	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,552,700
-	-	4,318,545	-	-	21,609,406
-	255,040	-	5,733,948	-	8,645,011
761,804	-	-	-	-	761,804
606	863	-	606	3,438	22,613
-	-	-	-	123,853	962,214
<u>762,410</u>	<u>255,903</u>	<u>4,318,545</u>	<u>5,734,554</u>	<u>127,291</u>	<u>34,553,748</u>
-	-	-	5,242,813	-	5,242,813
-	20,550	-	-	-	20,550
-	-	-	-	-	21,579,831
-	120,692	35,345	33,276	2,325,934	8,166,729
<u>-</u>	<u>141,242</u>	<u>35,345</u>	<u>5,276,089</u>	<u>2,325,934</u>	<u>35,009,923</u>
<u>762,410</u>	<u>114,661</u>	<u>4,283,200</u>	<u>458,465</u>	<u>(2,198,643)</u>	<u>(456,175)</u>
-	-	-	-	3,090,000	8,799,000
(1,666,939)	-	(1,891,000)	-	-	(7,254,149)
<u>(1,666,939)</u>	<u>-</u>	<u>(1,891,000)</u>	<u>-</u>	<u>3,090,000</u>	<u>1,544,851</u>
(904,529)	114,661	2,392,200	458,465	891,357	1,088,676
<u>904,911</u>	<u>892,301</u>	<u>474,980</u>	<u>460,402</u>	<u>3,947,956</u>	<u>25,243,847</u>
<u>\$ 382</u>	<u>\$ 1,006,962</u>	<u>\$ 2,867,180</u>	<u>\$ 918,867</u>	<u>\$ 4,839,313</u>	<u>\$ 26,332,523</u>

CITY OF MESA, ARIZONA
EXHIBIT C-5
NON-MAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010

	General Obligation Bond Redemption	Special Assessment Bond Redemption	Capital Lease Redemption
ASSETS			
Restricted Assets:			
Cash and Cash Equivalents	\$ 31,357,231	\$ 178,490	\$ 58,860
Cash with Trustee	-	-	-
Special Assessments Receivable	-	6,030,297	-
Due From Other Governments	-	-	-
Total Assets	<u>\$ 31,357,231</u>	<u>\$ 6,208,787</u>	<u>\$ 58,860</u>
LIABILITIES AND FUND BALANCES			
Liabilities Payable From Restricted Assets:			
Accrued Lease Interest Payable	-	-	2,793
Accrued Bond Interest Payable	7,299,042	178,490	-
Accrued Note Interest Payable	-	-	-
Deferred Revenue - Special Assessments	-	6,030,297	-
Matured General Obligation Bonds Payable	24,058,189	-	-
Matured Highway User Revenue Bonds Payable	-	-	-
Matured Capital Leases Payable	-	-	56,067
Total Liabilities	<u>31,357,231</u>	<u>6,208,787</u>	<u>58,860</u>
Fund Balances-Reserved For Debt Service	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 31,357,231</u>	<u>\$ 6,208,787</u>	<u>\$ 58,860</u>

EXHIBIT C-5

(Continued)

Highway User Revenue Bond Redemption	Highway Project Advancement Notes	Total
\$ 9,065,709	\$ 449,167	\$ 41,109,457
-	33,110,780	33,110,780
-	-	6,030,297
-	12,227,979	12,227,979
<u>\$ 9,065,709</u>	<u>\$ 45,787,926</u>	<u>\$ 92,478,513</u>
-	-	2,793
3,345,709	-	10,823,241
-	449,167	449,167
-	-	6,030,297
-	-	24,058,189
5,720,000	-	5,720,000
-	-	56,067
<u>9,065,709</u>	<u>449,167</u>	<u>47,139,754</u>
<u>-</u>	<u>45,338,759</u>	<u>45,338,759</u>
<u>\$ 9,065,709</u>	<u>\$ 45,787,926</u>	<u>\$ 92,478,513</u>

CITY OF MESA, ARIZONA

EXHIBIT C-6

NON-MAJOR DEBT SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Obligation Bond Redemption	Special Assessment Bond Redemption	Capital Lease Redemption
Revenues:			
Special Assessments	\$ -	\$ 922,651	\$ -
Investment Income	-	-	-
Total Revenues	-	922,651	-
Expenditures:			
Debt Service:			
Principal Retirement	24,058,188	744,000	4,323,736
Interest on Bonds	13,297,705	376,920	-
Interest on Leases	-	-	370,600
Interest on Notes	-	-	-
Service Charges	4,646	-	-
Cost of Issuance	-	-	-
Total Expenditures	37,360,539	1,120,920	4,694,336
Deficiency of Revenues Under Expenditures	(37,360,539)	(198,269)	(4,694,336)
Other Financing Sources (Uses):			
Transfers In	37,360,539	198,269	4,694,336
Face Amount of Notes Issued	-	-	-
Premium on Issuance of Notes	-	-	-
Total Other Financing Sources (Uses)	37,360,539	198,269	4,694,336
Net Change In Fund Balances	-	-	-
Fund Balances - Beginning	-	-	-
Fund Balances - Ending	\$ -	\$ -	\$ -

EXHIBIT C-6

(Continued)

Highway User Revenue Bond Redemption	Highway Project Advancement Notes	Total
\$ -	\$ -	\$ 922,651
-	8,583	8,583
-	8,583	931,234
5,720,000	-	34,845,924
6,691,418	-	20,366,043
-	-	370,600
-	449,167	449,167
4,751	-	9,397
-	538,824	538,824
12,416,169	987,991	56,579,955
(12,416,169)	(979,408)	(55,648,721)
12,416,169	449,167	55,118,480
-	45,000,000	45,000,000
-	869,000	869,000
12,416,169	46,318,167	100,987,480
-	45,338,759	45,338,759
-	-	-
\$ -	\$ 45,338,759	\$ 45,338,759

CITY OF MESA, ARIZONA
EXHIBIT C-7
NON-MAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010

	<u>Fire</u>	<u>Storm Sewer</u>	<u>Streets</u>	<u>Parks</u>
ASSETS				
Cash and Cash Equivalents	\$ 6,715,595	\$ 2,309,725	\$ 7,627,258	\$ -
Total Assets	<u>\$ 6,715,595</u>	<u>\$ 2,309,725</u>	<u>\$ 7,627,258</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 760,157	\$ 983,389	\$ 3,002,784	\$ -
Total Liabilities	<u>760,157</u>	<u>983,389</u>	<u>3,002,784</u>	<u>-</u>
Fund Balances:				
Reserved For Encumbrances	1,960,275	-	4,624,474	-
Unreserved	<u>3,995,163</u>	<u>1,326,336</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>5,955,438</u>	<u>1,326,336</u>	<u>4,624,474</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 6,715,595</u>	<u>\$ 2,309,725</u>	<u>\$ 7,627,258</u>	<u>\$ -</u>

EXHIBIT C-7
(Continued)

<u>Law Enforcement</u>	<u>Library</u>	<u>Service Center</u>	<u>Capital Leases</u>	<u>Total</u>
<u>\$ 11,038,810</u>	<u>\$ 819,938</u>	<u>\$ 293</u>	<u>\$ 21,276</u>	<u>\$ 28,532,895</u>
<u>\$ 11,038,810</u>	<u>\$ 819,938</u>	<u>\$ 293</u>	<u>\$ 21,276</u>	<u>\$ 28,532,895</u>
<u>\$ 238,111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,575</u>	<u>\$ 5,002,016</u>
<u>238,111</u>	<u>-</u>	<u>-</u>	<u>17,575</u>	<u>5,002,016</u>
1,204,754	17,290	-	-	7,806,793
<u>9,595,945</u>	<u>802,648</u>	<u>293</u>	<u>3,701</u>	<u>15,724,086</u>
<u>10,800,699</u>	<u>819,938</u>	<u>293</u>	<u>3,701</u>	<u>23,530,879</u>
<u>\$ 11,038,810</u>	<u>\$ 819,938</u>	<u>\$ 293</u>	<u>\$ 21,276</u>	<u>\$ 28,532,895</u>

CITY OF MESA, ARIZONA

EXHIBIT C-8

NON-MAJOR CAPITAL PROJECTS FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Fire</u>	<u>Storm Sewer</u>	<u>Streets</u>	<u>Parks</u>
Revenues:				
Miscellaneous	\$ -	\$ -	\$ 19,472	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>19,472</u>	<u>-</u>
Expenditures:				
Capital Outlay	<u>13,252,488</u>	<u>4,864,141</u>	<u>21,152,453</u>	<u>16,871</u>
Total Expenditures	<u>13,252,488</u>	<u>4,864,141</u>	<u>21,152,453</u>	<u>16,871</u>
Deficiency of Revenues Under Expenditures	<u>(13,252,488)</u>	<u>(4,864,141)</u>	<u>(21,132,981)</u>	<u>(16,871)</u>
Other Financing Sources (Uses):				
Transfers Out	-	-	-	-
Face Amount of Bonds Issued	5,143,750	5,025,000	7,935,000	-
Premium on Issuance of Bonds	<u>66,948</u>	<u>65,421</u>	<u>103,316</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>5,210,698</u>	<u>5,090,421</u>	<u>8,038,316</u>	<u>-</u>
Net Change in Fund Balances	(8,041,790)	226,280	(13,094,665)	(16,871)
Fund Balances - Beginning	<u>13,997,228</u>	<u>1,100,056</u>	<u>17,719,139</u>	<u>16,871</u>
Fund Balances - Ending	<u>\$ 5,955,438</u>	<u>\$ 1,326,336</u>	<u>\$ 4,624,474</u>	<u>\$ -</u>

EXHIBIT C-8

(Continued)

<u>Law Enforcement</u>	<u>Library</u>	<u>Service Center</u>	<u>Capital Leases</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 19,472
-	-	-	-	19,472
13,025,126	75,803	-	381,085	52,767,967
13,025,126	75,803	-	381,085	52,767,967
(13,025,126)	(75,803)	-	(381,085)	(52,748,495)
-	-	-	(13,851)	(13,851)
12,761,250	-	-	-	30,865,000
166,165	-	-	-	401,850
12,927,415	-	-	(13,851)	31,252,999
(97,711)	(75,803)	-	(394,936)	(21,495,496)
10,898,410	895,741	293	398,637	45,026,375
<u>\$ 10,800,699</u>	<u>\$ 819,938</u>	<u>\$ 293</u>	<u>\$ 3,701</u>	<u>\$ 23,530,879</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-9
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2010

	Warehouse, Maintenance and Services	Property and Public Liability Self Insurance
	<u> </u>	<u> </u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 873,102	\$ 8,933,184
Investments	-	-
Accounts Receivable	-	-
Accrued Premiums Receivable	-	-
Accrued Interest Receivable	-	-
Due From Other Governments	21,454	-
Inventory	5,964,364	-
Prepaid Costs	1,775	394,304
Total Current Assets	<u>6,860,695</u>	<u>9,327,488</u>
Capital Assets:		
Buildings	2,014,156	-
Other Improvements	4,944,866	-
Machinery and Equipment	2,095,871	-
Construction in Progress	44,702	-
	<u>9,099,595</u>	<u>-</u>
Less Accumulated Depreciation	(5,117,085)	-
Net Capital Assets	<u>3,982,510</u>	<u>-</u>
Total Assets	<u>10,843,205</u>	<u>9,327,488</u>
LIABILITIES AND FUND EQUITY		
Current Liabilities:		
Accounts Payable	996,599	390
Other Accrued Expenses:		
Estimated Liability For Claims:		
Incurred-Not Reported	-	11,206,000
Incurred and Pending	-	6,430,000
Current Portion of Compensated Absences	90,019	-
Total Current Liabilities	<u>1,086,618</u>	<u>17,636,390</u>
Long-Term Liabilities		
Compensated Absences	764,340	-
Post Employment Benefits	3,536,556	-
Total Long-Term Liabilities	<u>4,300,896</u>	<u>-</u>
Total Liabilities	<u>5,387,514</u>	<u>17,636,390</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	3,982,510	-
Unrestricted	1,473,181	(8,308,902)
Total Net Assets	<u>\$ 5,455,691</u>	<u>\$ (8,308,902)</u>

EXHIBIT C-9

(Continued)

<u>Workers'</u> <u>Compensation</u> <u>Self Insurance</u>	<u>Employee</u> <u>Benefits Self</u> <u>Insurance</u>	<u>Total</u>
\$ 9,990,635	\$ 14,058,894	\$ 33,855,815
-	5,001,250	5,001,250
39,946	459,733	499,679
-	754,098	754,098
-	20,660	20,660
-	-	21,454
-	-	5,964,364
-	301	396,380
<u>10,030,581</u>	<u>20,294,936</u>	<u>46,513,700</u>
-	-	2,014,156
-	-	4,944,866
-	-	2,095,871
-	-	44,702
-	-	<u>9,099,595</u>
-	-	<u>(5,117,085)</u>
-	-	<u>3,982,510</u>
<u>10,030,581</u>	<u>20,294,936</u>	<u>50,496,210</u>
60,905	482,252	1,540,146
13,350	3,731,291	14,950,641
7,707,676	-	14,137,676
-	-	90,019
<u>7,781,931</u>	<u>4,213,543</u>	<u>30,718,482</u>
-	-	764,340
-	-	<u>3,536,556</u>
-	-	<u>4,300,896</u>
<u>7,781,931</u>	<u>4,213,543</u>	<u>35,019,378</u>
-	-	3,982,510
2,248,650	16,081,393	11,494,322
<u>\$ 2,248,650</u>	<u>\$ 16,081,393</u>	<u>\$ 15,476,832</u>

