



City of Mesa, Arizona Comprehensive Annual Financial Report



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

For the Fiscal Year Ended June 30, 2012



City of Mesa, Arizona Comprehensive Annual Financial Report

Scott Smith
Mayor

Dave Richins
Councilmember, District 1

Alex Finter
Councilmember, District 2

Dennis Kavanaugh
Councilmember, District 3

Christopher Glover
Councilmember, District 4

Dina Higgins
Councilmember, District 5

Scott Somers
Vice Mayor, District 6

Chris Brady
City Manager

Kari Kent
Deputy City Manager

John Pombier
Deputy City Manager

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For the Fiscal Year Ended June 30, 2012

Citizens of Mesa
Mayor and City Council

CITY MANAGER
 Chris Brady

City Court
 Matt Tafaya

City Clerk
 DeeAnn Mickelsen (Interim)

City Attorney
 Debbie Spinner

City Auditor
 Jennifer Ruttman

Advisory Boards and Committees

Mesa Counts on College
 Amy Trethaway

Economic Development
 Bill Jabjiniak

Senior Executive Manager
 Chuck Odom

Office of Management and Budget
 Candace Cannistraro

CityEdge Business

Deputy City Manager
 Kari Kent

Development & Sustainability
 Christine Zielonka

Energy Resources
 Frank McRae

Engineering
 Beth Huning

Parks, Recreation & Commercial Facilities
 Marc Heirshberg

Transit
 Jodi Sorrell (Interim)

Transportation
 Dan Cleavenger

Water Resources
 Kathryn Sorensen

Manager of Technology and Innovation
 Alex Deshuk

Business Services
 Ed Quedens

Communications
 Randy Thompson

Information Technology
 Diane Gardner

Library
 Heather Wolf

Regional Communications

CityEdge Programs

Business Technology Innovation

Chief Financial Officer
 Michael Kennington

Financial Services
 Doug Yeskey

Housing & Community Development
 Tammy Albright

Assistant to the City Manager
 Scott J. Butler

Mayor and City Council Support

Grants

Federal Initiatives

National League of Cities

Regional Initiatives, Maricopa Association of Governments

State Legislative Affairs

U.S. Conference of Mayors

Assistant to the City Manager
 Natalie Lewis

Falcon Field
 Corinne Nystrom

Arts & Culture
 Cindy Ornstein

Animal Control
 Diane Brady

Neighborhood Outreach/Diversity
 Ruth Giese

Downtown Coordination, DMA

Pinal County Land

Strategic Planning and Development

Deputy City Manager
 John Pombler

Police Department
 Frank Milstead

Fire Department
 Harry Beck

Facilities Maintenance
 Dennis Ray

Fleet Services
 Pete Scarafiotti

Human Resources
 Gary Manning

Public Information & Communications
 Steve Wright

Solid Waste
 Mike Comstock (Interim)

Introductory Section



Mayor

Scott Smith
City of Mesa, Arizona



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January 14, 2013

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, 2012 is hereby submitted.

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

The City’s financial statements have been audited by CliftonLarsonAllen, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City for the fiscal year ended June 30, 2012, 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, 2012, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor’s report is presented as the first component of the financial section of this report.

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

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City

The City was founded in 1878 and incorporated July 15, 1883 with an approximate population of 300 and an area of one square mile. Today, the City's estimated population, by the 2010 decennial census, is 441,160 compared with the 2000 decennial census count of 397,760, within an incorporated area of approximately 133 square miles. Total land area encompasses 182 square miles. The City is the 38th largest city in the United States, up one position from 2009, and is the third largest city in the State of Arizona. Mesa is located 16 miles east of Phoenix, the State Capitol. The City operates under a charter form of government with citizens electing a Mayor and six Councilmembers to set policy for the City. City Councilmembers are elected from districts and serve terms of four years, with three members being elected every two years. The Mayor is elected at-large every four years. The Mayor and Council are elected on a non-partisan basis, and the Vice Mayor is selected by the City Council.

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

An allocated staff of 3,491 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 and golf courses. The Mesa Art Center, which includes 212,755 square feet of performing arts, visual arts and art education facilities, is the largest comprehensive arts campus in the state, and was selected to host the nationally televised, Republican Presidential Candidate Debate in February of 2012.

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. General Government debt service expenditures are budgeted in the General Fund and Special Revenue Funds. Budget schedules for the General and Highway User Revenue Funds 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 indicator for residential construction in fiscal year (FY) 2011/2012 is up 45% from FY10/11. Commercial construction increased 14% in FY11/12 compared to FY10/11. During FY11/12 the City issued 739 permits for new residential construction. This is 334 more than the previous fiscal year. The corresponding dollar valuation associated with all FY11/12 permits increased approximately \$140 million from the prior fiscal year. Commercial construction valuation increased from the prior fiscal year. Commercial valuation in FY11/12 was \$332 million, in FY10/11 it was \$287 million. Analysis of the recent data indicates a continued increase in construction activity in both the residential and commercial sectors. Activity levels have been increasing for the past two years and may indicate some level of sustained recovery from the economic slowdown of the prior years.

City sales tax revenue declines that began during FY 07/08 showed a slight upturn during FY 10/11. For FY 11/12, there were 12 consecutive monthly, year-over-year, positive increases in the sales tax collected. For the year ending June 30, 2012, overall sales tax revenues were up 4.3%, an increase of 2.2% from budget forecasts.

City Council approved the restoration of the 2% citywide compensation reduction. The reduction, which was effective January 1, 2009, was implemented rather than institute a furlough program. Compensation levels were also frozen and step pay increase suspended. City Manager proposed a budget for FY 12/13 which included a one-year 5% step pay program for eligible staff.

The City anticipated that a portion of the revenue growth in FY 11/12 was one-time in nature. Based on this, the focus for FY 12/13 budget preparation was on innovations with one-time expenses and significant impact to the providing for and/or the delivery of City services.

Conservative budget practices and willingness to respond to economic indicators continues to allow the City to retain and enhance fund balance levels during the year. All fund balances were maintained at or above the levels prescribed by financial policy and prudent practice. Bond ratings were maintained during this time.

Major Initiatives

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

- A groundbreaking ceremony was held to begin the construction for the new Chicago Cubs facilities. The project, when it is completed before spring training in 2014, will also include a reconfigured Riverview Park. In addition to the stadium, the new complex will include seven full-size practice fields and one infield-only natural turf practice field. The project will also reconfigure Riverview Park and will feature an innovative playground, large grass and shaded areas, event space and interactive water features. The lake will serve as both an urban fishing oasis and irrigation for the entire site of more than 150 acres. New pedestrian paths will connect the park and lake to the new stadium while gathering areas will be created for various community events to occur. Funding for construction of the spring training facilities is from the City's Enterprise Fund. No new taxes have been imposed on Mesa residents to pay for the stadium or other new facilities. Spring training in Mesa has a tremendous economic impact for the City and the State of Arizona. The Cubs generate an economic impact of \$138 million during spring training while the Cactus League statewide economic impact, as of 2011, is \$362 million statewide. Mesa continues to explore options to reuse the existing Hohokam Stadium after the Cubs occupy their new facility.
- Mesa is extremely excited and proud to have attracted four national recognized colleges to develop branches in downtown Mesa. The City is developing the Mesa Center for Higher Education, 245 W. 2nd St., which will be a shared academic space offering approximately 53,000 square feet and adjacent parking for faculty, staff and students. Wilkes University, Westminster College and Albright College have all announced plans to locate branch campuses there. Additionally, Benedictine University, will be locating in downtown Mesa at 225 E. Main St. in the former Tri-City Community Service Center. Attracting colleges and universities to Mesa is part of the City's H.E.A.T. (Healthcare, Education, Aerospace, and Technology/Tourism) Initiative for Economic Development.
- METRO light rail continues to move forward at a rapid pace. The official groundbreaking ceremony this year, commemorated the start of construction on the 3.1-mile light rail line into downtown Mesa. The event marked the first construction activity and extension of the existing 20-mile light rail that runs in Phoenix, Tempe and a mile into Mesa that opened in December 2008. The Central Mesa extension will continue light rail east on Main Street from the current end-of-line at Sycamore, through downtown Mesa to Mesa Drive. The project will add four stations in Mesa to the system and is now expected to open in late 2015, earlier than previously scheduled.

- Ground has been broken for the first new police station in Mesa in more than 10 years. The Fiesta District Police Station, which is being built at the northwest corner of West Grove Avenue and South Westwood, will relieve overcrowding at the Dobson Police Station and enhance the revitalization of the Fiesta District. The approximately \$10.1 million construction project is funded from general obligation bonds for public safety approved by Mesa voters in November, 2008. The 34,000 square foot building is designed to include the Watch Command, a locker room/fitness area, a community room and a fueling station. It will be the third LEED (U.S. Green Building Council Leadership in Environmental and Energy Design registration) certified City building in Mesa. The new police station is scheduled to open in the summer of 2013.

Long-term Financial Planning

Mesa has reached a significant milestone with the go live of the Accounting, Financial and Purchasing phases of our fully integrated ERP system. The system can now provide us with near real-time accounting, grants management, budgeting and purchasing information. Next fiscal year will see the completion of the ERP project rollout which will include the human resources, enhanced purchasing and vendor and staff self-services modules. The CGI Advantage ERP program is planned to serve the City well into the future.

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, 2011. This was the thirtieth 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 Financial Services Director, Doug Yeskey, and the devoted staff of the Financial 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 Deshuk,
Manager of Technology and Innovation



Michael Kennington,
Chief Financial Officer

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, 2011

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.



Christopher P. Morinell

President

Jeffrey R. Enos

Executive Director

Financial Section



Councilmember

Dave Richins

District 1



CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

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, 2012, 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, 2012, 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 January 14, 2013 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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the introductory and statistical sections listed in the table of contents 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 schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



CliftonLarsonAllen LLP

Phoenix, Arizona
January 14, 2013

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, 2012. 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 \$56 million in fiscal year 2012.
- Total net assets of the City are \$1.59 billion, of which \$157 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 2012, the City's governmental funds reported a combined ending fund balance of \$313.5 million, a \$77.8 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 unassigned fund balance for the General Fund was \$78 million, or 25% of total General Fund expenditures.
- The City issued \$59 million in general obligation debt during the current fiscal year. \$27.3 million was issued for new street and public safety improvement projects and \$31.7 million was issued to refund prior outstanding general obligation debt.
- The City issued \$36.1 million in street and highway user revenue debt during the current fiscal year to refund prior outstanding street and highway user revenue debt.
- The City issued \$77.8 million in highway advancement project notes during the current fiscal year. The notes will be used to accelerate the construction of highway improvements to State Route 24 between State Route 202L and Ellsworth Road.
- The City issued \$179.2 million in utility system revenue debt during the current fiscal year. \$67.3 million was issued for new electric, gas, water and wastewater improvement projects and \$111.9 million was issued to refund prior outstanding utility system revenue debt.

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, stadiums, 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 3 to the basic financial statements (pages 52-57).

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 107-112).

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 32–87) 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 90.

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, 2012 and as of and for the year ended June 30, 2011.

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, 2012 and 2011.

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

	Governmental Activities		Business-type Activities		Total Primary Government		Change	
	2012	2011	2012	2011	2012	2011	Dollars	Percent
Cash and Other Assets	\$ 515,096	\$ 426,059	\$ 483,838	\$ 464,539	\$ 998,934	\$ 890,598	\$ 108,336	12.16 %
Capital Assets	1,293,796	1,279,788	1,339,886	1,302,381	2,633,682	2,582,169	51,513	1.99
Total Assets	<u>1,808,892</u>	<u>1,705,847</u>	<u>1,823,724</u>	<u>1,766,920</u>	<u>3,632,616</u>	<u>3,472,767</u>	<u>159,849</u>	<u>4.60</u>
Non-current Liabilities,								
Outstanding	835,493	691,599	1,011,663	953,975	1,847,156	1,645,574	201,582	12.25
Other Liabilities	115,426	109,026	76,117	68,505	191,543	177,531	14,012	7.89
Total Liabilities	<u>950,919</u>	<u>800,625</u>	<u>1,087,780</u>	<u>1,022,480</u>	<u>2,038,699</u>	<u>1,823,105</u>	<u>215,594</u>	<u>11.83</u>
Net Assets:								
Invested in Capital Assets,								
Net of Related Debt	913,702	872,302	412,016	430,436	1,325,718	1,302,738	22,980	1.76
Restricted	41,257	39,296	69,739	55,873	110,996	95,169	15,827	16.63
Unrestricted	<u>(96,986)</u>	<u>(6,376)</u>	<u>254,189</u>	<u>258,131</u>	<u>157,203</u>	<u>251,755</u>	<u>(94,552)</u>	<u>(37.56)</u>
Total Net Assets	<u>\$ 857,973</u>	<u>\$ 905,222</u>	<u>\$ 735,944</u>	<u>\$ 744,440</u>	<u>\$ 1,593,917</u>	<u>\$ 1,649,662</u>	<u>\$ (55,745)</u>	<u>(3.38)</u>

In the case of the City, the combined net assets (governmental activities and business-type activities) exceeded liabilities by \$1.59 billion at the close of the most recent year.

The net assets decreased \$56 million (3.4%) in fiscal year 2012. The governmental activities decreased \$47 million while the business-type activities decreased \$9 million.

The largest portion of net assets (83%) 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.

\$111 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 \$157 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, 2012 and 2011.

Changes in Net Assets
(In thousands of dollars)

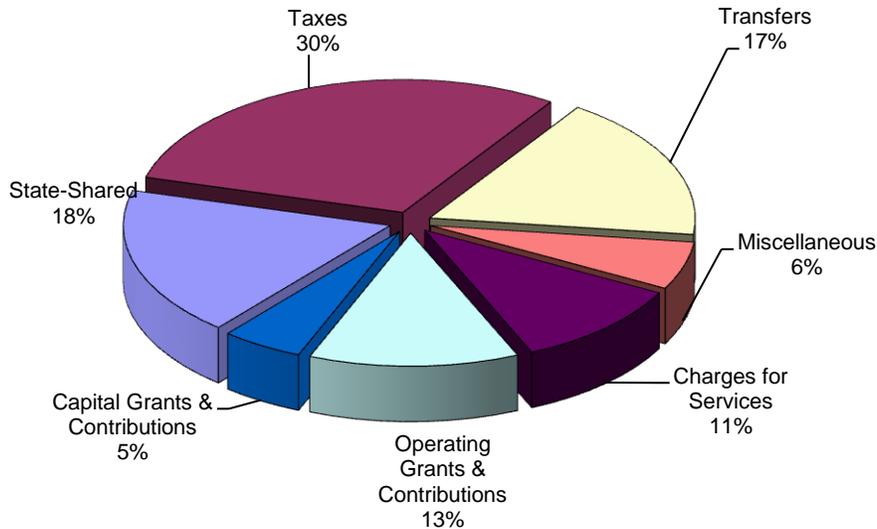
	Governmental Activities		Business-type Activities		Total Primary Government		Change	
	2012	2011	2012	2011	2012	2011	Dollars	Percent
REVENUES								
Program Revenues:								
Charges for Services	\$ 50,450	\$ 44,710	\$ 314,908	\$ 299,473	\$ 365,358	\$ 344,183	\$ 21,175	6.15 %
Operating Grants & Contributions	60,355	65,284	2,125	25	62,480	65,309	(2,829)	(4.33)
Capital Grants & Contributions	23,503	31,461	15,814	10,774	39,317	42,235	(2,918)	(6.91)
General Revenues:								
Sales Taxes	126,644	121,046	-	-	126,644	121,046	5,598	4.62
Property Taxes	14,234	14,244	-	-	14,234	14,244	(10)	(0.07)
Occupancy Taxes	2,019	2,148	-	-	2,019	2,148	(129)	(6.01)
Unrestricted State-Shared Contributions	86,103	92,613	-	-	86,103	92,613	(6,510)	(7.03)
Unrestricted Investment Income	17,171	15,611	-	-	17,171	15,611	1,560	9.99
Miscellaneous	1,503	617	850	839	2,353	1,456	897	61.61
	8,939	7,060	-	-	8,939	7,060	1,879	26.61
Total Revenues	390,921	394,794	333,697	311,111	724,618	705,905	18,713	2.65
EXPENSES								
Governmental Activities:								
General Government	57,472	59,552	-	-	57,472	59,552	(2,080)	(3.49) %
Public Safety	287,918	273,320	-	-	287,918	273,320	14,598	5.34
Cultural-Recreational	57,171	54,549	-	-	57,171	54,549	2,622	4.81
Community Environment	97,593	106,434	-	-	97,593	106,434	(8,841)	(8.31)
Interest on Long-term Debt	21,631	21,078	-	-	21,631	21,078	553	2.62
Business-type Activities:								
Electric	-	-	29,751	26,816	29,751	26,816	2,935	10.94
Gas	-	-	34,275	36,020	34,275	36,020	(1,745)	(4.84)
Water	-	-	74,162	82,378	74,162	82,378	(8,216)	(9.97)
Wastewater	-	-	68,540	63,614	68,540	63,614	4,926	7.74
Solid Waste	-	-	32,485	31,462	32,485	31,462	1,023	3.25
Airport	-	-	3,737	3,972	3,737	3,972	(235)	(5.92)
Golf Course	-	-	2,589	2,679	2,589	2,679	(90)	(3.36)
Convention Center	-	-	3,486	3,849	3,486	3,849	(363)	(9.43)
Hohokam Stadium/Fitch Complex	-	-	8,525	8,324	8,525	8,324	201	2.41
Cubs Stadium	-	-	54	15	54	-	54	100.00
District Cooling	-	-	974	965	974	965	9	0.93
Total Expenses	521,785	514,933	258,578	260,094	780,363	775,012	5,351	0.69
Increase (decrease) in Net Assets Before Transfers	(130,864)	(120,139)	75,119	51,017	(55,745)	(69,107)	13,362	(19.34)
Transfers	83,615	83,333	(83,615)	(83,333)	-	-	-	0.00
Change in Net Assets	(47,249)	(36,806)	(8,496)	(32,316)	(55,745)	(69,107)	13,362	(19.34)
Net Assets-Beginning, as Restated	905,222	942,028	744,440	776,756	1,649,662	1,718,784	(69,122)	(4.02)
Net Assets-Ending	\$ 857,973	\$ 905,222	\$ 735,944	\$ 744,440	\$ 1,593,917	\$ 1,649,662	\$ (55,745)	(3.38)

Governmental Activities

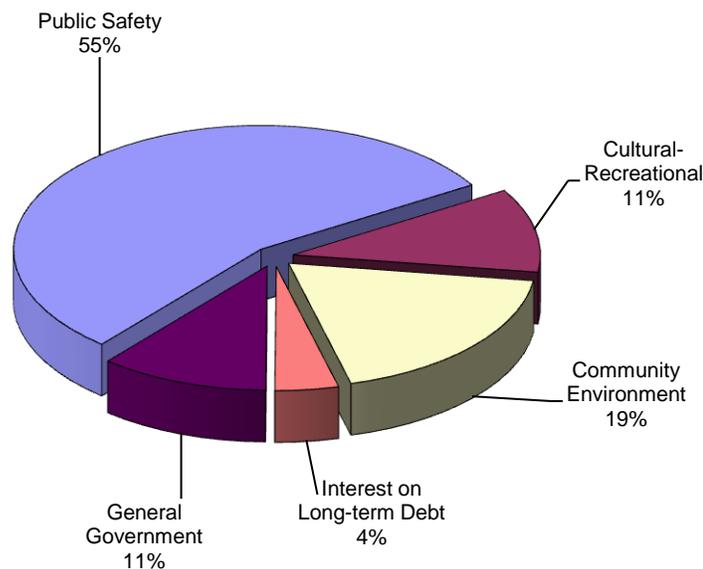
As presented in the following two graphs, the largest funding sources, including transfers, for the governmental activities are taxes (30%) and state-shared revenues (18%). The largest users of

resources for the governmental activities are Public Safety (55%), Community Environment (19%), General Government (11%), and Cultural-Recreational (11%).

Revenues by Source Including Transfers – Governmental Activities
For the Fiscal Year Ended June 30, 2012



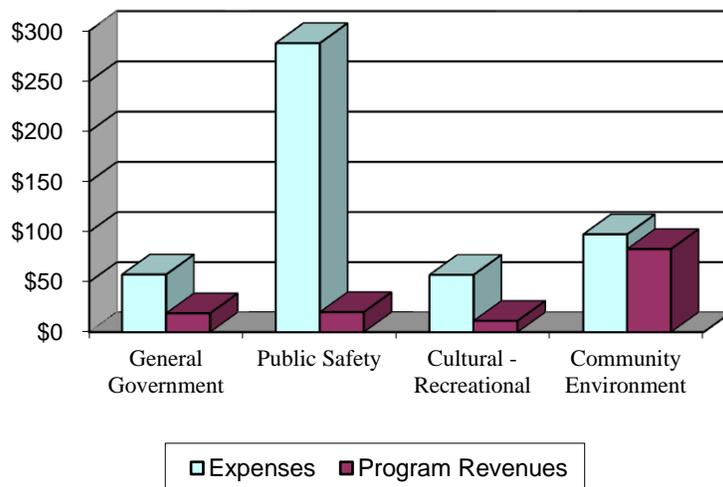
Functional Expenses – Governmental Activities
For the Fiscal Year Ended June 30, 2012



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

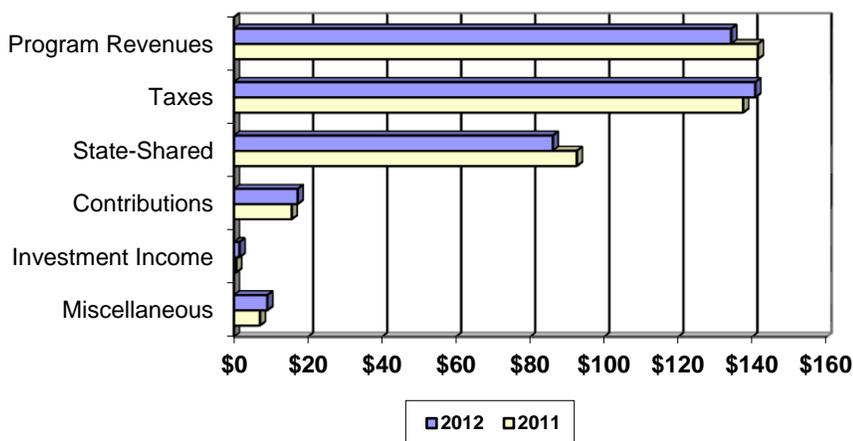
to these functions. General revenues of the City, including an \$83.6 million transfer from the business-type activities, cover expenses not generated by direct program revenues.

Expenses and Program Revenues – Governmental Activities
 For the Fiscal Year ended June 30, 2012
(In millions of dollars)



Governmental activities decreased the net assets of the City by \$47 million accounting for a 5.2% decrease. Governmental activities accounted for 54% of the total revenues and 67% of the total expenses of the City in fiscal year 2012. This compares to 56% of total revenues and 66% of the total expenses in fiscal year 2011.

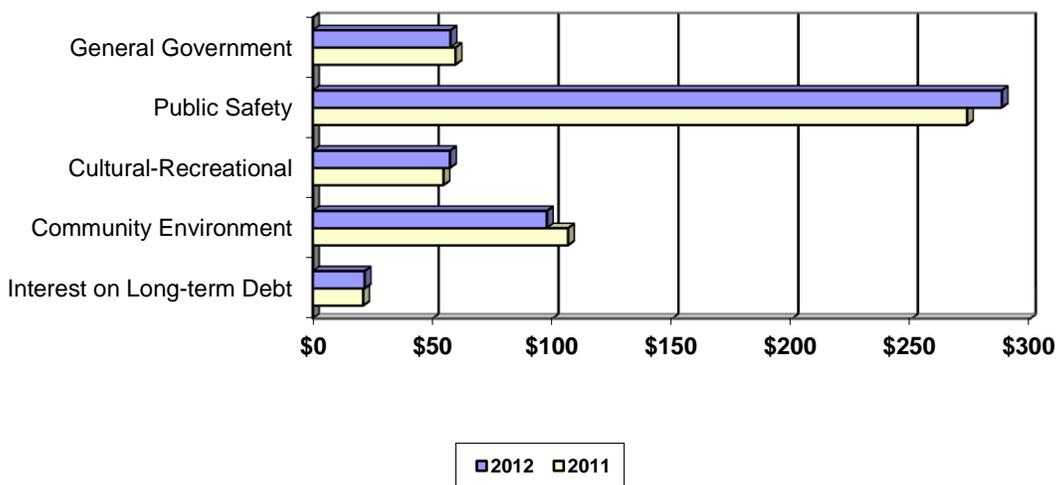
Governmental Activities Revenues
 For Fiscal Years 2012 and 2011
(In millions of dollars)



The graph above compares governmental activities revenues from fiscal year 2012 to fiscal year 2011. Total governmental activities revenues decreased \$3.9 million from \$394.8 million to \$390.9 million. This is the fifth 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 \$7.1 million over the previous year. Charges for services increased \$5.7 million from the previous year. There was a \$13 million decrease in the amount of capital contributions of streets, storm sewers and retention basins by developers over the previous year. Operating grants and contributions decreased by \$4.9 million over the previous year due to decreased local government and federal government funding.
- Sales taxes increased by \$5.6 million over the previous year reflecting an overall improvement in the local economy.
- State shared revenues decreased by \$6.5 million over the previous year because of reduced revenues received from the state. State shared revenue are formula driven based on collections in prior years.