CITY OF MESA, ARIZONA
EXHIBIT C-10
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Warehouse, Maintenance and Services	Property and Public Liability Self Insurance
Operating Revenues:		
Charges For Services:		
Material and Supply	\$ 1,069,697	\$ -
Printing and Graphics	917,841	-
Fleet Support Services	14,847,956	-
Self-Insurance Contributions:		
Employee	-	-
City	-	4,301,000
State Retirement System	-	-
Other	-	-
Total Operating Revenues	16,835,494	4,301,000
Operating Expenses:		
Material and Supply	1,144,177	-
Printing and Graphics	1,121,872	-
Fleet Support Services	16,063,200	-
Administrative Costs	-	801,616
Claims Incurred	-	793,233
Premiums to Insurance Carriers	-	1,106,132
Total Operating Expenses	18,329,249	2,700,981
Operating Income (Loss) Before Depreciation	(1,493,755)	1,600,019
Depreciation	(397,805)	-
Operating Income (Loss)	(1,891,560)	1,600,019
Nonoperating Revenues (Expense):		
Investment Income	-	9,059
Loss on Disposal of Capital Assets	(79,417)	-
Total Nonoperating Revenues (Expenses)	(79,417)	9,059
Net Income (Loss) Before Transfers and Capital Contributions	(1,970,977)	1,609,078
Capital Contributions	26,618	-
Transfers In	1,663,300	-
Change in Net Assets	(281,059)	1,609,078
Total Net Assets - Beginning	5,736,750	(9,917,980)
Total Net Assets - Ending	\$ 5,455,691	\$ (8,308,902)

EXHIBIT C-10

(Continued)

<u>Workers'</u> <u>Compensation</u> <u>Self Insurance</u>	<u>Employee</u> <u>Benefits Self</u> <u>Insurance</u>	<u>Total</u>
\$ -	\$ -	\$ 1,069,697
-	-	917,841
-	-	14,847,956
-	11,631,056	11,631,056
2,141,209	35,559,449	42,001,658
-	3,126,115	3,126,115
-	133,467	133,467
<u>2,141,209</u>	<u>50,450,087</u>	<u>73,727,790</u>
-	-	1,144,177
-	-	1,121,872
-	-	16,063,200
320,860	4,247,325	5,369,801
3,591,565	48,486,234	52,871,032
560,263	345,325	2,011,720
<u>4,472,688</u>	<u>53,078,884</u>	<u>78,581,802</u>
(2,331,479)	(2,628,797)	(4,854,012)
-	-	(397,805)
<u>(2,331,479)</u>	<u>(2,628,797)</u>	<u>(5,251,817)</u>
10,247	59,626	78,932
-	-	(79,417)
<u>10,247</u>	<u>59,626</u>	<u>(485)</u>
(2,321,232)	(2,569,171)	(5,252,302)
-	-	26,618
-	-	1,663,300
<u>(2,321,232)</u>	<u>(2,569,171)</u>	<u>(3,562,384)</u>
4,569,882	18,650,564	19,039,216
<u>\$ 2,248,650</u>	<u>\$ 16,081,393</u>	<u>\$ 15,476,832</u>

CITY OF MESA, ARIZONA
EXHIBIT C-11
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Warehouse, Maintenance and Services
Cash Flows From Operating Activities:	
Cash Received From Users	\$ 16,852,869
Cash Payments To Suppliers	(12,657,763)
Cash Payments To Employees	<u>(5,751,289)</u>
Net Cash (Used For) Operating Activities	<u>(1,556,183)</u>
Cash Flows From Noncapital Financing Activities:	
Operating Transfers-In From Other Funds	<u>1,689,918</u>
Net Cash Provided By Noncapital Financing Activities	<u>1,689,918</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition and Construction of Capital Assets	49,729
Principal Paid on Lease Maturities	<u>(6,539)</u>
Net Cash Provided By Capital and Related Financing Activities	<u>43,190</u>
Cash Flows From Investing Activities:	
Purchase of Investment Securities	-
Proceeds from Sale and Maturities of Investment Securities	-
Interest Received on Investments	<u>-</u>
Net Cash Provided By Investing Activities	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	176,925
Cash and Cash Equivalents at Beginning of Year	<u>696,177</u>
Cash and Cash Equivalents at End of Year	<u>\$ 873,102</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:	
Operating Income (Loss)	\$ (1,891,560)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used Provided By Operating Activities:	
Depreciation	397,805
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	17,374
(Increase) in Inventory	(226,650)
(Increase) Decrease in Prepaid Costs	(951)
Increase (Decrease) in Accounts Payable	147,798
Increase (Decrease) in Other Accrued Expenses	<u>-</u>
Total Adjustments	<u>335,376</u>
Net Cash (Used For) Operating Activities	<u>\$ (1,556,184)</u>
Noncash Transactions Affecting Financial Position:	
Transfer of Capital Assets from Governmental Funds	26,618
Increase of Fair Market Value of Investments	

EXHIBIT C-11
(Continued)

	Property and Public Liability Self Insurance	Workers' Compensation Self Insurance	Employee Benefits Self Insurance	Total
\$	4,881,820	\$ 2,162,597	\$ 49,992,325	\$ 73,889,611
	(7,666,266)	(3,353,445)	(51,756,529)	(75,434,003)
	<u>(786,371)</u>	<u>(305,449)</u>	<u>(1,345,145)</u>	<u>(8,188,254)</u>
	<u>(3,570,817)</u>	<u>(1,496,297)</u>	<u>(3,109,349)</u>	<u>(9,732,646)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,689,918</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,689,918</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,729</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,539)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,190</u>
	<u>-</u>	<u>-</u>	<u>(5,000,000)</u>	<u>(5,000,000)</u>
	<u>-</u>	<u>-</u>	<u>5,001,250</u>	<u>5,001,250</u>
	<u>18,976</u>	<u>20,084</u>	<u>43,610</u>	<u>82,670</u>
	<u>18,976</u>	<u>20,084</u>	<u>44,860</u>	<u>83,920</u>
	<u>(3,551,841)</u>	<u>(1,476,213)</u>	<u>(3,064,489)</u>	<u>(7,915,618)</u>
	<u>12,485,025</u>	<u>11,466,848</u>	<u>17,123,383</u>	<u>41,771,433</u>
\$	<u><u>8,933,184</u></u>	\$ <u><u>9,990,635</u></u>	\$ <u><u>14,058,894</u></u>	\$ <u><u>33,855,815</u></u>
\$	1,600,019	\$ (2,331,479)	\$ (2,628,797)	\$ (5,251,817)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>397,805</u>
	<u>580,821</u>	<u>21,390</u>	<u>(457,764)</u>	<u>161,821</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(226,650)</u>
	<u>87,556</u>	<u>206,351</u>	<u>(107)</u>	<u>292,849</u>
	<u>(212)</u>	<u>(150,954)</u>	<u>10,744</u>	<u>7,376</u>
	<u>(5,839,000)</u>	<u>758,396</u>	<u>(33,427)</u>	<u>(5,114,031)</u>
	<u>(5,170,835)</u>	<u>835,183</u>	<u>(480,554)</u>	<u>(4,480,830)</u>
\$	<u><u>(3,570,816)</u></u>	\$ <u><u>(1,496,296)</u></u>	\$ <u><u>(3,109,351)</u></u>	\$ <u><u>(9,732,647)</u></u>

1,250

FIDUCIARY FUND

The Fiduciary 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-12

AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
PAYROLL AGENCY FUND				
Assets:				
Cash and Cash Equivalents	\$ 9,054,712	\$ 552,190,099	\$ 551,086,094	\$ 10,158,717
Due From Other Funds	<u>-</u>	<u>11,947,893</u>	<u>11,947,893</u>	<u>-</u>
Total Assets	<u>\$ 9,054,712</u>	<u>\$ 564,137,992</u>	<u>\$ 563,033,987</u>	<u>\$ 10,158,717</u>
Liabilities:				
Accrued Payroll Payable	<u>\$ 9,054,712</u>	<u>\$ 340,743,680</u>	<u>\$ 339,639,675</u>	<u>\$ 10,158,717</u>
Total Liabilities	<u>\$ 9,054,712</u>	<u>\$ 340,743,680</u>	<u>\$ 339,639,675</u>	<u>\$ 10,158,717</u>



Supplemental Information



CITY OF MESA, ARIZONA

EXHIBIT D-1

GENERAL FUND

SCHEDULE OF EXPENDITURES BY PROGRAM - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budget Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
General Government:				
Legislative	\$ 1,469,000	\$ 1,559,479	\$ 1,559,479	\$ -
Executive	870,000	1,067,104	1,067,104	-
Williams Gateway	3,746,000	4,362,623	4,362,623	-
Town Center Development	1,351,000	1,350,987	1,037,733	313,254
Judicial	12,225,000	12,732,963	12,732,963	-
Legal	817,000	816,637	666,050	150,587
Building Maintenance	1,773,473	1,773,249	1,692,326	80,923
City Clerk	979,000	978,947	845,430	133,517
Economic Development	1,776,000	1,775,960	1,758,936	17,024
Engineering	3,119,000	3,118,384	2,074,474	1,043,910
Financial Services	8,244,000	8,977,057	8,977,057	-
E-Streets & Cable TV Licensing	1,981,000	1,981,000	685,415	1,295,585
General Services	5,728,604	5,723,069	5,228,056	495,013
Planning	2,381,000	2,441,812	2,441,812	-
Capital Improvement	1,014,000	1,014,000	817,078	196,922
Total General Government	<u>47,474,077</u>	<u>49,673,271</u>	<u>45,946,536</u>	<u>3,726,735</u>
Less: Capital Outlay Expenditures	3,651,043	3,651,043	1,769,833	1,881,210
Debt Service Expenditures	703,320	1,211,836	1,973,336	(761,500)
Total Current Expenditures	<u>43,119,714</u>	<u>44,810,392</u>	<u>42,203,367</u>	<u>2,607,025</u>
Public Safety:				
Law Enforcement	171,072,693	170,747,335	159,484,761	11,262,574
Fire Prevention	75,739,000	75,703,569	66,871,736	8,831,833
Building Safety	3,949,000	4,023,410	4,023,410	-
Code Compliance	1,062,000	1,061,967	890,864	171,103
Environmental Management	2,368,624	2,368,624	241,926	2,126,698
Total Public Safety	<u>254,191,317</u>	<u>253,904,905</u>	<u>231,512,697</u>	<u>22,392,208</u>
Less: Capital Outlay Expenditures	8,481,912	8,180,311	6,202,397	1,977,914
Debt Service Expenditures	16,407,959	16,407,959	14,305,934	2,102,025
Total Current Expenditures	<u>\$ 229,301,446</u>	<u>\$ 229,316,635</u>	<u>\$ 211,004,366</u>	<u>\$ 18,312,269</u>

CITY OF MESA, ARIZONA

EXHIBIT D-1 (Continued)

GENERAL FUND

SCHEDULE OF EXPENDITURES BY PROGRAM - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budget Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
Cultural-Recreational:				
Parks and Recreation	\$ 23,465,000	\$ 23,431,383	\$ 20,435,642	\$ 2,995,741
Cultural	11,258,856	11,258,535	9,832,936	1,425,599
Aquatics	14,518,000	14,517,730	6,172,548	8,345,182
Library	9,373,043	9,372,541	8,095,758	1,276,783
Community Aid	2,909,000	2,909,000	1,994,179	914,821
Museum of Natural History	2,551,000	2,550,912	1,800,965	749,947
Museum for Youth	1,481,000	1,480,945	1,453,240	27,705
Neighborhood & Human Services	<u>2,763,000</u>	<u>2,762,761</u>	<u>2,443,428</u>	<u>319,333</u>
Total Cultural-Recreational	<u>68,318,899</u>	<u>68,283,807</u>	<u>52,228,696</u>	<u>16,055,111</u>
Less: Capital Outlay Expenditures	14,614,067	14,614,067	4,311,127	10,302,940
Debt Service Expenditures	<u>8,120,368</u>	<u>8,120,368</u>	<u>7,793,371</u>	<u>326,997</u>
Total Current Expenditures	<u>45,584,464</u>	<u>45,549,372</u>	<u>40,124,198</u>	<u>5,425,174</u>
Community Environment:				
Community Development	25,015,000	25,015,000	12,998,443	12,016,557
Streets	51,677,716	51,471,250	35,660,019	15,811,231
Storm Sewer	4,301,787	4,533,616	4,533,616	-
Mass Transit	954,586	954,586	893,768	60,818
Miscellaneous Services	<u>717,000</u>	<u>1,984,584</u>	<u>1,984,584</u>	<u>-</u>
Total Community Environment	<u>82,666,089</u>	<u>83,959,036</u>	<u>56,070,430</u>	<u>27,888,606</u>
Less: Capital Outlay Expenditures	32,962,141	32,756,341	9,745,887	23,010,454
Debt Service Expenditures	<u>9,323,721</u>	<u>9,555,596</u>	<u>8,387,169</u>	<u>1,168,427</u>
Total Current Expenditures	<u>40,380,227</u>	<u>41,647,099</u>	<u>37,937,374</u>	<u>3,709,725</u>
Contingencies	<u>56,650,000</u>	<u>47,158,747</u>	-	<u>47,158,747</u>
Total General Fund Expenditures	<u>\$ 509,300,382</u>	<u>\$ 502,979,766</u>	<u>\$ 385,758,359</u>	<u>\$ 117,221,407</u>