Governmental Activities Functional Expenses
For Fiscal Years 2012 and 2011
(In millions of dollars)



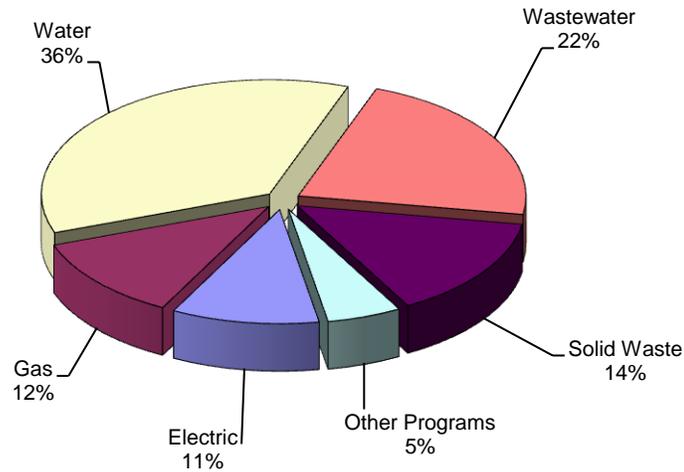
The graph above compares governmental activities expenses from fiscal year 2012 to fiscal year 2011. Total governmental expenses increased by \$6.9 million from \$514.9 million to \$521.8 million. Key factors in this change include:

- There was an overall increase in expenses caused by higher payments for pension-related expenses and the expensing of Post-Employment Benefits to the governmental activities.
- Public Safety expenses also increased as result of additional personnel added to staff two new fire stations.
- Community Environment expenses decreased due to lower Community Development Block Grant expenses and the completion of Phase I of the light rail project.

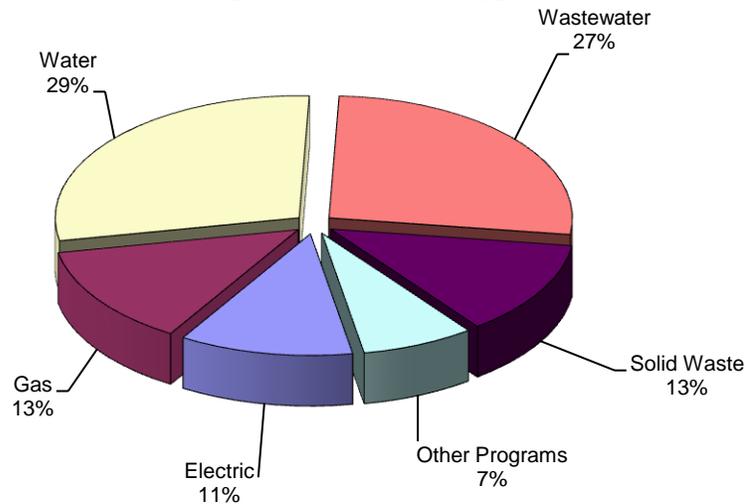
Business-type Activities

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

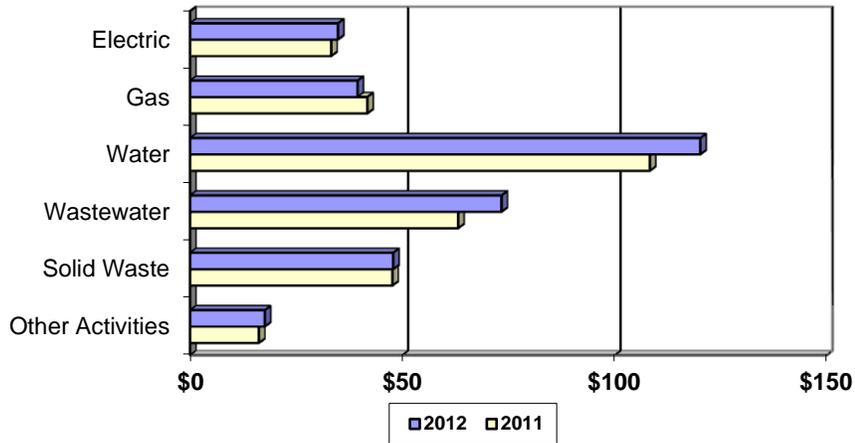


Functional Expenses – Business-type Activities



Business-type activities decreased the City's net assets by \$9 million. Total business-type activities program and general revenues increased by \$22.6 million (7.3%) from \$311.1 million to \$333.7 million, while the business-type activities total expenses decreased by \$1.5 million from \$260.1 million to \$258.6 million. Business-type activities accounted for 46% of the total revenues and 33% of the total expenses of the City in fiscal year 2012. This compares to 44% of total revenues and 34% of the expenses in fiscal year 2011.

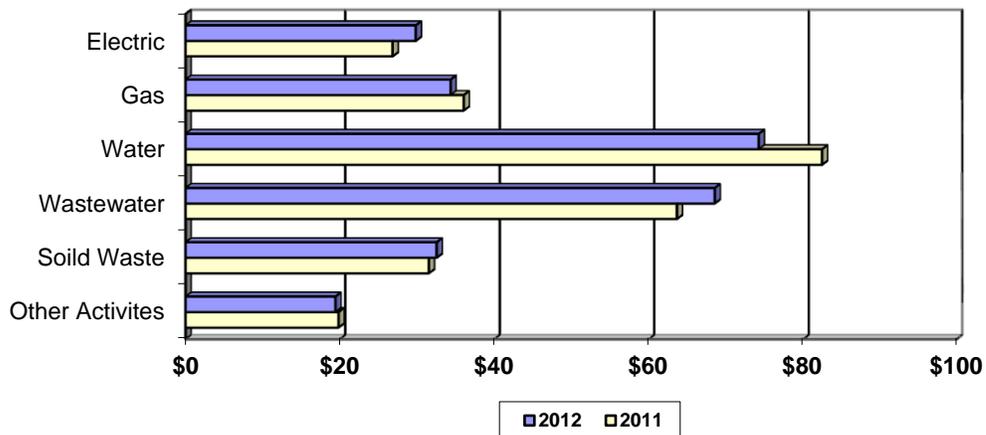
Business-type Activities
Program Revenues
For Fiscal Years 2012 and 2011
(In millions of dollars)



The graph above compares program revenues for the Business-type Activities from fiscal year 2012 to fiscal year 2011. Total business-type activities program revenues increased by \$22.6 million (7.3%) from \$311.1 million to \$333.7 million. Key factors in this change include:

- Capital contributions increased by \$4.7 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.
- Charges for Services increased \$15.4 million reflecting increases in the rate structure and usage. All commodity cost increases in the Electric and Gas utilities are passed through to the customers.

Business-type Activities
Functional Expenses
For the Fiscal Years 2012 and 2011



The graph above compares functional expenses for the Business-type Activities from fiscal year 2012 to fiscal year 2011. Total business-type functional expenses decreased by \$1.5 million (0.5%) from \$260.1 million to \$258.6 million.

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. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The City's governmental funds reported combined ending fund balance of \$313.5 million, a \$77.7 million increase from the previous year. \$78 million of this total amount is in unassigned fund balance, available for spending in the coming year. The remainder of fund balance includes \$213.3 million in restricted fund balance, \$21.4 million in committed fund balance and \$.8 million in nonspendable fund balance. See Note 1 p. to the basic financial statements for additional detail on these fund balance amounts.

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 \$85.8 million, while unassigned fund balance was \$78 million.

As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. For 2012, unassigned fund balance represents 25.5% of total General Fund expenditures of \$307 million, while total fund balance represents 28% of the same amount. For 2011, unassigned fund balance represents 29.4% of total General Fund expenditures of \$319 million, while total fund balance represents 31.7% of the same amount.

Total fund balance of the City's General Fund decreased by \$15 million during the current fiscal year from \$101 to \$86 million. Total revenues of \$233 million were \$23 million less than the previous year, however approximately \$18 million of this difference is due to the reclassification of the Quality of Life Sales Tax fund from the General Fund to the Special Revenue funds. State-shared revenue reported in the General Fund was \$5.8 million less than the prior fiscal year.

Total expenditures of \$307 million were \$12 million less than the previous year, however approximately \$18 million of expenditures in the Quality of Life Sales Tax fund were reclassified from the General Fund to the Special Revenue Funds. Capital outlay expenditures decreased \$1.31 million from the prior fiscal year.

The transfer in of \$84.1 million, mostly from the Enterprise Fund, was reduced by \$25.5 million in transfers out to other funds, compared with a transfer in from the prior year of \$83.6 million that was reduced by \$26.9 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 \$4.4 million less in state shared revenue and had a decrease of \$6.7 million in street-related expenditures.

The Highway Project Advancement Notes Fund accumulates monies for the payment of principal and interest requirements for the Highway Project Advancement Notes. The City issued an additional \$77.8 million in notes to accelerate the construction of State Route 24. Debt service on the notes increased to \$4.3 million from \$1.6 million in the previous fiscal year.

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 \$5.5 million in capital expenditures. These expenditures were for improvements in law enforcement, fire, storm sewers, streets 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 \$7.8 million in fiscal year 2012 from \$747.2 million in fiscal year 2011 to \$739.4 million. The unrestricted net assets of the Enterprise Fund amounted to \$257.6 million. 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 90-92. 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 114-140.

Amendments to the adopted budget may occur throughout the year in a legally permissible manner (see Note 1.r. and Note 1.s. of the notes to the financial statements for more information on budget policies). No amendments increasing the City's total adopted budget of \$1.148 billion occurred during fiscal year 2012. Contingency allocations were made at fiscal year-end to cover programs in the General Fund of \$3.6 million.

General Fund revenues of \$245 million, on a budgetary basis, were less than budgeted revenues of \$253.5 million by \$8.5 million while expenditures of \$335.9 million were only 84% of budgeted expenditures. The shortfall in revenues is due to primarily to lower revenue received in state-shared taxes. 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 the continuing hiring freeze, reduced debt service expenditures caused by refinancing existing debt 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 \$2.63 billion (net of accumulated depreciation/amortization) as of June 30, 2012. 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.

The following table provides a breakdown of the City's capital assets at June 30, 2012 and 2011.

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

	Governmental		Business-type		Total		Change	
	Activities		Activities		Primary	Government		
	2012	2011	2012	2011	2012	2011	Dollars	Percent
Land	\$ 285,322	\$ 265,803	\$ 58,980	\$ 58,803	\$ 344,302	\$ 324,606	\$ 19,696	6.07 %
Water Rights	-	-	17,560	12,761	17,560	12,761	4,799	37.61
Buildings	210,528	232,855	30,787	36,530	241,315	269,385	(28,070)	(10.42)
Other Improvements	20,972	147,205	56,013	133,904	76,985	281,109	(204,124)	(72.61)
Machinery & Equipment	49,190	44,884	23,199	128,512	72,389	173,396	(101,007)	(58.25)
Intangibles	147	14	2,350	3,920	2,497	3,934	(1,437)	(36.53)
Infrastructure	541,792	499,485	994,982	814,481	1,536,774	1,313,966	222,808	16.96
Construction-in-Progress	185,845	89,542	156,015	113,470	341,860	203,012	138,848	68.39
Total	<u>\$ 1,293,796</u>	<u>\$ 1,279,788</u>	<u>\$ 1,339,886</u>	<u>\$ 1,302,381</u>	<u>\$ 2,633,682</u>	<u>\$ 2,582,169</u>	<u>\$ 51,513</u>	<u>1.99</u>

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

- The City continued the implementation of an Enterprise Resource Planning (ERP) system with an additional \$10.9 million spent during fiscal year 2012. The ERP system will replace the current Human Resources/Payroll and Financial applications in the City. The \$24.7 million project is scheduled for final implementation in 2013.
- The City began construction of a new Spring Training Facility for the Chicago Cubs Major League Baseball team with \$2.4 million spent during fiscal year 2012. The City's cost to design and construct the stadium and related facilities is limited to \$84 million, with an additional cost to design and construct public infrastructure limited to \$15 million. These limits were established by a voter-approved election.
- The City completed construction on two new fire stations at a total cost of \$3.73 million. Station 219 and Station 220 will meet the growing demands and help reduce response times for emergencies.

Additional information on the City's capital assets can be found in Note 1.i. 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 \$1.33 billion. Of this amount, \$287.3 million comprises debt backed by the full faith and credit of the City and \$1.046 billion 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 \$1.462 billion at June 30, 2012. \$532 million of this total was in governmental activities and \$930 million was in business-type activities. The City's outstanding long-term debt (considering new borrowings, debt retirements and refunding) increased \$116 million. New borrowings during the fiscal year included \$27.3 million in general obligation bonds, \$77.8 million in Highway Advancement Project Notes and \$67.3 million in utility system revenue bonds.

The following schedule shows the outstanding long-term debt of the City as of June 30, 2012 and 2011.

Outstanding Long-term Debt
(In thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Change	
	2012	2011	2012	2011	2012	2011	Dollars	Percent
General Obligation Bonds	\$ 285,706	\$ 279,028	\$ 1,596	\$ 2,210	\$ 287,302	\$ 281,238	\$ 6,064	2.16 %
Utility System Revenue Bonds	-	-	928,226	884,995	928,226	884,995	43,231	4.88
Highway User Revenue Fund Bonds	118,248	126,573	-	-	118,248	126,573	(8,325)	(6.58)
Special Assessment Bonds								
with Governmental Commitment	5,062	5,806	-	-	5,062	5,806	(744)	(12.81)
Capital Leases	822	2,166	-	-	822	2,166	(1,344)	(62.05)
Notes Payable	122,835	45,000	2,493	2,731	125,328	47,731	77,597	162.57
Total	\$ 532,673	\$ 458,573	\$ 932,315	\$ 889,936	\$ 1,464,988	\$ 1,348,509	\$ 116,479	8.64

During the current fiscal year, the City refinanced \$179.7 million of its existing debt to take advantage of favorable interest rates and to restructure debt service payments. The new refinancing include: (all amounts shown in millions of dollars).

Debt Issued	Debt Refunded	Debt Service Savings/Restructuring
\$31.7 General Obligation Bonds	\$31.7 General Obligation Bonds	\$2.2
\$36.1 Highway User Revenue Bonds	\$39.9 Highway User Revenue Bonds	\$3.4
\$31.6 Utility System Revenue Bonds	\$35.2 Utility System Revenue Bonds	\$3.5
\$80.3 Taxable Utility System Revenue Bonds	\$68.8 Utility System Revenue Bonds	(\$63.2)

The City's current bond ratings are as follows:

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

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

The total debt margin available July 1, 2012 is:

6% Bonds	\$164,855,287
20% Bonds	<u>265,184,455</u>
Total Available	<u>\$430,039,742</u>

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

Economic Factors

In June 2012, the City Council approved a \$1.264 billion budget, which is approximately a 10% increase from the prior year's budget. The fiscal year 2012–13 budget includes \$1.005 billion for operations and \$259 million for scheduled bond capital improvements.

The adopted fiscal year 2012-13 budget continues the City's fiscally conservative approach to budget development, while still providing quality services to the citizens. Rather than simply surviving budget reductions, the City has reorganized and retooled to focus on community priorities and innovative approaches. The goal has been to help Mesa grow and prosper despite a challenging national, state and local economy.

While Mesa has seen an overall improvement in the revenue collections over the previous year, it is anticipated that this improvement will continue at a modest rate. This improvement allowed the City to address several budget priorities in the coming year. Additional positions were added in the Police and Fire & Medical Services departments. Council approved the restoration of a 2% pay reduction that was implemented in 2009 and included a one-time step increase for eligible employees.

The City also took advantage of a strategic financial opportunity in the market by refinancing large portions of outstanding debt which will result in significant savings for the City over the repayment period. The largest portion of the refinancing occurred in the Enterprise Fund. The Council approved reinvesting the savings by creating the Economic Investment Fund. The Economic Investment Fund will assist the City's efforts to provide facilities and programs that will create long-term economic benefit to the City.

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 Finance Director, P.O. Box 1466, Mesa, Arizona, 85211-1466.



mesa·az

Basic Financial Statements



Councilmember

Alex Finter

District 2

CITY OF MESA, ARIZONA
EXHIBIT A-1
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Pooled Cash and Investments	\$ 216,575,101	\$ 64,953,804	\$ 281,528,905
Receivables:			
Accounts and Miscellaneous (Net of Allowances)	19,546,817	30,171,409	49,718,226
Accrued Interest	548,812	106,880	655,692
Due From Other Governments	36,902,404	3,370,821	40,273,225
Internal Balances	3,457,400	(3,457,400)	-
Inventory	6,061,888	-	6,061,888
Prepaid Costs	1,494,916	260,576	1,755,492
Deposits	288,550	7,010,289	7,298,839
Restricted Assets:			
Pooled Cash and Investments	160,510	89,469,582	89,630,092
Cash With Fiscal Agent	32,712,490	42,940,063	75,652,553
Cash With Trustee	98,674,150	-	98,674,150
Accounts Receivable	9,381,469	-	9,381,469
Due From Other Governments	32,669,789	-	32,669,789
Customer Deposits	-	3,004,468	3,004,468
Unamortized Bond Issue Costs	2,940,257	4,492,433	7,432,690
Investment in Joint Ventures	53,681,635	241,515,386	295,197,021
Capital Assets:			
Non-Depreciable	471,166,606	232,555,150	703,721,756
Depreciable, Net	822,629,864	1,107,331,117	1,929,960,981
Total Assets	1,808,892,658	1,823,724,578	3,632,617,236
LIABILITIES			
Warrants Outstanding	8,397,178	-	8,397,178
Accounts Payable	15,086,198	5,936,339	21,022,537
Other Accrued Expenses	37,334,965	-	37,334,965
Customer and Defendant Deposits	8,870,812	-	8,870,812
Compensated Absences	1,187,019	-	1,187,019
Liabilities Payable From Restricted Assets	44,549,965	70,180,409	114,730,374
Noncurrent Liabilities:			
Due Within One Year	36,386,179	23,463,146	59,849,325
Due in More Than One Year	799,107,312	988,200,505	1,787,307,817
Total Liabilities	950,919,628	1,087,780,399	2,038,700,027
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	913,701,563	412,016,435	1,325,717,998
Restricted For:			
Convention Center	-	294,487	294,487
Airport	-	6,337,063	6,337,063
Golf Courses	-	19,371	19,371
Hohokam/Fitch Complex	-	460,963	460,963
Court Projects	1,572,632	-	1,572,632
Quality of Life Projects	3,582,240	-	3,582,240
Debt Service	1,074	43,171,834	43,172,908
Bond Indentures	-	19,247,144	19,247,144
Grant Programs	1,804,282	-	1,804,282
Transportation Programs	33,882,622	-	33,882,622
Water, Wastewater & Solid Waste Improvements	-	207,941	207,941
Miscellaneous Programs	414,368	-	414,368
Unrestricted	(96,985,751)	254,188,941	157,203,190
Total Net Assets	\$ 857,973,030	\$ 735,944,179	\$ 1,593,917,209

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, 2012

Functions/Programs	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Government	\$ 57,472,328	\$ 16,466,194	\$ 2,399,494	\$ -
Public Safety	287,918,202	11,273,414	8,749,742	-
Cultural-Recreational	57,170,754	9,947,522	1,397,966	-
Community Environment	97,592,690	12,763,243	47,807,372	23,502,772
Interest on Long-Term Debt	21,631,042	-	-	-
Total Government Activities	<u>521,785,016</u>	<u>50,450,373</u>	<u>60,354,574</u>	<u>23,502,772</u>
Business-type Activities:				
Electric	29,751,312	34,624,920	157,772	-
Gas	34,275,119	39,139,278	233,614	12,002
Water	74,161,665	113,417,881	1,209,373	5,474,768
Wastewater	68,540,140	64,543,503	524,742	8,186,440
Solid Waste	32,485,233	47,630,828	-	135,876
Airport	3,737,409	3,270,632	-	1,655,194
Golf Course	2,588,958	2,168,575	-	50,000
Convention Center	3,486,069	2,122,304	-	200,000
Hohokam Stadium/Fitch Complex	8,525,374	6,073,590	-	100,000
Cubs Stadium	53,747	824,556	-	-
District Cooling	973,595	1,091,665	-	-
Total Business-type Activities	<u>258,578,621</u>	<u>314,907,732</u>	<u>2,125,501</u>	<u>15,814,280</u>
Total Primary Government	<u>\$ 780,363,637</u>	<u>\$ 365,358,105</u>	<u>\$ 62,480,075</u>	<u>\$ 39,317,052</u>

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
\$ (38,606,640)	\$ -	\$ (38,606,640)
(267,895,046)	-	(267,895,046)
(45,825,266)	-	(45,825,266)
(13,519,303)	-	(13,519,303)
(21,631,042)	-	(21,631,042)
<u>(387,477,297)</u>	<u>-</u>	<u>(387,477,297)</u>
-	5,031,380	5,031,380
-	5,109,775	5,109,775
-	45,940,357	45,940,357
-	4,714,545	4,714,545
-	15,281,471	15,281,471
-	1,188,417	1,188,417
-	(370,383)	(370,383)
-	(1,163,765)	(1,163,765)
-	(2,351,784)	(2,351,784)
-	770,809	770,809
-	118,070	118,070
<u>-</u>	<u>74,268,892</u>	<u>74,268,892</u>
\$ (387,477,297)	\$ 74,268,892	\$ (313,208,405)
126,644,151	-	126,644,151
14,234,285	-	14,234,285
2,018,764	-	2,018,764
86,103,399	-	86,103,399
17,170,502	-	17,170,502
1,502,659	850,454	2,353,113
8,939,334	-	8,939,334
83,615,000	(83,615,000)	-
<u>340,228,094</u>	<u>(82,764,546)</u>	<u>257,463,548</u>
(47,249,203)	(8,495,654)	(55,744,857)
905,222,233	744,439,833	1,649,662,066
<u>\$ 857,973,030</u>	<u>\$ 735,944,179</u>	<u>\$ 1,593,917,209</u>

CITY OF MESA, ARIZONA
EXHIBIT A-3
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 JUNE 30, 2012

	<u>General Fund</u>	<u>Highway User Revenue Fund</u>	<u>Highway Project Advancement Notes</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Pooled Cash and Investments	\$ 71,094,974	\$ 132	\$ -	\$ 94,054,219	\$ 165,149,325
Accounts Receivable (Net of Allowances)	12,639,036	36,063	-	5,428,978	18,104,077
Accrued Interest Receivable	548,812	-	-	-	548,812
Due From Other Governments	15,526,871	2,673,491	-	18,658,892	36,859,254
Due From Other Funds	8,096,813	-	-	-	8,096,813
Prepaid Costs	753,701	1,212	-	82,290	837,203
Deposits	288,550	-	-	-	288,550
Restricted Assets:					
Pooled Cash and Investments	-	-	-	160,510	160,510
Cash With Fiscal agent	-	-	756,250	31,956,240	32,712,490
Cash With Trustee	-	-	98,638,950	35,200	98,674,150
Accounts Receivable	4,879,002	-	-	4,502,467	9,381,469
Due From Other Governments	-	-	32,093,761	576,028	32,669,789
Total Assets	<u>\$ 113,827,759</u>	<u>\$ 2,710,898</u>	<u>\$ 131,488,961</u>	<u>\$ 155,454,824</u>	<u>\$ 403,482,442</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Warrants Outstanding	\$ 8,397,178	\$ -	\$ -	\$ -	\$ 8,397,178
Accounts Payable	8,782,336	102,573	-	5,102,503	13,987,412
Due To Other Funds	-	2,608,000	-	5,488,813	8,096,813
Customer and Defendant Deposits	2,967,002	50	-	5,903,760	8,870,812
Compensated Absences	1,187,019	-	-	-	1,187,019
Payable From Restricted Assets:					
Accrued Bond Interest Payable	-	-	-	8,690,566	8,690,566
Accrued Note Interest Payable	-	-	3,556,148	-	3,556,148
Deferred Revenue	6,702,097	-	-	7,055,115	13,757,212
Matured General Obligation Bonds Payable	-	-	-	20,135,109	20,135,109
Matured Highway User Revenue Bonds Payable	-	-	-	3,290,000	3,290,000
Total Liabilities	<u>28,035,632</u>	<u>2,710,623</u>	<u>3,556,148</u>	<u>55,665,866</u>	<u>89,968,269</u>
Fund Balances					
Nonspendable	753,701	1,212	-	82,290	837,203
Restricted	2,011,527	-	127,932,813	83,346,190	213,290,530
Committed	4,992,039	-	-	16,360,478	21,352,517
Unassigned	78,034,860	(937)	-	-	78,033,923
Total Fund Balances	<u>85,792,127</u>	<u>275</u>	<u>127,932,813</u>	<u>99,788,958</u>	<u>313,514,173</u>
Total Liabilities and Fund Balances	<u>\$ 113,827,759</u>	<u>\$ 2,710,898</u>	<u>\$ 131,488,961</u>	<u>\$ 155,454,824</u>	<u>\$ 403,482,442</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, 2012

Fund Balances - total governmental funds	\$ 313,514,173
Amounts reported for governmental activities in the statement of net assets are different because (also see Note 3 to the basic financial statements):	
Capital assets used in governmental activities are not financial resources and therefore not reported in the governmental funds.	1,290,416,799
Other assets used in governmental activities are not financial resources and therefore not reported in the governmental funds.	56,621,892
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore not reported in the governmental funds.	(828,506,522)
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.	4,879,070
Internal service funds are used by management to charge the costs of certain activities to individual funds.	<u>21,047,618</u>
Net assets of the governmental activities - statement of net assets	<u>\$ 857,973,030</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, 2012