CITY OF MESA, ARIZONA

EXHIBIT D-2

HIGHWAY USER REVENUE FUND

SCHEDULE OF EXPENDITURES BY PROGRAM - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budget Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
Community Environment:				
Streets	\$ 31,759,799	\$ 31,759,799	\$ 25,636,528	\$ 6,123,271
Storm Sewer	68,213	68,213	87,746	(19,533)
Total Community Environment	<u>31,828,012</u>	<u>31,828,012</u>	<u>25,724,274</u>	<u>6,103,738</u>
Less: Capital Outlay Expenditures	982,782	982,782	774,100	208,682
Debt Service Expenditures	<u>13,321,442</u>	<u>13,321,442</u>	<u>12,416,168</u>	<u>905,274</u>
Total Current Expenditures	<u>17,523,788</u>	<u>17,523,788</u>	<u>12,534,006</u>	<u>4,989,782</u>
Contingencies	<u>1,587,000</u>	<u>1,587,000</u>	-	<u>1,587,000</u>
Total Highway User Revenue Fund Expenditures	<u><u>\$ 33,415,012</u></u>	<u><u>\$ 33,415,012</u></u>	<u><u>\$ 25,724,274</u></u>	<u><u>\$ 7,690,738</u></u>

CITY OF MESA, ARIZONA

EXHIBIT D-3

NON-MAJOR SPECIAL REVENUE FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
LOCAL TRANSPORTATION ASSISTANCE FUND				
Revenues:				
Intergovernmental	\$ 13,877,000	\$ 13,877,000	\$ 5,099,060	\$ (8,777,940)
Charges For Services	455,000	455,000	1,481,060	1,026,060
Investment Income	1,000	1,000	-	(1,000)
Miscellaneous	-	-	769,438	769,438
Total Revenues	<u>14,333,000</u>	<u>14,333,000</u>	<u>7,349,558</u>	<u>(6,983,442)</u>
Expenditures:				
Current:				
Community Environment	10,355,392	10,355,006	8,631,335	1,723,671
Capital Outlay	13,614,356	13,614,356	4,414,565	9,199,791
Contingencies	-	386	-	386
Total Expenditures	<u>23,969,748</u>	<u>23,969,748</u>	<u>13,045,900</u>	<u>10,923,848</u>
Deficiency of Revenues Under Expenditures	(9,636,748)	(9,636,748)	(5,696,342)	3,940,406
Other Financing Sources:				
Transfers In	9,637,000	9,637,000	5,709,000	(3,928,000)
Net Change in Fund Balance	252	252	12,658	12,406
Fund Balance - Beginning	<u>283</u>	<u>283</u>	<u>349</u>	<u>66</u>
Fund Balance - Ending	<u>\$ 535</u>	<u>\$ 535</u>	<u>\$ 13,007</u>	<u>\$ 12,472</u>

CITY OF MESA, ARIZONA

EXHIBIT D-3 (Continued)

NON-MAJOR SPECIAL REVENUE FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
MESA HOUSING AUTHORITY FUND				
Revenues:				
Intergovernmental	\$ 11,818,000	\$ 11,818,000	\$ 12,191,801	\$ 373,801
Charges For Services	-	-	1	1
Investment Income	18,000	18,000	1,265	(16,735)
Miscellaneous	81,000	81,000	63,958	(17,042)
Total Revenues	<u>11,917,000</u>	<u>11,917,000</u>	<u>12,257,025</u>	<u>340,025</u>
Expenditures:				
Current:				
Community Environment	13,542,000	13,542,000	11,917,797	1,624,203
Total Expenditures	<u>13,542,000</u>	<u>13,542,000</u>	<u>11,917,797</u>	<u>1,624,203</u>
Net Change in Fund Balance	(1,625,000)	(1,625,000)	339,228	1,964,228
Fund Balance - Beginning	<u>1,625,765</u>	<u>1,625,765</u>	<u>1,271,561</u>	<u>(354,204)</u>
Fund Balance - Ending	<u>\$ 765</u>	<u>\$ 765</u>	<u>\$ 1,610,789</u>	<u>\$ 1,610,024</u>

CITY OF MESA, ARIZONA

EXHIBIT D-3 (Continued)

NON-MAJOR SPECIAL REVENUE FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
CEMETERY FUND				
Revenues:				
Charges For Services	\$ 1,231,000	\$ 1,231,000	\$ 1,174,962	\$ (56,038)
Investment Income	58,000	58,000	7,108	(50,892)
Miscellaneous	-	-	4,965	4,965
Total Revenues	<u>1,289,000</u>	<u>1,289,000</u>	<u>1,187,035</u>	<u>(101,965)</u>
Expenditures:				
Current:				
Community Environment	1,217,314	1,217,314	1,043,952	173,362
Capital Outlay	808,686	808,686	822,791	(14,105)
Contingencies	151,000	151,000	-	151,000
Total Expenditures	<u>2,177,000</u>	<u>2,177,000</u>	<u>1,866,743</u>	<u>310,257</u>
Net Change in Fund Balance	(888,000)	(888,000)	(679,708)	208,292
Fund Balance - Beginning	<u>7,489,629</u>	<u>7,489,629</u>	<u>7,405,421</u>	<u>(84,208)</u>
Fund Balance - Ending	<u>\$ 6,601,629</u>	<u>\$ 6,601,629</u>	<u>\$ 6,725,713</u>	<u>\$ 124,084</u>

CITY OF MESA, ARIZONA

EXHIBIT D-3 (Continued)

NON-MAJOR SPECIAL REVENUE FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
PUBLIC ART FUND				
Revenues:				
Investment Income	\$ -	\$ -	\$ 18	\$ 18
Total Revenues	<u>-</u>	<u>-</u>	<u>18</u>	<u>18</u>
Expenditures:				
Current:				
Cultural-Recreational	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	18	18
Fund Balance - Beginning	<u>4,234</u>	<u>4,234</u>	<u>17,163</u>	<u>12,929</u>
Fund Balance - Ending	<u>\$ 4,234</u>	<u>\$ 4,234</u>	<u>\$ 17,181</u>	<u>\$ 12,947</u>

CITY OF MESA, ARIZONA

EXHIBIT D-3 (Continued)

NON-MAJOR SPECIAL REVENUE FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
DEVELOPMENT IMPACT FEES FUND				
Revenues:				
Licenses & Permits	\$ 2,300,000	\$ 2,300,000	\$ 2,552,700	\$ 252,700
Investment Income	84,000	84,000	8,709	(75,291)
Total Revenues	<u>2,384,000</u>	<u>2,384,000</u>	<u>2,561,409</u>	<u>177,409</u>
Expenditures:				
Capital Outlay	443,144	443,144	414,126	29,018
Debt Service:				
Principal Retirement	3,210,554	3,317,536	3,346,554	(29,018)
Interest on Bonds	<u>336,403</u>	<u>336,403</u>	<u>336,403</u>	<u>-</u>
Total Expenditures	<u>3,990,101</u>	<u>4,097,083</u>	<u>4,097,083</u>	<u>-</u>
Net Change in Fund Balance	(1,606,101)	(1,713,083)	(1,535,674)	177,409
Fund Balance - Beginning	<u>9,584,811</u>	<u>9,584,811</u>	<u>9,868,803</u>	<u>283,992</u>
Fund Balance - Ending	<u><u>\$ 7,978,710</u></u>	<u><u>\$ 7,871,728</u></u>	<u><u>\$ 8,333,129</u></u>	<u><u>\$ 461,401</u></u>

CITY OF MESA, ARIZONA

EXHIBIT D-3 (Continued)

NON-MAJOR SPECIAL REVENUE FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
COURT CONSTRUCTION FUND				
Revenues:				
Fines and Forfeitures	\$ 706,000	\$ 706,000	\$ 761,804	\$ 55,804
Investment Income	12,000	12,000	606	(11,394)
Total Revenues	<u>718,000</u>	<u>718,000</u>	<u>762,410</u>	<u>44,410</u>
Expenditures:				
Debt Service:				
Principal Retirement	204,402	371,341	583,402	(212,061)
Interest on Notes and Bonds	1,295,598	1,295,598	1,083,537	212,061
Total Expenditures	<u>1,500,000</u>	<u>1,666,939</u>	<u>1,666,939</u>	<u>-</u>
Net Change in Fund Balance	(782,000)	(948,939)	(904,529)	44,410
Fund Balance - Beginning	<u>897,288</u>	<u>897,288</u>	<u>904,911</u>	<u>7,623</u>
Fund Balance - Ending	<u>\$ 115,288</u>	<u>\$ (51,651)</u>	<u>\$ 382</u>	<u>\$ 52,033</u>

CITY OF MESA, ARIZONA

EXHIBIT D-3 (Continued)

NON-MAJOR SPECIAL REVENUE FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
MESA ARTS CENTER RESTORATION FUND				
Revenues:				
Charges For Services	\$ 179,000	\$ 179,000	\$ 255,040	\$ 76,040
Investment Income	6,000	6,000	863	(5,137)
Total Revenues	<u>185,000</u>	<u>185,000</u>	<u>255,903</u>	<u>70,903</u>
Expenditures:				
Current:				
Cultural-Recreational	110,000	110,000	20,550	89,450
Capital Outlay	90,000	90,000	120,692	(30,692)
Total Expenditures	<u>200,000</u>	<u>200,000</u>	<u>141,242</u>	<u>58,758</u>
Net Change in Fund Balance	(15,000)	(15,000)	114,661	129,661
Fund Balance - Beginning	<u>869,909</u>	<u>869,909</u>	<u>892,301</u>	<u>22,392</u>
Fund Balance - Ending	<u>\$ 854,909</u>	<u>\$ 854,909</u>	<u>\$ 1,006,962</u>	<u>\$ 152,053</u>

CITY OF MESA, ARIZONA

EXHIBIT D-3 (Continued)

NON-MAJOR SPECIAL REVENUE FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
REGIONAL TRANSPORTATION PLAN FUND				
Revenues:				
Intergovernmental	\$ 5,460,000	\$ 5,460,000	\$ 4,318,545	\$ (1,141,455)
Total Revenues	<u>5,460,000</u>	<u>5,460,000</u>	<u>4,318,545</u>	<u>(1,141,455)</u>
Expenditures:				
Current:				
Capital Outlay	<u>5,462,203</u>	<u>5,462,203</u>	<u>35,345</u>	<u>5,426,858</u>
Total Expenditures	<u>5,462,203</u>	<u>5,462,203</u>	<u>35,345</u>	<u>5,426,858</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,203)	(2,203)	4,283,200	4,285,403
Other Financing Sources:				
Transfer Out	<u>-</u>	<u>-</u>	<u>(1,891,000)</u>	<u>(1,891,000)</u>
Net Change in Fund Balance	(2,203)	(2,203)	2,392,200	2,394,403
Fund Balance - Beginning	<u>2,699</u>	<u>2,699</u>	<u>474,980</u>	<u>472,281</u>
Fund Balance - Ending	<u>\$ 496</u>	<u>\$ 496</u>	<u>\$ 2,867,180</u>	<u>\$ 2,866,684</u>

CITY OF MESA, ARIZONA

EXHIBIT D-3 (Continued)

NON-MAJOR SPECIAL REVENUE FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
ENVIRONMENTAL COMPLIANCE FUND				
Revenues:				
Charges For Services	\$ 5,487,000	\$ 5,487,000	\$ 5,733,948	\$ 246,948
Investment Income	7,000	7,000	606	(6,394)
Total Revenues	<u>5,494,000</u>	<u>5,494,000</u>	<u>5,734,554</u>	<u>240,554</u>
Expenditures:				
Current:				
Public Safety	5,602,376	5,602,323	5,242,813	359,510
Capital Outlay	400,000	400,000	33,276	366,724
Contingencies	-	53	-	53
Total Expenditures	<u>6,002,376</u>	<u>6,002,376</u>	<u>5,276,089</u>	<u>726,287</u>
Net Change in Fund Balance	(508,376)	(508,376)	458,465	966,841
Fund Balance - Beginning	<u>508,858</u>	<u>508,858</u>	<u>460,402</u>	<u>(48,456)</u>
Fund Balance - Ending	<u>\$ 482</u>	<u>\$ 482</u>	<u>\$ 918,867</u>	<u>\$ 918,385</u>

CITY OF MESA, ARIZONA

EXHIBIT D-3 (Continued)

NON-MAJOR SPECIAL REVENUE FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
VEHICLE REPLACEMENT FUND				
Revenues:				
Investment Income	\$ 20,000	\$ 20,000	\$ 3,438	\$ (16,562)
Miscellaneous	150,000	150,000	123,853	(26,147)
Total Revenues	<u>170,000</u>	<u>170,000</u>	<u>127,291</u>	<u>(42,709)</u>
Expenditures:				
Capital Outlay	2,715,782	2,666,659	2,325,934	340,725
Contingencies	2,666,000	2,715,123	-	2,715,123
Total Expenditures	<u>5,381,782</u>	<u>5,381,782</u>	<u>2,325,934</u>	<u>3,055,848</u>
Deficiency of Revenues Under Expenditures	(5,211,782)	(5,211,782)	(2,198,643)	3,013,139
Other Financing Sources:				
Transfers In	3,244,000	3,244,000	3,090,000	(154,000)
Net Change in Fund Balance	(1,967,782)	(1,967,782)	891,357	2,859,139
Fund Balance - Beginning	<u>1,968,217</u>	<u>1,968,217</u>	<u>3,947,956</u>	<u>1,979,739</u>
Fund Balance - Ending	<u>\$ 435</u>	<u>\$ 435</u>	<u>\$ 4,839,313</u>	<u>\$ 4,838,878</u>

CITY OF MESA, ARIZONA

EXHIBIT D-3 (Concluded)