	<u>General Fund</u>	<u>Highway User Revenue Fund</u>	<u>Highway Project Advancement Notes</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Sales Taxes	\$ 86,576,717	\$ -	\$ -	\$ 40,067,434	\$ 126,644,151
Property Taxes	-	-	-	14,322,925	14,322,925
Occupancy Taxes	2,018,764	-	-	-	2,018,764
Special Assessments	-	-	-	995,897	995,897
Licenses and Permits	10,984,707	-	-	2,374,152	13,358,859
Intergovernmental	106,477,848	27,444,747	1,477,300	33,033,537	168,433,432
Charges For Services	8,931,869	143,667	-	16,703,676	25,779,212
Fines and Forfeitures	10,144,455	226,101	-	923,509	11,294,065
Investment Income	767,495	59	40,469	475,858	1,283,881
Miscellaneous	6,655,768	10,570	-	906,163	7,572,501
Total Revenues	232,557,623	27,825,144	1,517,769	109,803,151	371,703,687
Expenditures:					
Current:					
General Government	41,083,321	-	-	-	41,083,321
Public Safety	210,636,675	-	-	15,792,186	226,428,861
Cultural-Recreational	32,014,119	-	-	11,889,515	43,903,634
Community Environment	7,159,619	18,866,348	-	38,377,792	64,403,759
Debt Service:					
Principal Retirement	-	-	-	25,513,155	25,513,155
Interest on Bonds	-	-	-	18,244,535	18,244,535
Interest on Leases	-	-	-	86,367	86,367
Interest on Notes	-	-	4,312,398	-	4,312,398
Service Charges	-	-	-	7,864	7,864
Cost of Issuance	-	-	400,470	469,412	869,882
Capital Outlay	15,640,055	105,969	-	51,204,608	66,950,632
Total Expenditures	306,533,789	18,972,317	4,712,868	161,585,434	491,804,408
Excess (Deficiency) of Revenues Over (Under) Expenditures	(73,976,166)	8,852,827	(3,195,099)	(51,782,283)	(120,100,721)
Other Financing Sources (Uses):					
Transfers In	84,096,031	3,513	-	37,359,939	121,459,483
Transfers Out	(25,496,798)	(8,856,848)	-	(3,781,937)	(38,135,583)
Face Amount of Bonds Issued	-	-	-	27,290,000	27,290,000
Face Amount of Notes Issued	-	-	77,835,000	-	77,835,000
Premium on Issuance of Bonds	-	-	-	8,027,060	8,027,060
Premium on Issuance of Notes	-	-	8,250,081	-	8,250,081
Issuance of Refunding Debt	-	-	-	67,238,160	67,238,160
Payment to Refunded Bond Escrow Agent	-	-	-	(74,127,409)	(74,127,409)
Total Other Financing Sources (Uses)	58,599,233	(8,853,335)	86,085,081	62,005,813	197,836,792
Net Change in Fund Balances	(15,376,933)	(508)	82,889,982	10,223,530	77,736,071
Fund Balances - Beginning	101,169,060	783	45,042,831	89,565,428	235,778,102
Fund Balances - Ending	\$ 85,792,127	\$ 275	\$ 127,932,813	\$ 99,788,958	\$ 313,514,173

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, 2012

Net change in fund balances - total governmental funds	\$ 77,736,071
Amounts reported for governmental activities in the statement of activities are different because (also see Note 3 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.	(841,496)
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.	(54,676,265)
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 (\$66,950,632) exceeded depreciation (\$48,629,704) in the current period.	18,320,928
The net effect of miscellaneous transactions involving capital assets (e.g., donations, transfers and disposals) is to decrease net assets.	(1,816,396)
Loss on equity in Joint Venture	(2,006,011)
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.	(80,353,418)
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.	(7,133,166)
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>3,520,550</u>
Change in net assets of the governmental activities - statement of activities	\$ <u><u>(47,249,203)</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, 2012

	<u>Business-type Activities</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>Enterprise Fund</u>	
ASSETS		
Current Assets:		
Pooled Cash and Investments	\$ 64,953,804	\$ 51,425,776
Accounts Receivable (Net of Allowances of \$1,190,000)	30,171,409	163,572
Accrued Premiums Receivable	-	1,279,168
Accrued Interest Receivable	106,880	-
Due From Other Governments	3,370,821	43,150
Inventory	-	6,061,888
Prepaid Costs	260,576	657,713
Deposits	7,010,289	-
Restricted Assets:		
Pooled Cash and Investments	20,254,711	-
Cash with Fiscal Agent	42,940,063	-
Customer Deposits	3,004,468	-
Total Current Assets	172,073,021	59,631,267
Noncurrent Assets:		
Restricted Assets:		
Impact & Development Fees:		
Pooled Cash and Investments	207,941	-
Bond Replacement, Extensions and Reserves:		
Pooled Cash and Investments	19,638,550	-
Capital Projects:		
Pooled Cash and Investments	49,368,380	-
Unamortized Bond Issue Costs	4,492,433	-
Total Restricted Assets	73,707,304	-
Capital Assets:		
Land	58,980,182	-
Water Rights	17,560,145	-
Buildings	52,013,687	2,061,431
Other Improvements	62,112,156	426,745
Machinery and Equipment	51,689,945	6,506,851
Intangibles	17,322,447	2,758
Infrastructure	1,519,648,775	1,042
Construction in Progress	156,014,823	144,538
Less Accumulated Depreciation and Amortization	(595,455,893)	(5,763,694)
Total Capital Assets, Net	1,339,886,267	3,379,671
Investment in Joint Ventures	241,515,386	-
Total Noncurrent Assets	1,655,108,957	3,379,671
Total Assets	\$ 1,827,181,978	\$ 63,010,938

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, 2012

	<u>Business-type Activities</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>Enterprise Fund</u>	
LIABILITIES		
Current Liabilities-Payable From Current Assets:		
Accounts Payable	\$ 5,936,339	\$ 1,098,786
Other Accrued Expenses	-	37,334,965
Current Liabilities-Payable From Restricted Assets:		
Bond Replacement, Extensions and Reserves-Accounts Payable	391,406	-
Capital Projects-Accounts Payable	3,589,761	-
Accrued Bond Interest Payable	21,186,983	-
Matured Bonds Payable	21,984,891	-
Customer Deposits and Prepayments	23,027,368	-
Current Portion of Long-Term Liabilities:		
Current Portion of Revenue Bonds Payable	21,630,000	-
Current Portion of General Obligation Bonds Payable	712,959	-
Current Portion of Notes Payable	122,973	-
Current Portion of Other Long-Term Obligations	116,754	-
Current Portion of Compensated Absences	880,460	87,848
Total Current Liabilities	<u>99,579,894</u>	<u>38,521,599</u>
Long-Term Liabilities:		
Revenue Bonds Payable, Net of Deferred Amount on Refundings	906,595,968	-
General Obligation Bonds Payable, Net of Deferred Amt on Refundings	883,167	-
Notes Payable	2,370,002	-
Unamortized Bond Premium	19,238,432	-
Compensated Absences	3,301,802	831,628
Post Employment Benefits	55,811,134	6,067,493
Total Long-Term Liabilities	<u>988,200,505</u>	<u>6,899,121</u>
Total Liabilities	<u>1,087,780,399</u>	<u>45,420,720</u>
NET ASSETS		
Invested In Capital Assets, Net of Related Debt	412,016,435	3,379,671
Restricted For:		
Convention Center	294,487	-
Airport	6,337,063	-
Golf Courses	19,371	-
Hohokam Stadium\Fitch Complex	460,963	-
Debt Service	43,171,834	-
Bond Indentures	19,247,144	-
Water, Wastewater & Solid Waste Improvements	207,941	-
Unrestricted	257,646,341	14,210,547
Total Net Assets	<u>\$ 739,401,579</u>	<u>\$ 17,590,218</u>
Adjustment to reflect the consolidation of the internal service funds related to the enterprise fund.	(3,457,400)	
Total net assets of the business-type activities	<u>\$ 735,944,179</u>	

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

CITY OF MESA, ARIZONA

EXHIBIT A-8

STATEMENT OF REVENUES, EXPENSES

AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Business-type Activities</u>	<u>Governmental Activities - Internal Service</u>
	<u>Enterprise Fund</u>	<u>Funds</u>
Operating Revenues:		
Electric Sales Pledged as Security for Revenue Bonds	\$ 34,624,920	\$ -
Gas Sales Pledged as Security for Revenue Bonds	39,139,278	-
Water Sales Pledged as Security for Revenue Bonds	113,417,881	-
Wastewater Charges Pledged as Security for Revenue Bonds	64,543,503	-
Solid Waste Charges Pledged as Security for Revenue Bonds	47,630,828	-
Airport Fees	3,270,632	-
Golf Course Fees	2,168,575	-
Convention Center Fees	2,122,304	-
Hohokam Stadium/Fitch Complex Fees	6,073,590	-
Cubs Stadium	824,556	-
District Cooling Charges	1,091,665	-
Charges For Services	-	19,062,105
Self-Insurance Contributions	-	71,376,544
Other	-	1,352,879
	<hr/>	<hr/>
Total Operating Revenues	314,907,732	91,791,528
Operating Expenses:		
Electric	23,559,483	-
Gas	27,579,988	-
Water	32,492,891	-
Wastewater	24,511,236	-
Solid Waste	28,946,276	-
Airport	2,448,040	-
Golf Course	2,295,242	-
Convention Center	3,207,565	-
Hohokam Stadium/Fitch Complex	7,817,116	-
Cubs Stadium	53,748	-
District Cooling	582,915	-
Warehouse, Maintenance & Services	-	20,292,608
Self-Insurance	-	68,791,390
	<hr/>	<hr/>
Total Operating Expenses	153,494,500	89,083,998
Operating Income Before Depreciation and Amortization	161,413,232	2,707,530
Depreciation and Amortization	(46,099,910)	(340,110)
	<hr/>	<hr/>
Operating Income	115,313,322	2,367,420

(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, 2012

	<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	838,981	-
Investment Income Unpledged	11,473	237,016
Intergovernmental	2,125,501	-
Interest Expense:		
Revenue Bonds	(39,910,089)	-
General Obligation Bonds	(94,432)	-
Notes Payable	(69,067)	-
Other Long-Term Obligations	(14,489)	-
Amortization of Bond Issuance and Administrative Costs	(323,330)	-
Loss on Disposal of Capital Assets	(5,243,965)	(36,970)
Equity Interest in Joint Ventures	(12,665,274)	-
	<u>(55,344,691)</u>	<u>200,046</u>
Income before Transfers and Capital Contributions	59,968,631	2,567,466
Capital Contributions	15,814,280	(1,581)
Transfers In	-	291,100
Transfers Out	(83,615,000)	-
	<u>(7,832,089)</u>	<u>2,856,985</u>
Change in Net Assets	(7,832,089)	2,856,985
Total Net Assets - Beginning	<u>747,233,668</u>	<u>14,733,233</u>
Total Net Assets - Ending	<u>\$ 739,401,579</u>	<u>\$ 17,590,218</u>
Adjustment to reflect consolidation of internal service funds related to the enterprise fund.	(663,565)	
Change in net assets of the business-type activities	<u>\$ (8,495,654)</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, 2012

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal Service Funds</u>
Cash Flows From Operating Activities:		
Cash Received From Customers	\$ 303,277,355	\$ -
Cash Received From Users	6,701,104	91,876,952
Cash Payments to Suppliers	(88,767,867)	(73,453,516)
Cash Payments to Employees	(52,975,183)	(7,484,233)
Net Cash Provided By Operating Activities	<u>168,235,409</u>	<u>10,939,203</u>
Cash Flows From Noncapital Financing Activities:		
Intergovernmental	2,125,501	-
Investment in Joint Ventures	(3,623,842)	-
Transfers In from Other Funds	-	291,100
Transfers Out to Other Funds	(83,615,000)	-
Net Cash Provided By (Used For) Noncapital Financing Activities	<u>(85,113,341)</u>	<u>291,100</u>
Cash Flows From Capital and Related Financing Activities:		
Proceeds From Bond Sales	185,317,964	-
Payment to Refunded Bond Escrow Agent	(117,740,930)	-
Acquisition and Construction of Capital Assets	(83,819,495)	(97,030)
Proceeds From Sale of Capital Assets	96,315	-
Principal Paid on Bonds, Leases and Notes Maturities	(13,531,230)	-
Interest Paid on Bonds, Leases and Notes	(44,072,729)	-
Capital Contributed by Other Governments	6,148,923	-
Capital Contributed by Subdividers	5,215,556	-
Net Cash Used For Capital and Related Financing Activities	<u>(62,385,626)</u>	<u>(97,030)</u>
Cash Flows From Investing Activities:		
Interest Received on Investments	<u>1,032,063</u>	<u>237,016</u>
Net Cash Provided By Investing Activities	<u>1,032,063</u>	<u>237,016</u>
Net Increase in Pooled Cash and Investments	21,768,505	11,370,289
Total Cash and Investments at Beginning of Year	<u>175,594,944</u>	<u>40,055,487</u>
Total Cash and Investments at End of Year	<u>\$ 197,363,449</u>	<u>\$ 51,425,776</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, 2012

	<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>\$ 115,313,322</u>	<u>\$ 2,367,420</u>
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:		
Depreciation and Amortization	46,099,910	340,110
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	(4,929,273)	85,424
Increase in Inventory	-	(193,994)
Increase in Deposits and Prepaid Costs	(2,086,282)	(348,861)
Increase in Accounts Payable	13,837,732	778,530
Increase in Other Accrued Expense	-	<u>7,910,574</u>
Total Adjustments	<u>52,922,087</u>	<u>8,571,783</u>
Net Cash Provided By Operating Activities	<u><u>\$ 168,235,409</u></u>	<u><u>\$ 10,939,203</u></u>
Noncash Transactions Affecting Financial Position:		
Contributions of Capital Assets	\$ 4,449,801	\$ -
Transfers of Capital Assets to Governmental Funds	-	(1,581)
Loss on Disposal of Capital Assets	(5,340,280)	(36,970)
Amortization of Bond Premium	2,395,803	-
Amortization of Debt Issuance Costs	(323,330)	-
Amortization of Deferred Amounts on Refundings	2,007,092	-

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, 2012

	Payroll Agency
ASSETS	
Pooled Cash and Investments	<u>\$ 12,851,354</u>
Total Assets	<u><u>\$ 12,851,354</u></u>
LIABILITIES	
Accrued Payroll Payable	<u>\$ 12,851,354</u>
Total Liabilities	<u><u>\$ 12,851,354</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, 2012

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 441,160 within an area of approximately 137 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.

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 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.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 \$177,504. 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 13).

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 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.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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.

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 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.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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.

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.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 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.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

The City reports the following non-major governmental funds:

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

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

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

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, stadiums and district cooling.

Additionally, the City reports the following fund types:

The **Internal Service Funds** are used to account for operations that provide services to other departments of the government on a cost-reimbursement basis. These services include fleet support, materials and supply, printing and graphics, 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.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

f. **Pooled Cash and Investments**

The City maintains an invested pool that is available for use by all City funds. Each funds portion of this pool is reported on the financial statements as “pooled cash and investments”.

A single master custodian holds all assets of the invested pool. In addition, certain cash deposits and investments are also held separately by various City funds in separate accounts.

At year-end, City cash totaled \$1,302,324 which includes \$218,090 of petty cash. The carrying amount of the City’s deposits was \$1,084,234 and the bank balance was \$227,173. The entire balance was covered by federal depository insurance. The difference of \$857,061 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, 2012, 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 Federal Agency Securities are rated AA+ by Standard & Poor’s. 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 total \$237,235,064.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The City's investments at June 30, 2012 are as follows:

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>				<u>Concentration of Credit Risk %</u>
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-2</u>	<u>More than 2</u>	
U.S. Treasuries	\$ 96,305,085	\$ 7,182,231	\$ 37,531,527	\$ 51,591,327	39.44 %
U.S. Agencies:					
Federal Home Loan Bank	23,161,643	6,956,548	16,205,095	-	9.49
Federal Home Loan Mortgage Corp.	60,220,002	4,735,976	10,024,480	45,459,546	24.67
Federal National Mortgage Assn	61,034,891	5,046,235	49,756,893	6,231,763	25.00
City of Mesa Special Improvement District Bonds	3,425,492	335,000	335,000	2,755,492	1.40
Total	\$ 244,147,113	\$ 24,255,990	\$ 113,852,995	\$ 106,038,128	100.00 %

None of these Investments are callable.

Total Pooled City Cash and Investments at fair value are as follows:

Cash on Hand	\$ 218,090
Carrying Amount of City Deposits	1,084,234
Investments in Local Govt Invest Pool	122,948,877
Repurchase Agreement	15,612,037
Cash with Trustee	98,674,150
Cash with Fiscal Agent	75,652,553
Long-Term Investments	<u>244,147,113</u>
Total Pooled Cash and Investments	\$ <u>558,337,054</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 increase in the fair value of investments during fiscal year 2011-12 of \$534,251. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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:

Fund	Receivables	Allowance	Net
Governmental Activities:			
General Fund:			
Taxes	\$ 8,336,988	\$ (2,327,000)	\$ 6,009,988
Courts	58,399,517	(54,292,879)	4,106,638
Other Customers	3,634,510	(1,112,100)	2,522,410
Restricted	4,879,002	-	4,879,002
Due from Other Governments			
State Shared Revenues	5,586,093	-	5,586,093
Other	9,940,778	-	9,940,778
Highway User Revenue Fund:			
Customers	36,063	-	36,063
Due from Other Governments	2,673,491	-	2,673,491
Highway Project Advancement Notes			
Restricted-Due from Other Governments	32,093,761	-	32,093,761
Non-Major Governmental Funds:			
Taxes	5,279,200	-	5,279,200
Other Customers	149,778	-	149,778
Restricted-Spec. Assessments	4,502,467	-	4,502,467
Restricted-Property Taxes	576,028	-	576,028
Due from Other Governments	18,658,892	-	18,658,892
Internal Service Funds			
Customers	1,442,740	-	1,442,740
Due from Other Governments	43,150	-	43,150
Total Governmental Activities	\$ 156,232,458	\$ (57,731,979)	\$ 98,500,479
Business-Type Activities:			
Utility Customers	\$ 29,420,437	\$ (890,000)	\$ 28,530,437
Other Customers	1,940,972	(300,000)	1,640,972
Due from Other Governments	3,370,821	-	3,370,821
Total Business-type Activities	\$ 34,732,230	\$ (1,190,000)	\$ 33,542,230

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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)	\$ 62,810
Surcharges included in Court Receivables (General Fund)	4,816,089
Grants received prior to meeting all eligibility requirements (General Fund)	1,823,198
Delinquent Property Taxes (Debt Service Funds)	313,793
Special assessments not yet due (Debt Service Funds)	4,502,467
Joint Project with McDot and Gilbert (Capital Project Funds)	<u>2,238,855</u>
Total deferred revenue for governmental funds	<u>\$ 13,757,212</u>

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

The following interfund activities are included in the fund financial statements at June 30, 2012:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds:		
General Fund	\$ 8,096,813	\$ -
Highway User Revenue Fund		2,608,000
Non-major Governmental Funds	-	<u>5,488,813</u>
Total Governmental funds	<u>\$ 8,096,813</u>	<u>\$ 8,096,813</u>

The interfund balances at June 30, 2012 are short-term loans to cover temporary cash deficits in various funds. All interfund balances outstanding at June 30, 2012 are expected to be repaid within one year.

The transfer of \$83,615,000 from business-type activities to governmental activities on the government-wide statement of activities is an operational subsidy from the Enterprise Fund to the General Fund. The following interfund transfers are reflected in the fund financial statements for the year ended June 30, 2012:

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Governmental funds:		
General Fund	\$ 25,496,798	84,096,031
Highway User Revenue Fund	8,856,848	3,513
Non-major Governmental Funds	<u>3,781,937</u>	<u>37,359,939</u>
Total governmental funds	38,135,583	121,459,483
Proprietary funds:		
Enterprise Fund	83,615,000	-
Internal Service Funds	<u>-</u>	<u>291,100</u>
Total	<u>\$ 121,750,583</u>	<u>\$ 121,750,583</u>

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.

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, 2012, unbilled utility service receivables are recorded in the Enterprise Fund as follows:

Electric	\$ 1,273,832
Gas	892,563
Water	5,353,068
Wastewater	2,521,598
Solid Waste	<u>1,830,090</u>
	<u>\$ 11,871,151</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. Intangible assets for the City include goodwill, right of way, easements and computer software. The City has elected to capitalize software with an initial cost of \$100,000 or more. All capital assets, whether owned by governmental activities or business-type activities are required to be recorded and depreciated in the government-wide financial statements.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 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.

The City has made various class changes to both the government-wide and business-type capital asset classifications during fiscal year 2011–12 in preparation for the implementation of fully integrated ERP system expected to go live in next fiscal year. The changes did not affect the overall capital asset cost.

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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2012 follows:

	Balance July 1, 2011	Additions	Retirements	Class Change and Transfers	Balance June 30, 2012
Governmental Activities:					
Non-depreciable Assets:					
Land	\$ 265,803,456	\$ 1,062,887	\$ -	\$ 18,455,476	\$ 285,321,819
Construction-in-Progress	89,542,374	65,321,498	(23,385,989)	54,366,904	185,844,787
Total Non-depreciable Assets	<u>355,345,830</u>	<u>66,384,385</u>	<u>(23,385,989)</u>	<u>72,822,380</u>	<u>471,166,606</u>
Depreciable Assets:					
Buildings	300,612,775	3,014,280	-	(24,806,366)	278,820,689
Other Improvements	215,435,029	8,963,223	(4,484,965)	(139,294,540)	80,618,747
Machinery & Equipment	140,066,160	6,143,345	(7,794,669)	18,336,795	156,751,631
Intangibles	176,578	98,626	-	128,640	403,844
Infrastructure	819,889,033	4,898,900	(137,027)	72,813,091	897,463,997
Total Depreciable Assets	<u>1,476,179,575</u>	<u>23,118,374</u>	<u>(12,416,661)</u>	<u>(72,822,380)</u>	<u>1,414,058,908</u>
Less Accumulated Depreciation for:					
Buildings	(67,757,845)	(5,749,242)	-	5,214,853	(68,292,234)
Other Improvements	(68,229,823)	(7,980,244)	1,714,286	14,849,202	(59,646,579)
Machinery & Equipment	(95,182,019)	(9,430,208)	7,427,164	(10,376,840)	(107,561,903)
Intangibles	(162,540)	(46,308)	-	(47,860)	(256,708)
Infrastructure	(320,404,447)	(25,763,812)	135,994	(9,639,355)	(355,671,620)
Total Accum. Depreciation	<u>(551,736,674)</u>	<u>(48,969,814)</u>	<u>9,277,444</u>	<u>-</u>	<u>(591,429,044)</u>
Total Depreciable Assets, net	<u>924,442,901</u>	<u>(25,851,440)</u>	<u>(3,139,217)</u>	<u>(72,822,380)</u>	<u>822,629,864</u>
Governmental Activities					
Capital Assets, net	<u>\$ 1,279,788,731</u>	<u>\$ 40,532,945</u>	<u>\$ (26,525,206)</u>	<u>\$ -</u>	<u>\$ 1,293,796,470</u>

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

General Government	\$ 4,806,217
Public Safety	10,674,182
Cultural - Recreational	6,877,000
Community Environment	26,272,305
Capital assets held by the City's Internal Service funds are charged to the various functions based on their usage of the assets	<u>340,110</u>
Total Depreciation \$	<u>48,969,814</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Balance July 1, 2011	Additions	Retirements	Class Change and Transfers	Balance June 30, 2012
Business-type Activities:					
Non-depreciable Assets:					
Land	\$ 58,802,555	\$ 144,410	\$ (500)	\$ 33,717	\$ 58,980,182
Water Rights	12,760,846	4,799,299	-	-	17,560,145
Construction-in-Progress	113,470,253	79,610,489	(37,065,919)	-	156,014,823
Total Non-depreciable Assets	<u>185,033,654</u>	<u>84,554,198</u>	<u>(37,066,419)</u>	<u>33,717</u>	<u>232,555,150</u>
Depreciable Assets:					
Buildings	62,413,552	454,683	-	(10,854,548)	52,013,687
Other Improvements	174,566,571	21,849,300	(5,284,068)	(129,019,647)	62,112,156
Machinery & Equipment	216,413,649	6,166,128	(1,418,008)	(169,471,824)	51,689,945
Intangibles	13,683,262	414	-	3,638,771	17,322,447
Infrastructure	1,201,069,809	12,995,855	(80,782)	305,663,893	1,519,648,775
Total Depreciable Assets	<u>1,668,146,843</u>	<u>41,466,380</u>	<u>(6,782,858)</u>	<u>(43,355)</u>	<u>1,702,787,010</u>
Less Accum. Depr. & Amort. for:					
Buildings	(25,883,941)	(1,278,005)	-	5,934,851	(21,227,095)
Other Improvements	(40,661,998)	(9,617,189)	7,745	44,172,803	(6,098,639)
Machinery & Equipment	(87,901,227)	(8,341,898)	1,356,545	66,395,921	(28,490,659)
Intangibles	(9,763,011)	(417,921)	-	(4,791,299)	(14,972,231)
Infrastructure	(386,588,884)	(26,444,897)	78,788	(111,712,276)	(524,667,269)
Total Accum. Depr. & Amort.	<u>(550,799,061)</u>	<u>(46,099,910)</u>	<u>1,443,078</u>	<u>-</u>	<u>(595,455,893)</u>
Total Depreciable Assets, net	<u>1,117,347,782</u>	<u>(4,633,530)</u>	<u>(5,339,780)</u>	<u>(43,355)</u>	<u>1,107,331,117</u>
Business-type Activities					
Capital Assets, net	<u>\$ 1,302,381,436</u>	<u>\$ 79,920,668</u>	<u>\$ (42,406,199)</u>	<u>\$ (9,638)</u>	<u>\$ 1,339,886,267</u>

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

Electric	\$ 2,944,156
Gas	3,011,300
Water	18,838,487
Wastewater	16,204,815
Solid Waste	2,207,321
Airport	1,280,834
Golf Course	238,809
Convention Center	273,418
Hohokam Stadium/Fitch Complex	710,090
District Cooling	<u>390,680</u>
Total Depreciation and Amortization	<u>\$ 46,099,910</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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	\$ 10,050,964	\$ 1,029,958
Public Safety	52,970,026	7,107,208
Cultural-Recreational	4,415,615	381,470
Community Environmental	118,263,644	28,029,507
Warehouse, Maintenance & Services	144,538	143,800
Total	<u>\$ 185,844,787</u>	<u>\$ 36,691,943</u>
 <u>Business-type Activities</u> 		
Electric	\$ 22,094,075	\$ 1,343,471
Gas	23,713,537	3,448,009
Water	92,037,781	10,523,268
Wastewater	6,917,209	2,884,859
Solid Waste	735,763	1,954,980
Airport	5,685,240	211,525
Golf Course	507,586	4
Convention Center	91,826	26
Hohokam Stadium/Fitch Complex	482,322	1
Cubs Stadium	2,660,137	4,735,891
District Cooling	1,089,347	-
Total	<u>\$ 156,014,823</u>	<u>\$ 25,102,034</u>

m. **Capitalization of Interest**

For the year ended June 30, 2012, the City capitalized net interest costs of \$3,132,995 (interest expense of \$3,182,676 reduced by interest income of \$49,681 in the Business-type Activities Enterprise Fund). Total interest expense and income in the Business-type Activities Enterprise Fund before capitalization was \$43,270,753 and \$900,135 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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

and Public Liability Insurance program. In addition, the City carries full property insurance with a \$50,000 per occurrence deductible. Under the Workers' Compensation Program, the City is subject to a maximum deductible of \$1,000,000 liability per occurrence. In the Employee Benefits Fund, the City has excess insurance coverage when an individual's claims exceed \$200,000 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 estimated liability for claims outstanding is determined by a yearly actuarial study in the Property and Public Liability Fund and the Workers Compensation Fund. The claims liability in the Employee Benefits Fund is generated by the claims processing software system maintained by City Staff.