NON-MAJOR SPECIAL REVENUE FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
RECAP				
Revenues:				
Licenses and Permits	\$ 2,300,000	\$ 2,300,000	\$ 2,552,700	\$ 252,700
Intergovernmental	31,155,000	31,155,000	21,609,406	(9,545,594)
Charges for Services	7,352,000	7,352,000	8,645,011	1,293,011
Fines and Forfeitures	706,000	706,000	761,804	55,804
Investment Income	206,000	206,000	22,613	(183,387)
Miscellaneous	231,000	231,000	962,214	731,214
Total Revenues	<u>41,950,000</u>	<u>41,950,000</u>	<u>34,553,748</u>	<u>(7,396,252)</u>
Expenditures:				
Current:				
Public Safety	5,602,376	5,602,323	5,242,813	359,510
Cultural-Recreational	110,000	110,000	20,550	89,450
Community Environment	25,114,706	25,114,320	21,593,084	3,521,236
Capital Outlay	23,534,171	23,485,048	8,166,729	15,318,319
Contingencies	2,817,000	2,866,562	-	2,866,562
Principal Retirement	3,414,956	3,688,877	3,929,956	(241,079)
Interest on Notes and Bonds	1,632,001	1,632,001	1,419,940	212,061
Total Expenditures	<u>62,225,210</u>	<u>62,499,131</u>	<u>40,373,072</u>	<u>22,126,059</u>
Deficiency of Revenues Under Expenditures	(20,275,210)	(20,549,131)	(5,819,324)	14,729,807
Other Financing Sources:				
Transfers In	12,881,000	12,881,000	8,799,000	(4,082,000)
Transfers Out	-	-	(1,891,000)	(1,891,000)
Net Change in Fund Balances	<u>(7,394,210)</u>	<u>(7,668,131)</u>	<u>1,088,676</u>	<u>8,756,807</u>
Fund Balances - Beginning	<u>22,951,693</u>	<u>22,951,693</u>	<u>25,243,847</u>	<u>2,292,154</u>
Fund Balances - Ending	<u><u>\$ 15,557,483</u></u>	<u><u>\$ 15,283,562</u></u>	<u><u>\$ 26,332,523</u></u>	<u><u>\$ 11,048,961</u></u>

CITY OF MESA, ARIZONA

EXHIBIT D-4

NON-MAJOR SPECIAL REVENUE FUNDS

SCHEDULE OF EXPENDITURES BY PROGRAM - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
LOCAL TRANSPORTATION ASSISTANCE FUND				
Community Environment:				
Mass Transit	\$ 23,969,748	\$ 23,969,362	\$ 13,045,900	\$ 10,923,462
Total Community Environment	<u>23,969,748</u>	<u>23,969,362</u>	<u>13,045,900</u>	<u>10,923,462</u>
Less: Capital Outlay Expenditures	<u>13,614,356</u>	<u>13,614,356</u>	<u>4,414,565</u>	<u>9,199,791</u>
Total Current Expenditures	<u>10,355,392</u>	<u>10,355,006</u>	<u>8,631,335</u>	<u>1,723,671</u>
Contingencies	<u>-</u>	<u>386</u>	<u>-</u>	<u>386</u>
Total Local Transportation Assistance Fund Expenditures	<u><u>\$ 23,969,748</u></u>	<u><u>\$ 23,969,748</u></u>	<u><u>\$ 13,045,900</u></u>	<u><u>\$ 10,923,848</u></u>
MESA HOUSING AUTHORITY				
Community Environment				
Mesa Housing Authority	\$ 13,542,000	\$ 13,542,000	\$ 11,917,797	\$ 1,624,203
Total Community Environment	<u>13,542,000</u>	<u>13,542,000</u>	<u>11,917,797</u>	<u>1,624,203</u>
Total Mesa Housing Authority Fund Expenditures	<u><u>\$ 13,542,000</u></u>	<u><u>\$ 13,542,000</u></u>	<u><u>\$ 11,917,797</u></u>	<u><u>\$ 1,624,203</u></u>
CEMETERY FUND				
Community Environment:				
Cemetery	\$ 2,026,000	\$ 2,026,000	\$ 1,866,743	\$ 159,257
Less: Capital Outlay Expenditures	<u>808,686</u>	<u>808,686</u>	<u>822,791</u>	<u>(14,105)</u>
Total Current Expenditures	<u>1,217,314</u>	<u>1,217,314</u>	<u>1,043,952</u>	<u>173,362</u>
Contingencies	<u>151,000</u>	<u>151,000</u>	<u>-</u>	<u>151,000</u>
Total Cemetery Fund Expenditures	<u><u>\$ 2,177,000</u></u>	<u><u>\$ 2,177,000</u></u>	<u><u>\$ 1,866,743</u></u>	<u><u>\$ 310,257</u></u>

CITY OF MESA, ARIZONA

EXHIBIT D-4 (Continued)

NON-MAJOR SPECIAL REVENUE FUNDS

SCHEDULE OF EXPENDITURES BY PROGRAM - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
PUBLIC ART FUND				
Cultural Recreational:				
Cultural	\$ -	\$ -	\$ -	\$ -
Total Cultural-Recreational	-	-	-	-
Less: Capital Outlay Expenditures	-	-	-	-
Total Current Expenditures	-	-	-	-
Total Public Art Fund Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DEVELOPMENT IMPACT FEES FUND				
Public Safety:				
Debt Service:				
Law Enforcement	\$ 519,000	\$ 519,000	\$ 416,000	\$ 103,000
Fire Prevention	351,000	351,000	276,000	75,000
Total Public Safety	<u>870,000</u>	<u>870,000</u>	<u>692,000</u>	<u>178,000</u>
Cultural-Recreational:				
Capital Outlay:				
Library	-	-	48,741	(48,741)
Cultural Facilities	443,144	443,144	365,385	77,759
Debt Service:				
Library	2,058,957	2,058,957	2,058,957	-
Parks & Recreation	395,000	501,982	722,000	(220,018)
Total Cultural-Recreational	<u>2,897,101</u>	<u>3,004,083</u>	<u>3,195,083</u>	<u>(191,000)</u>
Community Environment:				
Debt Service:				
Storm Sewer	223,000	223,000	210,000	13,000
Total Community Environment	<u>223,000</u>	<u>223,000</u>	<u>210,000</u>	<u>13,000</u>
Total Development Impact Fees Fund Expenditures	<u>\$ 3,990,101</u>	<u>\$ 4,097,083</u>	<u>\$ 4,097,083</u>	<u>\$ -</u>

CITY OF MESA, ARIZONA

EXHIBIT D-4 (Continued)

NON-MAJOR SPECIAL REVENUE FUNDS

SCHEDULE OF EXPENDITURES BY PROGRAM - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
COURT CONSTRUCTION FUND				
General Government:				
Debt Service:				
Judicial	\$ 1,500,000	\$ 1,666,939	\$ 1,666,939	\$ -
Total General Government	<u>1,500,000</u>	<u>1,666,939</u>	<u>1,666,939</u>	<u>-</u>
Total Court Construction Fund Expenditures	<u>\$ 1,500,000</u>	<u>\$ 1,666,939</u>	<u>\$ 1,666,939</u>	<u>\$ -</u>
MESA ARTS CENTER RESTORATION FUND				
Cultural-Recreational:				
Cultural	\$ 200,000	\$ 200,000	\$ 141,242	\$ 58,758
Total Cultural-Recreational	<u>200,000</u>	<u>200,000</u>	<u>141,242</u>	<u>58,758</u>
Less: Capital Outlay Expenditures	<u>90,000</u>	<u>90,000</u>	<u>120,692</u>	<u>(30,692)</u>
Total Current Expenditures	<u>110,000</u>	<u>110,000</u>	<u>20,550</u>	<u>89,450</u>
Total Mesa Arts Center Restoration Fund Expenditures	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 141,242</u>	<u>\$ 58,758</u>
REGIONAL TRANSPORTATION PLAN FUND				
Community Environment:				
Capital Outlay:				
Streets	\$ 5,462,203	\$ 5,462,203	\$ 35,345	\$ 5,426,858
Total Community Environment	<u>5,462,203</u>	<u>5,462,203</u>	<u>35,345</u>	<u>5,426,858</u>
Less: Capital Outlay Expenditures	<u>5,462,203</u>	<u>5,462,203</u>	<u>35,345</u>	<u>5,426,858</u>
Total Regional Transportation Plan Fund Expenditures	<u>\$ 5,462,203</u>	<u>\$ 5,462,203</u>	<u>\$ 35,345</u>	<u>\$ 5,426,858</u>

CITY OF MESA, ARIZONA

EXHIBIT D-4 (Continued)

NON-MAJOR SPECIAL REVENUE FUNDS

SCHEDULE OF EXPENDITURES BY PROGRAM - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
ENVIRONMENTAL COMPLIANCE FUND				
Public Safety:				
Environmental Management	\$ 6,002,376	\$ 6,002,323	\$ 5,276,089	\$ 726,234
Total Public Safety	<u>6,002,376</u>	<u>6,002,323</u>	<u>5,276,089</u>	<u>726,234</u>
Less: Capital Outlay Expenditures	<u>400,000</u>	<u>400,000</u>	<u>33,276</u>	<u>366,724</u>
Total Current Expenditures	<u>5,602,376</u>	<u>5,602,323</u>	<u>5,242,813</u>	<u>359,510</u>
Contingencies	<u>-</u>	<u>53</u>	<u>-</u>	<u>53</u>
Total Environmental Compliance Fund Expenditures	<u>\$ 6,002,376</u>	<u>\$ 6,002,376</u>	<u>\$ 5,276,089</u>	<u>\$ 726,287</u>
VEHICLE REPLACEMENT FUND				
Capital Outlay:				
General Government				
Building Maintenance	\$ 145,527	\$ 145,527	\$ 76,363	\$ 69,164
Engineering	114,000	114,000	-	114,000
General Services	38,000	38,000	39,619	(1,619)
Fleet Services	<u>-</u>	<u>-</u>	<u>26,618</u>	<u>(26,618)</u>
Total General Government	<u>297,527</u>	<u>297,527</u>	<u>142,600</u>	<u>154,927</u>
Public Safety				
Law Enforcement	1,425,307	1,425,307	1,608,720	(183,413)
Total Public Safety	<u>1,425,307</u>	<u>1,425,307</u>	<u>1,608,720</u>	<u>(183,413)</u>
Cultural-Recreational				
Parks and Recreation	228,000	228,000	-	228,000
Total Cultural-Recreational	<u>228,000</u>	<u>228,000</u>	<u>-</u>	<u>228,000</u>
Community Environment				
Streets	764,948	715,825	574,614	141,211
Total Community Environment	<u>764,948</u>	<u>715,825</u>	<u>574,614</u>	<u>141,211</u>
Total Capital Outlay	<u>2,715,782</u>	<u>2,666,659</u>	<u>2,325,934</u>	<u>340,725</u>
Less: Capital Outlay Expenditures	<u>2,715,782</u>	<u>2,666,659</u>	<u>2,325,934</u>	<u>340,725</u>
Total Current Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contingencies	<u>2,666,000</u>	<u>2,715,123</u>	<u>-</u>	<u>2,715,123</u>
Total Vehicle Replacement Fund Expenditures	<u>\$ 5,381,782</u>	<u>\$ 5,381,782</u>	<u>\$ 2,325,934</u>	<u>\$ 3,055,848</u>

CITY OF MESA, ARIZONA

EXHIBIT D-4 (Concluded)

NON-MAJOR SPECIAL REVENUE FUNDS

SCHEDULE OF EXPENDITURES BY PROGRAM - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
RECAP				
General Government	\$ 1,797,527	\$ 1,964,466	\$ 1,809,539	\$ 154,927
Public Safety	8,297,683	8,297,630	7,576,809	720,821
Cultural-Recreational	3,325,101	3,432,083	3,336,325	95,758
Community Environment	45,987,899	45,938,390	27,650,399	18,287,991
Contingencies	2,817,000	2,866,562	-	2,866,562
Total Nonmajor Special Revenue				
Funds Expenditures	<u>\$ 62,225,210</u>	<u>\$ 62,499,131</u>	<u>\$ 40,373,072</u>	<u>\$ 22,126,059</u>

CITY OF MESA, ARIZONA

EXHIBIT D-5

NON-MAJOR CAPITAL PROJECT FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
CAPITAL PROJECTS FUNDS				
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 1,215	1,215
Miscellaneous	-	-	225,016	225,016
Total Revenues	<u>-</u>	<u>-</u>	<u>226,231</u>	<u>226,231</u>
Expenditures:				
Capital Outlay	175,716,000	175,716,000	106,960,870	68,755,130
Total Expenditures	<u>175,716,000</u>	<u>175,716,000</u>	<u>106,960,870</u>	<u>68,755,130</u>
Deficiency of Revenues Under Expenditures	<u>(175,716,000)</u>	<u>(175,716,000)</u>	<u>(106,734,639)</u>	<u>68,981,361</u>
Other Financing Sources:				
Face Amount of Bonds Issued	183,950,000	183,950,000	81,245,000	(102,705,000)
Premium on Issuance of Bonds	-	-	1,156,039	1,156,039
Face Amount of Notes Issued	-	-	3,486,902	3,486,902
Transfers In	<u>5,927,000</u>	<u>5,927,000</u>	<u>5,525,900</u>	<u>(401,100)</u>
Net Change in Fund Balances	14,161,000	14,161,000	(15,320,798)	(29,481,798)
Fund Balances-Beginning	<u>66,482,404</u>	<u>66,482,404</u>	<u>92,973,339</u>	<u>26,490,935</u>
Fund Balances-Ending	<u>\$ 80,643,404</u>	<u>\$ 80,643,404</u>	<u>\$ 77,652,541</u>	<u>\$ (2,990,863)</u>

Budget Basis

Actual amounts (budgetary basis) "Net Change in Fund Balances" from the budgetary comparison schedule

\$ (15,320,798)

Perspective Differences:

Proprietary Capital Project Funds

(5,779,762)

Entity Differences:

Non-Budgeted Capital Leases

(394,936)

GAAP Basis

Actual amount (GAAP basis) "Net Change in Fund Balance" as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Capital Project Funds Exhibit C-8

\$ (21,495,496)

CITY OF MESA, ARIZONA

EXHIBIT D-6

ENTERPRISE FUND

SCHEDULE OF REVENUES, EXPENSES AND

CHANGES IN NET ASSETS - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
Revenues:				
Electric	\$ 35,117,000	\$ 35,117,000	\$ 33,422,989	\$ (1,694,011)
Gas	45,035,000	45,035,000	39,076,614	(5,958,386)
Water	108,518,000	108,518,000	104,925,056	(3,592,944)
Wastewater	63,172,000	63,172,000	60,054,466	(3,117,534)
Solid Waste	47,826,000	47,826,000	47,047,901	(778,099)
Airport	8,188,000	8,188,000	4,287,736	(3,900,264)
Golf Course	2,349,000	2,349,000	2,317,924	(31,076)
Convention Center	3,294,000	3,294,000	1,970,891	(1,323,109)
Hohokam Stadium/Fitch Complex	6,782,000	6,782,000	5,936,650	(845,350)
District Cooling	824,000	824,000	983,592	159,592
Less: Bad Debt Expense	(1,100,000)	(1,100,000)	(1,101,861)	(1,861)
Total Revenues	<u>320,005,000</u>	<u>320,005,000</u>	<u>298,921,958</u>	<u>(21,083,042)</u>
Expenses:				
Electric	34,469,000	34,467,440	25,423,324	9,044,116
Gas	46,037,000	45,945,752	31,439,175	14,506,577
Water	67,507,000	67,445,702	62,353,209	5,092,493
Wastewater	53,324,000	53,316,671	50,539,921	2,776,750
Solid Waste	32,120,000	32,110,262	27,061,465	5,048,797
Airport	8,624,000	8,623,920	4,143,273	4,480,647
Golf Course	2,651,000	2,650,860	2,427,051	223,809
Convention Center	5,632,000	5,631,896	3,019,148	2,612,748
Hohokam Stadium/Fitch Complex	6,688,000	7,351,248	7,351,248	-
District Cooling	1,868,000	1,867,995	1,629,008	238,987
Contingencies	34,773,000	34,281,182	-	34,281,182
Total Expenses	<u>293,693,000</u>	<u>293,692,928</u>	<u>215,386,822</u>	<u>78,306,106</u>
Income Before Transfers	26,312,000	26,312,072	83,535,136	57,223,064
Other Operating Sources and (Uses):				
Transfers In	-	-	134,560	134,560
Transfers Out	(83,734,000)	(83,734,000)	(84,581,287)	(847,287)
Total Other Operating Sources and (Uses)	<u>(83,734,000)</u>	<u>(83,734,000)</u>	<u>(84,446,727)</u>	<u>(712,727)</u>
Change in Net Assets	(57,422,000)	(57,421,928)	(911,591)	56,510,337
Unappropriated Net Assets - Beginning	61,307,039	61,307,039	53,372,708	(7,934,331)
Increase in Restricted Net Assets	(3,935,039)	(3,885,111)	(728,278)	3,156,833
Unappropriated Net Assets - Ending	<u>\$ (50,000)</u>	<u>\$ -</u>	<u>\$ 51,732,839</u>	<u>\$ 51,732,839</u>

CITY OF MESA, ARIZONA
EXHIBIT D-7
 ENTERPRISE FUND
 RECONCILIATION OF BUDGET TO GAAP
 CHANGES IN NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Budget Basis

Actual Amounts (Budgetary Basis)
 "Change in Net Assets" from Exhibit D-6 \$ (911,591)

Basis Differences:

Compensated Absences 146,376
 Post Employment Benefits (12,723,899)
 Capitalized Interest 3,453,424
 Contractual Commitments (2,135,982)
 Utility Revenue Accrual 102,331
 Increase of Fair Market Value of Investments (15,573)

Perspective Differences:

Grants and Contributions 29,003,878

Timing Differences:

Water Rights 437,333
 Capital Expenditures 9,146,080
 Depreciation - Amortization (52,030,215)
 Investment in Joint Ventures (11,122,801)
 Non-Cash Loss on Disposal of Capital Assets (1,807,334)
 Bond Principal and Reserves 17,019,558
 Amortization of Bond Premiums 2,103,209
 Deferred Amounts on Refundings (2,009,567)
 Accretion of Certificates of Supplemental Interest 41,235
 Deferred Revenue 56,389

GAAP Basis

Actual Amount (GAAP Basis)
 "Change in Net Assets" from Exhibit A-8 \$ (21,247,149)

CITY OF MESA, ARIZONA

EXHIBIT D-8

INTERNAL SERVICE FUNDS

SCHEDULE OF REVENUES, EXPENSES AND

CHANGES IN NET ASSETS - BUDGET TO ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
WAREHOUSE, MAINTENANCE AND SERVICES				
Revenues:				
Charges For Services:				
Materials and Supply	\$ 1,143,716	\$ 1,143,716	\$ 1,069,697	\$ (74,019)
Printing and Graphics	1,422,014	1,422,014	917,841	(504,173)
Fleet Support Services	<u>18,074,443</u>	<u>18,074,443</u>	<u>14,847,956</u>	<u>(3,226,487)</u>
Total Revenues	<u>20,640,173</u>	<u>20,640,173</u>	<u>16,835,494</u>	<u>(3,804,679)</u>
Expenses:				
Materials and Supply	1,174,933	2,214,969	2,140,950	74,019
Printing and Graphics	1,427,410	1,427,410	919,653	507,757
Fleet Support Services	<u>18,205,226</u>	<u>18,659,397</u>	<u>15,432,910</u>	<u>3,226,487</u>
Total Expenses	<u>20,807,569</u>	<u>22,301,776</u>	<u>18,493,513</u>	<u>3,808,263</u>
Loss Before Transfers	(167,396)	(1,661,603)	(1,658,019)	3,584
Transfers In	<u>168,000</u>	<u>168,000</u>	<u>1,663,300</u>	<u>1,495,300</u>
Change in Net Assets	604	(1,493,603)	5,281	1,498,884
Unappropriated Net Assets - Beginning	<u>81</u>	<u>81</u>	<u>(5,198)</u>	<u>(5,279)</u>
Unappropriated Net Assets - Ending	<u>\$ 685</u>	<u>\$ (1,493,522)</u>	<u>\$ 83</u>	<u>\$ 1,493,605</u>

CITY OF MESA, ARIZONA
EXHIBIT D-8 (Continued)
INTERNAL SERVICE FUNDS
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET TO ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
PROPERTY AND PUBLIC LIABILITY FUND				
Revenues:				
Investment Income	\$ 89,000	\$ 89,000	\$ 9,059	\$ (79,941)
Contributions	4,301,000	4,301,000	4,301,000	-
Miscellaneous	53,000	53,000	-	(53,000)
Total Revenues	<u>4,443,000</u>	<u>4,443,000</u>	<u>4,310,059</u>	<u>(132,941)</u>
Expenses:				
Administrative and Other Fees	2,100,978	2,100,978	1,907,748	193,230
Claims Incurred	2,387,022	6,439,003	6,632,233	(193,230)
Total Expenses	<u>4,488,000</u>	<u>8,539,981</u>	<u>8,539,981</u>	<u>-</u>
Change in Net Assets	(45,000)	(4,096,981)	(4,229,922)	(132,941)
Unappropriated Net Assets - Beginning	<u>10,584,910</u>	<u>10,584,910</u>	<u>13,557,021</u>	<u>2,972,111</u>
Unappropriated Net Assets - Ending	<u><u>\$ 10,539,910</u></u>	<u><u>\$ 6,487,929</u></u>	<u><u>\$ 9,327,099</u></u>	<u><u>\$ 2,839,170</u></u>

CITY OF MESA, ARIZONA
EXHIBIT D-8 (Continued)
INTERNAL SERVICE FUNDS
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET TO ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
WORKERS' COMPENSATION FUND				
Revenues:				
Investment Income	\$ 86,000	\$ 86,000	\$ 10,247	\$ (75,753)
Contributions	4,000,000	4,000,000	2,141,209	(1,858,791)
Miscellaneous	200,000	200,000	120,337	(79,663)
Total Revenues	<u>4,286,000</u>	<u>4,286,000</u>	<u>2,271,793</u>	<u>(2,014,207)</u>
Expenses:				
Administrative and Other Fees	1,315,000	1,315,000	881,122	433,878
Claims Incurred	2,400,000	2,519,628	2,953,506	(433,878)
Total Expenses	<u>3,715,000</u>	<u>3,834,628</u>	<u>3,834,628</u>	<u>-</u>
Change in Net Assets	571,000	451,372	(1,562,835)	(2,014,207)
Unappropriated Net Assets - Beginning	<u>11,611,273</u>	<u>11,611,273</u>	<u>11,532,511</u>	<u>(78,762)</u>
Unappropriated Net Assets - Ending	<u>\$ 12,182,273</u>	<u>\$ 12,062,645</u>	<u>\$ 9,969,676</u>	<u>\$ (2,092,969)</u>

CITY OF MESA, ARIZONA
EXHIBIT D-8 (Continued)
INTERNAL SERVICE FUNDS
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET TO ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
EMPLOYEE BENEFITS FUND				
Revenues:				
Investment Income	\$ 170,000	\$ 170,000	\$ 74,426	\$ (95,574)
Contributions	51,474,000	51,474,000	50,316,620	(1,157,380)
Miscellaneous	314,000	314,000	1,661,758	1,347,758
Total Revenues	<u>51,958,000</u>	<u>51,958,000</u>	<u>52,052,804</u>	<u>94,804</u>
Expenses:				
Administrative and Other Fees	5,111,022	5,111,022	4,592,650	(518,372)
Claims Incurred	49,176,978	49,557,929	50,076,301	518,372
Total Expenses	<u>54,288,000</u>	<u>54,668,951</u>	<u>54,668,951</u>	<u>-</u>
Change in Net Assets	(2,330,000)	(2,710,951)	(2,616,147)	94,804
Unappropriated Net Assets - Beginning	<u>26,682,247</u>	<u>26,682,247</u>	<u>22,427,582</u>	<u>(4,254,665)</u>
Unappropriated Net Assets - Ending	<u><u>\$ 24,352,247</u></u>	<u><u>\$ 23,971,296</u></u>	<u><u>\$ 19,811,435</u></u>	<u><u>\$ (4,159,861)</u></u>

CITY OF MESA, ARIZONA
EXHIBIT D-8 (Concluded)
INTERNAL SERVICE FUNDS
SELF-INSURANCE FUNDS
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET TO ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
RECAP				
Revenues:				
Charges for Services	\$ 20,640,173	\$ 20,640,173	\$ 16,835,494	\$ (3,804,679)
Investment Income	345,000	345,000	93,732	(251,268)
Contributions	59,775,000	59,775,000	56,758,829	(3,016,171)
Miscellaneous	567,000	567,000	1,782,095	1,215,095
Total Revenues	<u>81,327,173</u>	<u>81,327,173</u>	<u>75,470,150</u>	<u>(5,857,023)</u>
Expenses:				
Materials and Supply	1,174,933	2,214,969	2,140,950	74,019
Printing and Graphics	1,427,410	1,427,410	919,653	507,757
Fleet Support	18,205,226	18,659,397	15,432,910	3,226,487
Administrative and Other Fees	8,527,000	8,527,000	7,381,520	1,145,480
Claims Incurred	53,964,000	58,516,559	59,662,040	(1,145,481)
Contingencies	-	-	-	-
Total Expenses	<u>83,298,569</u>	<u>89,345,335</u>	<u>85,537,073</u>	<u>3,808,262</u>
Loss Before Transfers	(1,971,396)	(8,018,162)	(10,066,923)	(2,048,761)
Transfers In	168,000	168,000	1,663,300	1,495,300
Change in Net Assets	(1,803,396)	(7,850,162)	(8,403,623)	(553,461)
Unappropriated Net Assets - Beginning	48,878,511	48,878,511	47,511,916	(1,366,595)
Unappropriated Net Assets - Ending	<u>\$ 47,075,115</u>	<u>\$ 41,028,349</u>	<u>\$ 39,108,293</u>	<u>\$ (1,920,056)</u>

CITY OF MESA, ARIZONA
EXHIBIT D-9
INTERNAL SERVICE FUND
RECONCILIATION OF BUDGET TO GAAP
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Budget Basis

Actual Amounts (Budgetary Basis)
"Change in Net Assets" from Exhibit D-8 \$ (8,403,623)

Basis Differences:

Compensated Absences 16,150
Increase of Fair Market Value of Investments (14,800)

Perspective Differences:

Transfer of Capital Assets from Governmental Activities 26,618

Timing Differences:

OPEB Proprietary Funds (1,403,881)
Capital Expenditures 49,729
Loss on Sale of Assets (79,418)
Depreciation - Amortization (397,805)
Inventory Increase 1,502,266
Increase in Contingent Liability 5,142,379

GAAP Basis

Actual Amount (GAAP Basis)
"Change in Net Assets" from Exhibit A-8 \$ (3,562,384)

Statistical Section



CITY OF MESA, ARIZONA

EXHIBIT D-10

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE BY SOURCE

JUNE 30, 2010

GOVERNMENTAL FUNDS CAPITAL ASSETS

Land	\$ 261,770,684
Buildings	303,250,243
Other Improvements	136,932,364
Machinery and Equipment	161,202,705
Infrastructure	775,313,923
Intangibles	150,107
Construction in Progress	<u>138,509,837</u>
Total Governmental Funds Capital Assets	\$ <u><u>1,777,129,863</u></u>

INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS

Investment in Property Acquired Prior to July 1, 1978:	
Source Indeterminable	\$ <u>1,625,597</u>
Investment in Property Acquired After June 30, 1978 From:	
General Obligation Bonds	493,742,603
Highway User Revenue Bonds	150,593,184
Federal Revenue Sharing	2,160,440
Federal Aid	53,390,176
General Revenue	473,255,687
Contributions From Developers	458,802,575
Contributions From Property Owners	19,209,816
Contributions From Other Gov't	53,823,547
Contributions - Indeterminant Funding	<u>70,526,238</u>
Total	<u>1,775,504,266</u>
Total Investment in Governmental Funds Capital Assets	\$ <u><u>1,777,129,863</u></u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of the internal service funds are included as governmental activities in the statement of net assets.