The stop loss receivable balance for the Workers' Compensation Fund at June 30, 2012 is \$162,840. Over the past three fiscal years the Fund has received settlements in excess of insurance coverage of \$511,739 with \$130,748 received this current fiscal year. The Property and Public Liability Fund does not have a stop loss receivable at June 30, 2012, and the Fund has not received any settlements in excess of insurance coverage over the past three fiscal years. The Employee Benefits Fund does not have stop loss receivable at June 30, 2012. Over the past three fiscal years the Fund has received settlements in excess of insurance coverage of \$3,158,065 with \$397,479 received this current fiscal year.

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

	Property & Public Liability	Workers' Compensation	Employee Benefits	Total
Unpaid Claims, 6/30/10	\$ 17,636,000	\$ 7,721,026	\$ 3,731,291	\$ 29,088,317
Adjustments to Reserves-FY 10-11	545,129	6,876,420	51,013,683	58,435,232
Claim Payments-FY 10-11	<u>(3,540,129)</u>	<u>(3,127,828)</u>	<u>(51,431,201)</u>	<u>(58,099,158)</u>
Unpaid Claims, 6/30/11	\$ 14,641,000	\$ 11,469,618	\$ 3,313,773	\$ 29,424,391
Adjustments to Reserves-FY 11-12	\$ 567,582	\$ 10,816,654	\$ 48,861,122	\$ 60,245,358
Claim Payments-FY 11-12	<u>(2,178,582)</u>	<u>(3,568,076)</u>	<u>(46,588,126)</u>	<u>(52,334,784)</u>
Unpaid Claims, 6/30/12	<u>\$ 13,030,000</u>	<u>\$ 18,718,196</u>	<u>\$ 5,586,769</u>	<u>\$ 37,334,965</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, 2012

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. **Fund Balance Policies**

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

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

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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

As of June 30, 2012 the fund balance details by classification are listed below:

Fund Balances:	General Fund	Highway User Revenue Fund	Highway Project Advancement Notes	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepaid Costs	\$ 753,701	\$ 1,212	\$ -	\$ 82,290	\$ 837,203
Restricted:					
Debt Service	-	-	127,932,813	-	127,932,813
Capital Projects	-	-	-	44,154,587	44,154,587
Quality of Life Projects	-	-	-	3,582,240	3,582,240
Streets Projects	-	-	-	33,805,081	33,805,081
Public Safety	311,407	-	-	-	311,407
Cultural-Recreational	127,488	-	-	-	127,488
Community Environment	-	-	-	1,804,282	1,804,282
Court	1,572,632	-	-	-	1,572,632
Committed To:					
General Govt	682,721	-	-	-	682,721
Cultural-Recreational	195,266	-	-	1,856,210	2,051,476
Court	-	-	-	1,074	1,074
Public Safety	2,783,213	-	-	1,084,138	3,867,351
Building Safety	682,525	-	-	-	682,525
Community Environment	642,617	-	-	6,195,898	6,838,515
Vehicle Replacements	-	-	-	5,922,672	5,922,672
General Govt Facilities	-	-	-	1,300,486	1,300,486
Other Commitments	5,697	-	-	-	5,697
Unassigned	<u>78,034,860</u>	<u>(937)</u>	<u>-</u>	<u>-</u>	<u>78,033,923</u>
Total Fund Balances	<u>\$ 85,792,127</u>	<u>\$ 275</u>	<u>\$ 127,932,813</u>	<u>\$ 99,788,958</u>	<u>\$ 313,514,173</u>

The Mayor and Council has established a minimum fund balance policy for the General Fund of eight to ten percent of budgeted expenditures. The fund balance in the General Fund as of June 30, 2012 as reported in Exhibit B-3 is 21.8% of General Fund expenditures budgeted for fiscal year 2012-2013.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

q. **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.

r. **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.

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 or Debt Service Funds.

Budget schedules for the 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. The Highway Project Advancement notes major governmental fund revenues and expenditures are budgeted in the special revenue funds.

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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 27, 2011.

s. **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, 2012 and are made in accordance with State Statutes.

t. **Property Taxes**

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

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

In fiscal year 2011-12, current property tax collections were \$13,796,512 or 95.99% of the tax levy, and were recognized as revenue when received. At fiscal year end, the delinquent property tax is recorded as a receivable. Revenue is recognized for those payments expected to be collected within 60 days and the remaining balance is reported as deferred revenue. The

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

receivable at 06/30/12 was \$576,028 of which \$262,235 was recorded as revenue and \$313,793 as deferred revenue.

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, 2012

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					
Pooled Cash and Investments	\$ 165,149,325	\$ -	\$ 51,425,776	-	\$ 216,575,101
Accounts Receivable, net	18,104,077	-	1,442,740	-	19,546,817
Interest Receivable	548,812	-	-	-	548,812
Due From Other Governments	36,859,254	-	43,150	-	36,902,404
Due From Other Funds	8,096,813	-	3,457,400	(8,096,813)	3,457,400
Inventories	-	-	6,061,888	-	6,061,888
Prepaid Costs	837,203	-	657,713	-	1,494,916
Deposits	288,550	-	-	-	288,550
Restricted Pooled Cash and Investments	160,510	-	-	-	160,510
Restricted Cash With Fiscal Agent	32,712,490	-	-	-	32,712,490
Restricted Cash With Trustee	98,674,150	-	-	-	98,674,150
Restricted Accounts Receivable - Deferred	9,381,469	-	-	-	9,381,469
Restricted Due From Other Governments	32,669,789	-	-	-	32,669,789
Unamortized Bond Issuance Costs	-	2,940,257	-	-	2,940,257
Investment in Joint Ventures	-	53,681,635	-	-	53,681,635
Capital Assets	-	1,290,416,799	3,379,671	-	1,293,796,470
Total Assets	\$ 403,482,442	\$ 1,347,038,691	\$ 66,468,338	\$ (8,096,813)	\$ 1,808,892,658
Liabilities					
Warrants Outstanding	\$ 8,397,178	\$ -	\$ -	\$ -	\$ 8,397,178
Accounts Payable	13,987,412	-	1,098,786	-	15,086,198
Other Accrued Expenses	-	-	37,334,965	-	37,334,965
Due To Other Funds	8,096,813	-	-	(8,096,813)	-
Customer and Defendant Deposits	8,870,812	-	-	-	8,870,812
Compensated Absences	1,187,019	-	-	-	1,187,019
Restricted Bond Interest Payable	8,690,566	-	-	-	8,690,566
Restricted Note Interest Payable	3,556,148	-	-	-	3,556,148
Restricted Deferred Revenue	13,757,212	(4,879,070)	-	-	8,878,142
Matured G.O. Bonds Payable	20,135,109	-	-	-	20,135,109
Matured HURF Bonds Payable	3,290,000	-	-	-	3,290,000
Long-term Liabilities	-	828,506,522	6,986,969	-	835,493,491
Total Liabilities	89,968,269	823,627,452	45,420,720	(8,096,813)	950,919,628
Fund Balance/Net Assets					
Total Fund Balance/Net Assets	313,514,173	523,411,239	21,047,618	-	857,973,030
Total Liabilities and Fund Balance/Net Assets	\$ 403,482,442	\$ 1,347,038,691	\$ 66,468,338	\$ (8,096,813)	\$ 1,808,892,658

(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 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.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Costs of capital assets	\$1,876,082,150
Accumulated depreciation	<u>(585,665,351)</u>
	<u>\$1,290,416,799</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>53,681,635</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>2,940,257</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	\$ 409,016,303
Notes payable	122,835,000
Capital leases	821,550
Compensated absences	16,323,141
Post employment benefits	258,277,986
Unamortized bond premiums	<u>21,232,542</u>
	<u>\$ 828,506,522</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	313,793
Deferred special assessment revenue	\$ 4,502,467
Deferred rehabilitation loan revenue	<u>62,810</u>
	<u>\$ 4,879,070</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>21,047,618</u>
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(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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	\$ 126,644,151	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 126,644,151
Property Taxes	14,322,925	(88,640)	-	-	-	-	14,234,285
Occupancy Taxes	2,018,764	-	-	-	-	-	2,018,764
Special Assessments	995,897	(743,945)	-	-	-	-	251,952
Licenses and Permits	13,358,859	-	-	-	-	-	13,358,859
Intergovernmental	168,433,432	(8,911)	-	-	-	-	168,424,521
Charges for Services	25,779,212	-	-	-	-	-	25,779,212
Contributions	-	-	-	17,170,502	-	-	17,170,502
Fines and Forfeitures	11,294,065	-	-	-	-	-	11,294,065
Investment Income	1,283,881	-	-	237,015	-	-	1,520,896
Miscellaneous	7,572,501	-	-	1,366,833	-	-	8,939,334
Other Sources:							
Capital Contributions	-	-	1,284,272	-	-	-	1,284,272
Transfers In	12,145,483	-	1,581	289,519	-	(38,135,583)	83,615,000
Face Amount of Bonds Issued	27,290,000	-	-	-	(27,290,000)	-	-
Face Amount of Notes Issued	77,835,000	-	-	-	(77,835,000)	-	-
Premiums on Issuance of Bonds	8,027,060	-	-	-	(8,027,060)	-	-
Premiums on Issuance of Notes	8,250,081	-	-	-	(8,250,081)	-	-
Issuance of Refunding Debt	67,238,160	-	-	-	(67,238,160)	-	-
Total Revenues and Other Sources	<u>681,803,471</u>	<u>(841,496)</u>	<u>1,285,853</u>	<u>19,063,869</u>	<u>(188,640,301)</u>	<u>(38,135,583)</u>	<u>474,535,813</u>
Expenditures / Expenses							
Current:							
General Government	41,083,321	7,120,113	7,283,711	1,982,183	3,000	-	57,472,328
Public Safety	226,428,861	38,612,330	10,826,564	11,999,024	5,1423	-	287,918,202
Cultural-Recreational	43,903,634	4,715,178	7,155,241	1,360,590	36,111	-	57,170,754
Community Environment	64,403,759	4,236,508	28,472,448	201,522	278,453	-	97,592,690
Debt Service:							
Principal Payments	25,513,155	-	-	-	(25,513,155)	-	-
Interest on Bonds	18,244,535	-	-	-	(13,458)	-	18,231,077
Interest on Capital Leases	86,367	-	-	-	-	-	86,367
Interest on Notes	4,312,398	-	-	-	(998,800)	-	3,313,598
Service Charges	7,864	(7,864)	-	-	-	-	-
Cost of Issuance	869,882	-	-	-	(869,882)	-	-
Capital Outlay	66,950,632	-	(66,950,632)	-	-	-	-
Total Expenditures \ Expenses	<u>491,804,408</u>	<u>54,676,265</u>	<u>(13,212,668)</u>	<u>15,543,319</u>	<u>(27,026,308)</u>	<u>-</u>	<u>521,785,016</u>
Other Financing Uses / Changes in Net Assets							
Transfers Out	38,135,583	-	-	-	-	(38,135,583)	-
Payment to Refunded Bond Escrow Agent	74,127,409	-	-	-	(74,127,409)	-	-
Total Expenditures \ Expenses & Other Financing Uses	<u>604,067,400</u>	<u>54,676,265</u>	<u>(13,212,668)</u>	<u>15,543,319</u>	<u>(101,153,717)</u>	<u>(38,135,583)</u>	<u>521,785,016</u>
Net Change for the Year	\$ <u>77,736,071</u>	\$ <u>(55,517,761)</u>	\$ <u>14,498,521</u>	\$ <u>3,520,550</u>	\$ <u>(87,486,584)</u>	\$ <u>-</u>	\$ <u>(47,249,203)</u>