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.	137
Revenue Capacity These schedules contain information to help readers assess the City's most significant local revenue source, the sales tax.	149
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.	152
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.	160
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.	162

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

The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

CITY OF MESA, ARIZONA

TABLE I

NET ASSETS BY COMPONENTS

LAST NINE FISCAL YEARS

(accrual basis of accounting)

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
GOVERNMENTAL ACTIVITIES				
Invested in Capital Assets, Net of Related Debt	\$ 624,647,011	\$ 692,576,782	\$ 781,518,870	\$ 769,923,509
Restricted	96,006,282	85,299,383	61,749,912	68,486,614
Unrestricted	<u>80,266,214</u>	<u>53,068,738</u>	<u>43,964,946</u>	<u>62,539,346</u>
Total Governmental Activities Net Assets	<u>\$ 800,919,507</u>	<u>\$ 830,944,903</u>	<u>\$ 887,233,728</u>	<u>\$ 900,949,469</u>
BUSINESS-TYPE ACTIVITIES				
Invested in Capital Assets, Net of Related Debt	\$ 406,180,825	\$ 477,877,715	\$ 451,550,515	\$ 424,820,602
Restricted	36,822,813	44,402,649	62,692,972	101,565,804
Unrestricted	<u>174,986,829</u>	<u>182,390,271</u>	<u>218,266,775</u>	<u>219,103,522</u>
Total Business-type Activities	<u>\$ 617,990,467</u>	<u>\$ 704,670,635</u>	<u>\$ 732,510,262</u>	<u>\$ 745,489,928</u>
PRIMARY GOVERNMENT				
Invested in Capital Assets, Net of Related Debt	\$ 1,030,827,836	\$ 1,170,454,497	\$ 1,233,069,385	\$ 1,194,744,111
Restricted	132,829,095	129,702,032	124,442,884	170,052,418
Unrestricted	<u>255,253,043</u>	<u>235,459,009</u>	<u>262,231,721</u>	<u>281,642,868</u>
Total Primary Government	<u>\$ 1,418,909,974</u>	<u>\$ 1,535,615,538</u>	<u>\$ 1,619,743,990</u>	<u>\$ 1,646,439,397</u>

TABLE I
(Continued)

	2005-06	2006-07	2007-08	2008-09	2009-10
\$	765,874,830	\$ 791,591,633	\$ 794,720,403	\$ 791,523,460	\$ 844,777,095
	84,386,395	95,107,036	86,252,122	92,532,141	86,954,514
	<u>85,734,791</u>	<u>128,548,213</u>	<u>125,128,033</u>	<u>91,363,394</u>	<u>3,651,537</u>
\$	<u>935,996,016</u>	<u>1,015,246,882</u>	<u>1,006,100,558</u>	<u>975,418,995</u>	<u>935,383,146</u>
\$	390,100,160	\$ 366,497,841	\$ 410,073,719	\$ 413,943,796	\$ 434,813,786
	89,383,126	96,756,386	94,133,333	82,697,422	47,011,208
	<u>268,388,224</u>	<u>308,374,940</u>	<u>308,215,959</u>	<u>278,891,568</u>	<u>271,705,523</u>
\$	<u>747,871,510</u>	<u>771,629,167</u>	<u>812,423,011</u>	<u>775,532,786</u>	<u>753,530,517</u>
\$	1,155,974,990	\$ 1,158,089,474	\$ 1,204,794,122	\$ 1,205,467,256	\$ 1,279,590,881
	173,769,521	191,863,422	180,385,455	175,229,563	133,965,722
	<u>354,123,015</u>	<u>436,923,153</u>	<u>433,343,992</u>	<u>370,254,962</u>	<u>275,357,060</u>
\$	<u>1,683,867,526</u>	<u>1,786,876,049</u>	<u>1,818,523,569</u>	<u>1,750,951,781</u>	<u>1,688,913,663</u>

CITY OF MESA, ARIZONA

TABLE II

CHANGES IN NET ASSETS

LAST NINE FISCAL YEARS

(accrual basis of accounting)

EXPENSES	2001-02	2002-03	2003-04	2004-05
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 41,768,977	\$ 48,918,830	\$ 44,012,723	\$ 48,722,316
Public Safety	164,866,979	169,665,871	181,856,295	204,366,091
Cultural-Recreational	49,917,805	52,778,367	53,201,350	62,870,201
Community Environment	75,331,481	55,886,591	72,984,342	86,363,321
Interest in Long-term Debt	13,482,328	13,891,122	14,490,474	15,503,667
Total Governmental Activities Expenses	345,367,570	341,140,781	366,545,184	417,825,596
BUSINESS-TYPE ACTIVITIES:				
Electric	21,586,810	21,809,560	24,390,551	27,118,590
Gas	20,215,585	22,433,015	25,990,497	33,829,631
Water	49,031,606	46,247,340	49,542,568	54,247,920
Wastewater	30,394,738	36,177,157	39,673,430	47,799,248
Solid Waste	21,430,944	21,737,238	21,826,949	23,863,908
Airport	2,018,408	1,940,735	2,087,395	2,119,795
Golf Course	2,275,182	2,296,550	2,781,273	2,966,147
Convention Center	3,026,657	3,013,443	4,224,151	4,260,510
Hohokam Stadium/Fitch Complex	-	-	-	-
District Cooling	-	-	-	-
Total Business-type Activities Expenses	149,979,930	155,655,038	170,516,814	196,205,749
Total Primary Government Expenses	\$ 495,347,500	\$ 496,795,819	\$ 537,061,998	\$ 614,031,345

TABLE II
(Continued)

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
\$	44,568,148	\$ 48,200,767	\$ 63,633,405	\$ 54,225,566	\$ 54,862,584
	212,010,952	232,099,968	292,395,865	290,927,716	288,928,693
	65,389,229	64,591,583	72,999,346	67,039,000	54,010,115
	97,613,466	91,664,096	99,414,870	121,735,796	104,096,133
	<u>16,061,123</u>	<u>18,037,348</u>	<u>19,082,936</u>	<u>18,658,530</u>	<u>20,013,068</u>
	<u>435,642,918</u>	<u>454,593,762</u>	<u>547,526,422</u>	<u>552,586,608</u>	<u>521,910,593</u>
	26,817,051	26,280,947	31,612,431	27,633,642	27,106,177
	38,743,370	37,825,634	43,246,724	35,991,817	35,466,448
	54,110,525	59,964,524	59,224,757	68,955,827	80,915,190
	67,180,688	60,603,399	61,293,453	80,349,057	70,227,712
	25,070,150	27,891,495	32,877,483	31,953,188	31,503,513
	4,194,272	2,720,953	3,316,536	3,703,129	3,943,651
	2,524,364	2,601,521	3,011,883	3,082,522	2,714,896
	4,822,347	5,666,507	5,447,050	4,558,208	4,158,023
	-	-	-	-	7,407,501
	<u>67,274</u>	<u>1,090,931</u>	<u>768,873</u>	<u>975,687</u>	<u>1,000,347</u>
	<u>223,530,041</u>	<u>224,645,911</u>	<u>240,799,190</u>	<u>257,203,077</u>	<u>264,443,458</u>
\$	<u><u>659,172,959</u></u>	<u><u>679,239,673</u></u>	<u><u>788,325,612</u></u>	<u><u>809,789,685</u></u>	<u><u>786,354,051</u></u>

CITY OF MESA, ARIZONA

TABLE III

FUND BALANCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
GENERAL FUND				
Reserved (1)(2)	\$ 61,847,049	\$ 69,785,175	\$ 53,697,322	\$ 30,195,115
Unreserved	<u>22,182,897</u>	<u>24,532,385</u>	<u>11,253,612</u>	<u>25,844,445</u>
Total General Fund	<u>\$ 84,029,946</u>	<u>\$ 94,317,560</u>	<u>\$ 64,950,934</u>	<u>\$ 56,039,560</u>
ALL OTHER GOVERNMENTAL FUNDS				
Reserved	\$ 14,731,211	\$ 20,241,119	\$ 14,555,545	\$ 8,542,839
Unreserved, Reported in:				
Special Revenue Funds	11,958,553	12,119,328	9,211,016	20,215,242
Capital Project Funds	<u>24,492,954</u>	<u>8,559,611</u>	<u>23,676,985</u>	<u>13,773,686</u>
Total All Other Governmental Funds	<u>\$ 51,182,718</u>	<u>\$ 40,920,058</u>	<u>\$ 47,443,546</u>	<u>\$ 42,531,767</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.

TABLE III
(Continued)

<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
\$ 37,871,632	\$ 61,257,305	\$ 77,177,037	\$ 84,886,350	\$ 51,862,378	\$ 40,748,236
<u>19,310,081</u>	<u>27,993,782</u>	<u>57,029,523</u>	<u>50,283,211</u>	<u>74,711,328</u>	<u>92,186,747</u>
<u>\$ 57,181,713</u>	<u>\$ 89,251,087</u>	<u>\$ 134,206,560</u>	<u>\$ 135,169,561</u>	<u>\$ 126,573,706</u>	<u>\$ 132,934,983</u>
\$ 10,335,341	\$ 8,391,978	\$ 5,885,100	\$ 8,643,272	\$ 17,012,682	\$ 53,674,468
23,498,926	21,745,990	24,627,227	24,921,672	24,815,604	31,870,664
<u>15,681,069</u>	<u>18,611,420</u>	<u>17,567,790</u>	<u>11,142,826</u>	<u>28,442,378</u>	<u>15,724,086</u>
<u>\$ 49,515,336</u>	<u>\$ 48,749,388</u>	<u>\$ 48,080,117</u>	<u>\$ 44,707,770</u>	<u>\$ 70,270,664</u>	<u>\$ 101,269,218</u>

CITY OF MESA, ARIZONA

TABLE IV

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
REVENUES				
Sales Taxes (1)	\$ 102,710,563	\$ 101,660,597	\$ 98,434,394	\$ 105,096,378
Property Taxes	-	-	-	-
Occupancy Taxes	1,449,997	1,256,894	1,227,044	1,320,706
Special Assessments	547,069	68,388	67,313	57,567
Licenses and Permits	18,530,634	17,441,330	15,436,013	19,819,170
Intergovernmental	139,131,708	144,899,946	157,187,256	149,036,481
Charges for Services	9,122,804	9,492,864	9,639,690	11,152,669
Fines and Forfeitures	8,087,106	7,881,541	8,421,178	8,536,253
Investment Income	7,805,680	3,823,765	1,999,483	885,188
Loss on Investment in Local Government Investment Pool	-	-	(3,588,706)	-
Miscellaneous	3,193,930	5,702,529	6,204,205	5,268,925
Total Revenues	<u>290,579,491</u>	<u>292,227,854</u>	<u>295,027,870</u>	<u>301,173,337</u>
EXPENDITURES				
General Government	32,158,977	34,413,634	35,314,279	36,328,122
Public Safety	143,663,306	152,211,510	160,151,434	166,576,022
Cultural-Recreational	43,370,223	45,139,625	46,940,164	47,366,458
Community Environment	43,641,860	48,793,335	48,643,271	51,520,603
Debt Service				
Principal	13,240,354	20,844,687	20,548,390	7,145,591
Interest	20,861,188	13,482,328	13,551,752	14,081,131
Issuance Cost on Refunding Bonds	-	-	-	-
Service Charges	91,344	98,891	74,345	62,131
Cost of Issuance	-	-	-	-
Capital Outlay	77,341,312	90,516,208	106,255,818	81,823,895
Total Expenditures	<u>374,368,564</u>	<u>405,500,218</u>	<u>431,479,453</u>	<u>404,903,953</u>
Excess of Revenues Under Expenditures	<u>(83,789,073)</u>	<u>(113,272,364)</u>	<u>(136,451,583)</u>	<u>(103,730,616)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	94,442,234	98,319,124	100,545,246	98,213,698
Transfers Out	(40,154,867)	(38,779,124)	(40,765,246)	(27,993,698)
Face Amount of Bonds Issued	56,500,000	51,175,000	49,370,000	9,585,000
Face Amount of Notes Issued	-	-	-	-
Premium on Issuance of Bonds	10,935	134,318	145,133	-
Premium on Issuance of Notes	-	-	-	-
Proceeds from Obligations of Capital Leases	2,021,000	2,448,000	4,899,000	9,322,015
Proceeds From Refunding Issue	-	26,333,383	84,292,722	139,441,539
Payment to Refunded Bond Escrow Agent	-	(26,333,383)	(84,875,410)	(138,661,071)
Total Other Financing Sources (Uses)	<u>112,819,302</u>	<u>113,297,318</u>	<u>113,611,445</u>	<u>89,907,483</u>
Net Change in Fund Balances	<u>\$ 29,030,229</u>	<u>\$ 24,954</u>	<u>\$ (22,840,138)</u>	<u>\$ (13,823,133)</u>
Debt Service as a percentage of Noncapital Expenditures	11.51%	10.93%	10.51%	6.59%

(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

(Continued)

	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
\$	112,258,968	\$ 128,372,155	\$ 155,817,051	\$ 147,762,866	\$ 126,519,701	\$ 121,556,751
	-	-	-	-	-	13,885,749
	1,856,955	2,189,830	2,389,528	2,394,765	1,807,601	1,580,533
	4,770	4,770	416,906	1,218,100	806,151	922,651
	18,817,521	23,145,062	20,127,674	23,342,116	13,426,408	11,823,758
	153,369,074	178,553,235	190,825,624	193,585,472	191,084,600	190,731,282
	13,047,596	17,649,718	22,039,055	23,702,601	24,343,284	20,419,291
	9,247,469	9,049,107	10,276,600	10,761,086	10,215,428	10,134,507
	1,353,224	4,376,010	6,463,111	5,177,695	2,017,949	190,716
	-	-	-	-	-	-
	<u>9,562,131</u>	<u>9,632,863</u>	<u>6,365,625</u>	<u>6,421,576</u>	<u>14,754,573</u>	<u>13,675,435</u>
	<u>319,517,708</u>	<u>372,972,750</u>	<u>414,721,174</u>	<u>414,366,277</u>	<u>384,975,695</u>	<u>384,920,673</u>
	38,364,301	36,730,857	40,661,807	48,111,893	36,506,727	40,112,552
	182,224,448	190,761,508	210,541,969	233,506,939	230,863,556	216,025,864
	54,761,753	56,187,938	54,711,334	57,765,169	53,171,005	40,150,034
	56,953,311	60,079,827	65,314,260	66,615,531	72,646,647	72,081,273
	7,692,222	8,857,085	8,357,577	25,870,624	36,905,901	34,845,924
	15,369,204	16,181,484	18,150,710	19,229,682	18,845,224	21,185,810
	-	234,487	-	-	-	-
	61,994	55,510	56,768	58,196	27,738	9,397
	-	-	-	-	-	538,824
	<u>62,392,135</u>	<u>79,316,975</u>	<u>77,474,595</u>	<u>77,308,807</u>	<u>77,899,367</u>	<u>82,530,441</u>
	<u>417,819,368</u>	<u>448,405,671</u>	<u>475,269,020</u>	<u>528,466,841</u>	<u>526,866,165</u>	<u>507,480,119</u>
	<u>(98,301,660)</u>	<u>(75,432,921)</u>	<u>(60,547,846)</u>	<u>(114,100,564)</u>	<u>(141,890,470)</u>	<u>(122,559,446)</u>
	104,642,640	106,253,593	99,900,805	147,477,785	155,696,867	149,437,331
	(28,065,640)	(32,339,810)	(33,233,233)	(53,960,459)	(59,105,867)	(66,653,904)
	21,930,000	26,410,000	30,681,840	15,450,000	61,830,000	30,865,000
	-	-	-	-	-	45,000,000
	640,258	2,003,565	573,254	195,209	436,509	401,850
	-	-	-	-	-	869,000
	6,746,097	6,401,832	6,911,382	2,528,683	-	-
	26,420,341	25,482,000	-	-	-	-
	<u>(26,156,314)</u>	<u>(27,474,833)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>106,157,382</u>	<u>106,736,347</u>	<u>104,834,048</u>	<u>111,691,218</u>	<u>158,857,509</u>	<u>159,919,277</u>
\$	<u><u>7,855,722</u></u>	<u><u>31,303,426</u></u>	<u><u>44,286,202</u></u>	<u><u>(2,409,346)</u></u>	<u><u>16,967,039</u></u>	<u><u>37,359,831</u></u>
	6.51%	6.86%	6.68%	10.01%	12.42%	13.19%

CITY OF MESA, ARIZONA

TABLE V

SALES TAX COLLECTIONS BY CATEGORY
LAST TEN FISCAL YEARS

	<u>2000-01 (2)</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
Utilities	\$ 5,938,529	\$ 5,988,972	\$ 5,912,385	\$ 6,762,032
Communications	3,576,769	3,771,511	3,574,953	3,164,951
Publishing	1,576,120	1,594,079	1,530,906	1,470,008
Printing & Advertising	411,049	418,108	384,241	378,322
Contracting	14,415,520	14,146,743	11,333,545	12,454,780
Retail Sales	55,557,307	54,461,048	54,110,533	58,588,455
Restaurants & Bars	6,774,683	7,029,557	7,176,167	7,749,295
Amusements	1,027,591	1,005,956	974,633	1,029,101
Rentals	13,352,281	13,156,005	13,323,813	13,399,200
Miscellaneous	<u>80,714</u>	<u>88,618</u>	<u>113,218</u>	<u>100,234</u>
Total	\$ <u>102,710,563</u>	\$ <u>101,660,597</u>	\$ <u>98,434,394</u>	\$ <u>105,096,378</u>
City Direct Tax Rate	1.50%	1.50%	1.50%	1.50%

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

- (1) Beginning in August 1998, the City enacted a voter-approved 1/2 percent increase in sales tax to fund quality of life projects.
- (2) Beginning in fiscal year 2001, the City enacted a voter-approved initiative that eliminated sales tax on food items.
- (3) 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.

Source: City of Mesa Tax & Licensing Division

TABLE V
(Continued)

	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07 (3)</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
\$	6,692,042	\$ 7,539,420	\$ 9,116,291	\$ 9,667,778	\$ 9,654,488	\$ 9,756,726
	3,241,465	2,839,438	3,939,497	4,312,054	3,748,960	3,808,798
	1,564,309	1,792,345	1,963,330	1,922,909	1,402,465	1,102,145
	367,306	453,958	477,939	374,839	280,350	175,207
	12,073,940	14,580,722	21,424,371	19,300,601	15,263,241	10,913,417
	64,266,464	74,420,542	85,014,600	77,307,911	63,230,186	63,468,754
	8,483,650	9,417,798	11,725,779	12,038,983	10,956,021	10,948,158
	1,071,285	1,210,343	1,456,808	1,348,973	1,362,931	1,176,440
	14,380,416	15,786,032	20,533,854	21,369,386	20,514,008	20,122,775
	<u>118,091</u>	<u>331,557</u>	<u>164,582</u>	<u>119,432</u>	<u>107,051</u>	<u>84,330</u>
\$	<u>112,258,968</u>	<u>\$ 128,372,155</u>	<u>\$ 155,817,051</u>	<u>\$ 147,762,866</u>	<u>\$ 126,519,701</u>	<u>\$ 121,556,751</u>
	1.50%	1.50%	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>
2000-01	1.50	0.70	5.60
2001-02	1.50	0.70	5.60
2002-03	1.50	0.70	5.60
2003-04	1.50	0.70	5.60
2004-05	1.50	0.70	5.60
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*

Source: City of Mesa Tax & Licensing Division

*Note: The State of Arizona increased it's 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

Governmental Activities						
Year	General Obligation Bonds	Municipal Development Corporation Bonds	Highway User Revenue Bonds	Special Assessment Bonds	Capital Leases	Highway Project Advancement Notes
2001	\$ 175,433,951	\$ 22,315,000	\$ 46,900,000	\$ 329,000	\$ 25,238,893	\$ -
2002	181,307,268	11,925,000	72,700,000	217,000	20,845,608	-
2003	187,839,000	10,970,000	101,190,000	133,000	21,665,644	-
2004	187,644,270	9,970,000	110,770,000	48,000	25,193,586	-
2005	198,769,540	9,970,000	120,410,000	36,000	24,968,195	-
2006	207,859,834	9,970,000	131,950,000	5,049,000	23,273,476	-
2007	223,115,128	9,970,000	142,460,000	8,797,840	22,988,632	-
2008	221,625,447	9,970,000	142,290,000	8,046,000	17,502,575	-
2009	267,062,537	-	140,265,000	7,294,000	9,729,851	-
2010	273,869,349	-	134,545,000	6,550,000	5,406,120	45,000,000

(1) Information on personal income and population is presented on Table XII.
Personal income information not available for years 1999 & 2001.

TABLE VII
(Continued)

Business-type Activities							
Utility System Revenue Bonds	General Obligation Bonds	Municipal Development Corporation Bonds	Notes Payable	Capital Leases	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
\$ 285,755,000	\$ 69,028,384	\$ 24,600,000	\$ 1,484,952	\$ 14,853,400	\$ 665,938,580	N/A	1,584
353,875,000	23,072,732	20,600,000	1,355,468	12,140,530	698,038,606	8.34	1,616
397,315,000	13,706,000	19,800,000	1,218,660	10,092,842	763,930,146	8.08	1,758
458,525,000	3,290,730	16,900,000	1,074,110	23,473,486	836,889,182	8.57	1,879
549,415,000	3,290,460	13,500,000	921,377	21,641,099	942,921,671	9.24	2,090
655,085,000	3,290,166	9,600,000	759,993	4,301,174	1,051,138,643	9.97	2,309
723,185,000	3,289,872	5,100,000	589,462	2,869,497	1,142,365,431	10.54	2,483
767,445,000	3,289,553	-	431,565	1,541,281	1,172,141,421	10.68	2,529
817,530,000	2,957,463	-	333,189	158,413	1,245,330,453	11.03	2,677
857,435,000	2,690,651	-	2,963,780	-	1,328,459,900	11.49	2,843

CITY OF MESA, ARIZONA

TABLE VIII

RATIOS OF GENERAL BONDED DEBT OUTSTANDING (1)
LAST TEN FISCAL YEARS

Year	General Bonded Debt Outstanding				Percentage Of Secondary Assessed Value	Per Capita (3)
	Secondary Assessed Value (2)	General Obligation Bonds	Less: Current Portion	Net General Bonded Debt		
2001	\$ 1,919,915,826	\$ 235,490,000	\$ 16,765,000	\$ 218,725,000	11.39	\$ 520.12
2002	2,142,980,665	231,025,000	26,645,000	204,380,000	9.54	473.24
2003	2,272,244,234	226,945,000	25,400,000	201,545,000	8.87	463.76
2004	2,463,878,234	191,130,000	195,000	190,935,000	7.75	428.73
2005	2,648,163,284	202,640,000	580,000	202,060,000	7.63	447.81
2006	2,921,998,915	211,770,000	620,000	211,150,000	7.23	463.91
2007	3,083,070,290	227,065,000	660,000	226,405,000	7.34	492.02
2008	4,114,527,313	241,855,000	16,940,000	224,915,000	5.47	485.36
2009	4,793,081,793	276,620,000	16,725,000	259,895,000	5.42	558.59
2010	4,749,616,941	300,885,000	24,325,000	276,560,000	5.82	591.76

(1) General Obligation debt has been supported through non-property tax revenues since the 1944-45 fiscal year. The City of Mesa, Arizona has operated without a property tax levy since that time.

Source: (2) Maricopa County Finance Department Assessor's Office.

(3) Population figures are found on Table XII.

CITY OF MESA, ARIZONA

TABLE IX

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)

JUNE 30, 2010

<u>Governmental Unit</u>	<u>Debt Outstanding (2)</u>	<u>Proportion Applicable to the City of Mesa</u>	
		<u>Percent (3)</u>	<u>Amount</u>
Debt repaid with property taxes			
Maricopa County Community College District	\$ 653,040,000	8.19	\$ 53,483,976
Mesa Unified School District No. 4	289,165,000	85.61	247,554,157
Gilbert Unified School District	201,310,000	25.62	51,575,622
Queen Creek Unified School District No. 95	44,685,000	15.89	7,100,447
Higley Elementary School District No. 60	70,845,000	3.24	2,295,378
Tempe Union High School District No. 213	107,465,000	0.31	333,142
Tempe Elementary School District No. 3	131,735,000	0.71	935,319
Other Debt:			
Maricopa County	197,835,000	8.19	<u>16,202,687</u>
Subtotal, overlapping debt			379,480,728
City direct debt (4)			<u>\$ 467,624,439</u>
Total Direct and Overlapping Debt			<u><u>\$ 847,105,167</u></u>

(1) Does not include Salt River Project Agricultural Improvement and Power District debt, which is considered self-supporting from earnings of the district or special assessment debt of the 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 2009/10 for the overlapping jurisdiction to the amount of such valuation which lies within the City.

Source:

(2) Wedbush Securities

(3) Maricopa County Finance Department and Assessor's Office.

(4) Includes: General Obligation Bonds, Highway User Revenue Bonds, Special Assesment Bonds, Deferred Amts 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

	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
6% Limitation				
Legal Debt Limitation Equal to 6% of Assessed Valuation	\$ 115,194,950	\$ 128,578,840	\$ 136,334,693	\$ 147,832,694
Total Net Debt Applicable to 6% Limit	<u>86,180,000</u>	<u>88,245,000</u>	<u>102,910,000</u>	<u>102,715,000</u>
Margin Available for Future General Obligation Bond Issues for 6% Bonds	<u>\$ 29,014,950</u>	<u>\$ 40,333,840</u>	<u>\$ 33,424,693</u>	<u>\$ 45,117,694</u>
Total Net Debt Applicable to the 6% Limit as a Percentage of the 6% Legal Debt Limitation	74.81%	68.63%	75.48%	69.48%
20% Limitation				
Legal Debt Limitation Equal to 20% of Assessed Valuation	\$ 383,983,165	\$ 428,596,133	\$ 454,448,977	\$ 492,775,647
Total Net Debt Applicable to 20% Limit	<u>132,545,000</u>	<u>116,135,000</u>	<u>98,635,000</u>	<u>88,220,000</u>
Margin Available for Future General Obligation Bond Issues for 20% Bonds	<u>\$ 251,438,165</u>	<u>\$ 312,461,133</u>	<u>\$ 355,813,977</u>	<u>\$ 404,555,647</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of the 20% Legal Debt Limitation	34.52%	27.10%	21.70%	17.90%
Total Margin Available	<u>\$ 280,453,115</u>	<u>\$ 352,794,973</u>	<u>\$ 389,238,670</u>	<u>\$ 449,673,341</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
(Continued)

Legal Debt Margin Calculation for Fiscal Year 2009-10

Secondary Assessed Value						\$ 4,749,616,941	
Legal Debt Limitation						\$ 284,977,016	\$ 949,923,388
Debt Applicable to Limit:							
General Obligation Bonds						13,569,322	287,315,678
Less: Cash With Fiscal Agents						<u>(7,505,000)</u>	<u>(16,820,000)</u>
Total Net Debt Applicable to Limit						<u>6,064,322</u>	<u>270,495,678</u>
Margin Available for Future General Obligation Bond Issues						\$ <u>278,912,694</u>	\$ <u>679,427,710</u>
Total Margin Available							\$ <u>958,340,406</u>
	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	
\$	158,889,797	\$ 175,319,935	\$ 184,984,217	\$ 246,871,639	\$ 287,584,908	\$ 284,977,016	
	<u>110,085,000</u>	<u>115,400,000</u>	<u>22,453,366</u>	<u>17,687,616</u>	<u>13,569,322</u>	<u>6,064,322</u>	
\$	<u>48,804,797</u>	\$ <u>59,919,935</u>	\$ <u>162,530,851</u>	\$ <u>229,184,023</u>	\$ <u>274,015,586</u>	\$ <u>278,912,694</u>	
	69.28%	65.82%	12.14%	7.16%	4.72%	2.13%	
\$	529,632,657	\$ 584,399,783	\$ 616,614,058	\$ 822,905,463	\$ 958,616,359	\$ 949,923,388	
	<u>91,975,000</u>	<u>95,750,000</u>	<u>203,951,634</u>	<u>207,227,384</u>	<u>246,325,678</u>	<u>270,495,678</u>	
\$	<u>437,657,657</u>	\$ <u>488,649,783</u>	\$ <u>412,662,424</u>	\$ <u>615,678,079</u>	\$ <u>712,290,681</u>	\$ <u>679,427,710</u>	
	17.37%	16.38%	33.08%	25.18%	25.70%	28.48%	
\$	<u>486,462,454</u>	\$ <u>548,569,718</u>	\$ <u>575,193,275</u>	\$ <u>844,862,103</u>	\$ <u>986,306,267</u>	\$ <u>958,340,406</u>	

CITY OF MESA, ARIZONA

TABLE XI

PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS

Utility System Revenue Bonds

	Operating Revenues (1)	Operating Expenses	Net Revenue Available for Debt Service	Debt Service		Coverage Ratio
				Principal	Interest	
2000-01	191,782,485	129,099,163	62,683,322	200,000	14,050,528	4.40
2001-02	199,854,151	122,151,840	77,702,311	4,650,000	16,301,351	3.71
2002-03	201,213,634	124,831,571	76,382,063	8,475,000	18,784,114	2.80
2003-04	221,775,345	132,447,862	89,327,483	14,010,000	20,476,532	2.59
2004-05	228,502,773	156,577,547	71,925,226	310,000	23,444,519	3.03
2005-06	254,216,355	174,560,598	79,655,757	340,000	25,843,553	3.04
2006-07	270,069,593	175,941,671	94,127,922	340,000	29,304,976	3.18
2007-08	278,365,559	196,129,748	82,235,811	7,960,000	34,658,198	1.93
2008-09	274,497,036	197,991,577	76,505,459	9,815,000	37,224,639	1.63
2009-10	275,192,780	194,158,513	81,034,267	10,475,000	40,379,631	1.59

Highway User Revenue Fund Revenue Bonds

	Highway User Fund Revenues	Debt Service		Coverage Ratio
		Principal	Interest	
2000-01	30,233,015	-	1,417,069	21.33
2001-02	30,129,033	-	2,486,694	12.12
2002-03	31,384,493	-	3,793,944	8.27
2003-04	33,640,946	40,000	4,899,880	6.81
2004-05	35,369,649	135,000	5,400,476	6.39
2005-06	38,285,152	135,000	5,829,910	6.42
2006-07	40,974,923	135,000	6,401,428	6.27
2007-08	38,512,394	170,000	6,828,068	5.50
2008-09	34,259,887	2,025,000	6,822,668	3.87
2009-10	31,790,889	5,720,000	6,691,418	2.56

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

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

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

TABLE XI
(Continued)

Special Assessment Bonds			
Special Assessment Collections	Debt Service		Coverage Ratio
	Principal	Interest	
583,833	610,000	45,905	0.89
80,040	112,000	16,695	0.62
75,365	84,000	10,535	0.80
60,844	85,000	5,455	0.67
5,807	12,000	2,535	0.40
188,475	12,000	184,771	0.96
850,926	343,000	357,384	1.21
1,709,830	751,840	457,396	1.41
1,202,384	752,000	417,040	1.03
922,651	744,000	376,920	0.82

Municipal Development Corporation Bonds			
Excise Tax Revenues (2)	Debt Service		Coverage Ratio
	Principal	Interest	
147,509,279	875,000	82,010	154.14
152,643,664	910,000	126,832	147.22
149,774,369	1,755,000	910,270	56.19
153,456,415	3,900,000	796,250	32.68
162,555,789	3,400,000	625,250	40.38
187,580,165	3,900,000	479,250	42.83
216,896,723	4,500,000	309,000	45.10
226,909,733	5,100,000	108,375	43.57
203,197,847	9,970,000	16,643	20.35
202,519,144	-	-	-

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)</u>	<u>Per Capita Personal Income (3)</u>	<u>Median Age (3)</u>	<u>Public School Enrollment (4)</u>	<u>Unemployment Rate (5)</u>
2001	420,525	N/A	N/A	N/A	72,476	3.1
2002	431,874	8,368,422,498	19,377	32.8	72,707	4.7
2003	434,585	9,452,658,335	21,751	31.0	73,211	4.4
2004	445,354	9,770,176,052	21,938	32.3	73,428	4.2
2005	451,223	10,203,505,699	22,613	32.5	74,070	3.6
2006	455,151	10,539,476,556	23,156	32.6	74,626	3.8
2007	460,155	10,840,791,645	23,559	32.9	74,128	2.9
2008	463,397	10,977,411,533	23,689	33.1	73,054	4.3
2009	465,272	11,288,894,536	24,263	33.3	70,297	8.0
2010	467,355	11,563,297,410	24,742	33.6	67,749	8.7

Note: Personal Income and Median age information is not available for Fiscal Year 2001.

Sources:

- (1) City of Mesa Development Services Estimate
- (2) 2001-2004 Census Bureau (estimate), 2005-2010 Claritas (estimate)
- (3) 2001-2004 Census Bureau, 2005-2010 Claritas
- (4) Mesa Public Schools
- (5) AZ Dept of Economic Security. Data is Phoenix - Mesa Metropolitan Area

CITY OF MESA, ARIZONA

TABLE XIII

PRINCIPAL EMPLOYERS

CURRENT YEAR AND TEN YEARS AGO

Employer	2010			2001		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Mesa Public Schools	10,000	1	4.30 %	9,300	1	5.01 %
Banner Health Systems	8,650	2	3.72	5,800	2	3.12
Boeing	4,000	3	1.72	5,000	3	2.69
City of Mesa	3,776	4	1.62	3,600	4	1.94
Wal-Mart	2,410	5	1.04	-		0.00
Mesa Community College	2,201	6	0.95	-		0.00
The Kroger Company (Fry's)	1,276	7	0.55	-		0.00
The Home Depot	943	8	0.41	-		0.00
Bashas'	835	9	0.36	-		0.00
TRW Vehicle Safety Systems	800	10	0.34	3,000	6	1.62
Motorola Semiconductor Products	-		0.00	3,100	5	1.67
AT&T	-		0.00	2,400	7	1.29
General Motors Desert Proving Grounds	-		0.00	1,400	8	0.75
Empire Southwest Machinery	-		0.00	1,100	9	0.59
Excell Agent Services	-		0.00	1,000	10	0.54
Phoenix Newspapers	-		0.00	1,000	10	0.54
Total	34,891		15.01 %	36,700		19.76 %

Source: City of Mesa Office of Economic Development

CITY OF MESA, ARIZONA

TABLE XIV

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST NINE FISCAL YEARS (1)

Function/Program	2001-02	2002-03	2003-04	2004-05	2005-06
General Government	891	879	867	882	826
Public Safety					
Police	1,247	1,269	1,286	1,325	1,311
Fire	436	434	440	446	454
Other	116	113	121	123	108
Cultural-Recreational	518	501	478	490	398
Community Environment	175	168	164	170	161
Electric	64	48	51	50	38
Gas	83	82	77	79	77
Water	86	90	97	104	102
Wastewater	40	43	47	44	54
Solid Waste	141	137	135	135	138
Airport	11	9	10	9	11
Convention Center	24	22	21	21	64
Total	3,832	3,795	3,794	3,878	3,742

(1) Information from earlier fiscal years not available.

Source: City of Mesa Budget and Research Division

TABLE XIV
(Continued)

<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
857	875	793	783
1,332	1,306	1,282	1,240
468	472	470	455
122	91	46	52
426	398	318	315
183	181	189	184
44	47	48	32
81	85	92	91
113	97	134	159
64	69	79	73
132	136	126	124
10	9	10	10
19	19	17	14
<u>3,851</u>	<u>3,785</u>	<u>3,601</u>	<u>3,529</u>

CITY OF MESA, ARIZONA

TABLE XVOPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2000-01	2001-02	2002-03
Police			
Major Crimes	16,362	32,956	29,379
Traffic Accidents	16,432	16,572	9,593
Fire			
Fires	1,271	1,459	1,451
Rescue or Emergency	34,405	37,928	37,339
False Alarms	2,213	2,067	2,073
Hazardous Conditions	778	1,199	557
Other Calls	7,172	206	7,229
Libraries			
Number of Registered Borrowers	144,773	199,563	184,647
Total Attendance	1,054,039	1,187,052	1,202,947
Access to Electronic Resources	1,977,527	3,392,101	1,027,157
Electric Connections	15,901	15,911	15,797
Gas Connections	36,485	38,629	40,328
Water			
Connections	121,656	124,742	127,140
Average Daily Consumption (mgd)*	87.5	91.9	93.5
Peak Daily Consumption (mg)**	127.14	132.32	141.01
Wastewater			
Connections	130,699	107,532	110,537
Average Daily Sewage Treatment (mgd)*	41.7	42.1	38.7
Solid Waste			
Customers Served	129,339	135,517	140,190
Refuse Collected (tons)	241,921	244,999	245,286
Recyclables Collected (tons)	31,783	32,924	36,282
Green Waste Collected (tons)	13,706	13,713	15,373
Falcon Field			
Average Number of Aircraft Based	904	902	930
Aircraft Operations (annual)	270,731	251,702	290,902

* mgd - millions of gallons per day

** mg - millions of gallons

TABLE XV
(Continued)

<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
27,933	25,853	24,904	22,437	21,388	18,482	17,345
9,562	10,121	9,205	12,184	7,578	6,256	5,890
1,332	1,386	1,605	1,428	1,200	1,165	1,048
39,489	41,689	43,073	38,003	34,207	32,478	34,079
1,999	2,021	2,595	2,875	2,456	2,125	1,478
653	591	676	608	567	663	701
7,439	7,738	7,820	11,792	12,976	11,923	12,819
200,461	193,722	233,836	266,839	275,449	306,427	352,607
1,183,794	1,208,594	1,195,075	1,161,887	1,165,451	1,348,555	1,367,667
1,365,863	1,835,867	2,307,051	3,029,001	2,910,088	3,661,261	2,542,927
17,945	15,652	15,806	15,723	15,215	14,546	14,738
42,241	45,435	48,622	50,478	51,454	51,911	52,832
129,477	131,141	133,105	133,249	133,086	132,771	133,701
105.3	93.6	94.5	89.6	85.8	79.7	72.7
132.15	137.95	131.28	128.83	125.72	108.68	111.14
112,497	114,500	116,282	116,190	116,465	116,721	117,831
39.3	38.9	41.8	38.1	38.0	36.0	33.6
109,960	114,112	113,146	115,305	112,632	112,832	113,079
254,688	248,255	261,369	266,817	243,208	234,709	217,295
34,141	36,264	32,869	38,660	39,296	37,841	36,490
16,384	16,983	17,500	18,215	17,601	18,936	18,588
934	922	924	901	934	873	841
277,088	255,069	271,295	261,623	337,178	283,336	248,381

CITY OF MESA, ARIZONA

TABLE XVI

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2000-01	2001-02	2002-03
Police Stations			
Stations	4	4	4
Vehicular Patrol Units	255	270	421
Fire Stations	15	17	17
Libraries	3	3	3
Parks and Recreation			
Developed Parks (acres)	1,089	1,158	1,202
Undeveloped Acres	1,971	1,947	1,932
Swimming Pools	13	13	13
Recreation Facilities	6	7	6
Community Environment			
Streets (miles)			
Paved	1,070	1,094	1,132
Unpaved	12	12	12
Storm Sewers (miles)	238	252	271
Gas Mains (miles)	909	929	954
Water			
Mains (miles)	1,758	1,809	1,924
Storage Capacity (millions of gallons)	97	97	97
Wastewater			
Mains (miles)	1,311	1,356	1,454
Treatment Capacity (millions of gallons per day)	56	56	56
Solid Waste			
Collection Trucks (1)	-	-	-
Golf Courses	2	2	2

(1) Amounts for fiscal years prior to 2004-05 not available

TABLE XVI
(Continued)

<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
4	4	4	4	4	4	4
306	321	285	351	368	330	289
17	17	17	17	17	17	18
3	3	3	3	3	3	3
1,198	1,149	1,184	1,184	1,180	1,180	1,154
1,228	1,230	1,251	1,251	1,251	1,251	1,078
13	12	12	12	12	12	12
6	6	6	6	6	6	6
1,152	1,160	1,162	1,169	1,178	1,182	1,184
12	12	12	12	12	12	12
290	296	298	303	308	316	321
998	1,037	1,121	1,147	1,202	1,223	1,243
1,978	2,004	2,022	2,008	2,068	2,104	2,127
97	97	117	117	117	125	125
1,496	1,512	1,522	1,544	1,577	1,598	1,606
56	56	56	60	60	60	60
-	69	78	68	70	69	69
2	2	2	2	2	2	2





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