(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	\$ (88,640)
Special assessment revenue	(743,945)
Rehabilitation loan revenue	(8,911)
Total	\$ <u>(841,496)</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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	\$ 53,579
Accrual of post employment benefits	<u>(54,729,844)</u>
Total	<u>\$ (54,676,265)</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	\$ 65,640,917
Capital outlay for joint venture	1,309,715
Depreciation expense	(48,629,704)
Loss on equity interest for joint venture	<u>(2,006,011)</u>
Total	<u>\$ 16,314,917</u>

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

Donation of capital assets	\$ 1,284,272
Loss on disposal of capital assets	(3,102,249)
Transfer of capital assets reclassified to transfer in	<u>1,581</u>
Total	<u>\$ (1,816,396)</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	\$ 18,772,769
Expenditures and other uses	(15,543,319)
Transfers out to General Fund	<u>291,100</u>
Change in net assets	<u>\$ 3,520,550</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

- (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	\$ (58,438,160)
Highway User Revenue bond proceeds	(36,090,000)
Highway Project Advancement note proceeds	(77,835,000)
Premiums on refunding bonds	(7,630,822)
Principal repayments	25,513,155
Payment to refunded bond escrow agent	<u>74,127,409</u>
Total	\$ <u>(80,353,418)</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	\$ 869,882
Amortization of bond issue costs	(368,986)
Amortization of deferred refunding amounts	(1,377,803)
Current year bond premium additions	(8,646,319)
Amortization of bond premiums	<u>2,390,060</u>
Total	\$ <u>(7,133,166)</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	\$ (38,135,583)
Transfers in	<u>38,135,583</u>
Total	\$ <u> -</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 10.74 percent of their salary to the System during fiscal year 2011-12 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, 2012, 2011 and 2010 were \$14,563,437, \$13,347,661 and \$13,134,628 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
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 10 percent of their annual covered salary. The employer rate for 2011-12 was 29.79 percent. The City's contributions to EORP for the fiscal years ending June 30, 2012, 2011 and 2010 were \$49,518, \$44,454 and \$39,152 respectively, which were equal to the required contributions for each year. The City's employees contributed \$15,010, \$10,446 and \$10,440, 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 8.65 percent of their annual covered salary and the City is required to contribute an actuarially determined rate. The rate for 2011-12 was 23.12 (21.46 pension plus 1.66 health care) percent for fire personnel and 23.34 (21.58 pension plus 1.76 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
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

c. **Annual Pension Cost**

Police personnel contributed \$4,642,890 and fire personnel \$2,407,125 during fiscal year 2011-12. For 2012, the City's annual pension cost of \$11,583,072 for police and \$5,971,897 for fire was equal to the City's required and actual contributions for the pension cost not including health care. The required contribution was determined as part of the June 30, 2010 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 26 years.

d. **Funded Status and Funding Progress**

The funded status of the plans (excluding health insurance subsidy) as of June 30, 2011 (Latest actuarial date available) is as follows:

	<u>Police</u>	<u>Fire</u>
Actuarial accrued liability (AAL)	\$ 394,642,766	\$ 226,084,157
Actuarial value of plan assets	<u>267,751,509</u>	<u>158,852,143</u>
Unfunded actuarial accrued liability (UAAL)	\$ <u>126,891,257</u>	\$ <u>67,232,014</u>
Funded ratio (actuarial value of plan assets/AAL)	67.8%	70.3%
Covered payroll (active plan members)	\$ 53,322,879	\$ 26,468,460
UAAL as a percentage of covered payroll	238.0%	254.0%

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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

e. **Three Year Trend Information for PSPRS**
 (Excluding health insurance subsidy)

Police

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 11,251,641	100%	\$ -
2011	10,632,286	100	-
2012	11,583,072	100	-

Fire

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 5,552,793	100%	\$ -
2011	5,088,956	100	-
2012	5,971,897	100	-

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

For 2012 the City's annual Other Post Employment Benefits (OPEB) cost of \$944,681 for police and \$461,945 for fire was equal to the City's required contributions.

g. **Funded Status and Funding Progress**

The funded status of the plans (health insurance subsidy) as of June 30, 2011 (Latest actuarial date available) is as follows:

	Police	Fire
Actuarial accrued liability (AAL)	\$ 14,829,939	\$ 6,903,647
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 14,829,939</u>	<u>\$ 6,903,647</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%	0.0%
Covered payroll (active plan members)	\$ 53,322,879	\$ 26,468,460
UAAL as a percentage of covered payroll	27.8%	26.1%

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

Police

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 931,954	100%	\$ -
2011	866,052	100	-
2012	944,681	100	-

Fire

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 458,840	100%	\$ -
2011	414,816	100	-
2012	461,945	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, 2012, approximately 1,575 former employees were eligible for these benefits, an increase of 70 participants from the prior year or a 4.7% 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.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The unfunded actuarial accrued annual required contribution for current retirees as well as current active members for fiscal year 11-12 was \$68,134,844. A liability of \$12,176,413 is accrued in the business type activities financial statements, the remaining \$55,958,431 has been accrued in the governmental activities column in the government-wide financial statements.

Plan Description

The City provides post-employment medical care (OPEB) for retired employees through a single-employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses and dependents through the City’s self-insurance health insurance plan which covers both active and retired members. The benefits, benefit levels and contribution rates are determined annually by the City’s Benefits Advisory Board and approved by the Mesa City Council. The plan is not accounted for as a trust fund, 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 benefit ceases. All medical care benefits are provided through the City’s self-insured health plan. The benefit levels are the same as those afforded to active employees. Upon a retiree’s death, the retiree’s dependents are no longer eligible for City coverage.

As of July 1, 2011, Membership Consisted of:

Retirees and Beneficiaries Receiving Benefits	1,615
Active Employees	<u>3,310</u>
Total	<u>4,925</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.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

For fiscal year ended June 30, 2012, the City contributed \$14,328,105 to the plan (approximately 69.2 percent of total premiums). Plan members receiving benefits contributed \$6,365,406 or approximately 30.8 percent of total premiums.

Annual OPEB Costs / Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The City's annual OPEB cost for the current year and the related information for the plan are as follows at June 30, 2012:

Annual Required Contribution	\$ 86,593,869
Interest on Net OPEB Obligation	11,340,980
Adjusted to Annual Required Contribution	<u>(15,471,900)</u>
Annual OPEB Cost	82,462,949
Contributions Made	<u>14,328,105</u>
Increase in Net OPEB Obligation	68,134,844
Net OPEB Obligation – Beginning of year	<u>252,021,769</u>
Net OPEB Obligation – End of year	\$ <u>320,156,613</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, 2010 through 2012 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2010	\$81,969,756	\$ 9,879,765	12.05%	\$185,022,650
2011	80,493,139	13,494,020	16.76	252,021,769
2012	82,462,949	14,328,105	17.38	320,156,613

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011 was as follows: (Latest actuarial date available)

Actuarial Value of Plan Assets	\$ -
Actuarial Accrued Liability	<u>992,015,472</u>
Unfunded actuarial accrued liability	\$ <u>992,015,472</u>
Funded ratio	0%
Covered payroll	\$ 330,112,710
Unfunded actuarial accrued liability as a percentage of covered payroll	300.5%

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Actuarial Methods and Assumptions

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

Valuation Date	July 1, 2011
Actuarial Cost Method	Entry age normal, level dollar amount
Amortization method	30 – year amortization open
Remaining amortization period	30 years
Asset Valuation Method	N/A, no assets in trust
Actuarial Assumptions:	
Discount rate	4.50%
Health care cost trend rate:	
• Medical, Drugs	9.0% in 2011-2012, grading down by 0.5% each year to an ultimate rate of 5.0%
• Dental, Mental Health, Vision	5%
• Retiree contribution increase	Same as medical Trend

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, 2012

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	\$ 281,513,949	\$ 58,438,160	(51,283,269)	\$ 288,668,840	\$ 24,157,041
Highway User Revenue Bonds	128,515,000	36,090,000	(43,210,000)	121,395,000	6,745,000
Special Assessment Bonds with Governmental Commitment	5,806,000	-	(744,000)	5,062,000	744,000
Less Deferred Amounts on Refundings	<u>(4,428,090)</u>	<u>(3,059,250)</u>	<u>1,377,803</u>	<u>(6,109,537)</u>	<u>-</u>
Total Bonds Payable	<u>411,406,859</u>	<u>91,468,910</u>	<u>(93,859,466)</u>	<u>409,016,303</u>	<u>31,646,041</u>
Capital Leases	2,165,596	-	(1,344,046)	821,550	681,958
Notes Payable	45,000,000	77,835,000	-	122,835,000	-
Unamortized Premiums	7,345,461	16,277,141	(2,390,060)	21,232,542	-
Post Employment Benefits	208,387,048	67,725,953	(11,767,522)	264,345,479	-
Compensated Absences	17,294,278	13,220,391	(13,272,052)	17,242,617	4,058,180
Governmental Activities Total	<u>\$ 691,599,242</u>	<u>\$ 266,527,395</u>	<u>\$ (122,633,146)</u>	<u>\$ 835,493,491</u>	<u>\$ 36,386,179</u>
Business-type Activities:					
Bonds Payable:					
Revenue Bonds	\$ 898,800,000	\$ 179,175,000	(125,475,000)	\$ 952,500,000	\$ 21,630,000
General Obligation Bonds	2,221,051	516,840	(1,136,731)	1,601,160	712,959
Less Deferred Amounts on Refundings	<u>(13,816,642)</u>	<u>(12,469,516)</u>	<u>2,007,092</u>	<u>(24,279,066)</u>	<u>-</u>
Total Bonds Payable	<u>887,204,409</u>	<u>167,222,324</u>	<u>(124,604,639)</u>	<u>929,822,094</u>	<u>22,342,959</u>
Notes Payable	2,731,125	-	(238,150)	2,492,975	122,973
Unamortized Bond Premiums	16,008,249	5,618,290	(2,388,107)	19,238,432	-
Post Employment Benefits	43,634,721	14,736,996	(2,560,583)	55,811,134	-
Compensated Absences	4,163,267	2,930,724	(2,911,729)	4,182,262	880,460
Other Long-Term Obligations	233,508	-	(116,754)	116,754	116,754
Business-type Activities Total	<u>\$ 953,975,279</u>	<u>\$ 190,508,334</u>	<u>\$ (132,819,962)</u>	<u>\$ 1,011,663,651</u>	<u>\$ 23,463,146</u>

Internal service funds predominantly serve the governmental funds. Accordingly long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$6,986,969 of internal service funds post employment benefits and compensated absences are included in the above amounts. Also, for the governmental activities, post employment benefits and compensated absences are generally liquidated by the general fund.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

b. **Bonds Payable**

At June 30, 2012, long-term bonds payable consisted of:

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

General Obligation Bonds

\$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.	\$ 3,962,570
\$41,680,611 2002A general obligation refunding serial bonds, (partially refunded by 2012 general obligation refunding 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, 2013.	4,816,246
\$22,565,000 2003 general obligation serial bonds, (partially refunded by 2012 general 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, 2013.	1,500,000
\$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.	44,696,910
\$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.	11,205,000
\$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.	14,428,012
\$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
\$15,450,000 2008 general obligation serial bonds due in annual installments ranging from \$375,000 to \$6,675,000, plus semi-annual interest ranging from 4.25 percent to 5.0 percent through July 1, 2028.	13,875,000
\$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.	48,995,000
\$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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

\$29,320,000 2011 general obligation serial bonds due in annual installments ranging from \$800,000 to \$6,825,000, plus semi-annual interest ranging from 2 percent to 4.25 percent through July 1, 2031 \$ 28,520,000

\$27,290,000 2012 general obligation serial bonds due in annual installments ranging from \$840,000 to \$8,550,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2032. 27,290,000

\$31,148,160 2012 general obligation refunding serial bonds due in annual installments ranging from \$419,601 to \$7,350,252, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2022. 29,927,633

Total General Obligation Bonds \$ **285,706,371**
 Deferred amounts on refundings 2,962,469
 Bonds not including deferred amounts on refunding \$ 288,668,840

Street and Highway User Revenue Bonds

\$31,985,000 2002 street and highway user revenue refunding bonds, (partially refunded by street and highway user revenue refunding bonds, series 2012) 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, 2013. \$ 5,667,765

\$26,805,000 2003 street and highway user revenue bonds, (partially refunded by street and highway user revenue refunding bonds, series 2012) due in annual principal installments ranging from \$500,000 to \$9,750,000, plus semi-annual interest ranging from 4.25 percent to 5.50 percent through July 1, 2018. 4,300,000

\$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. 1,275,000

\$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. 17,293,915

\$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. 22,957,654

\$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. 9,975,000

\$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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

\$36,090,000 2012 street and highway user revenue refunding bonds, due in annual installments ranging from \$665,000 to \$9,700,000, plus semi-annual interest ranging from 3.0 percent to 5.0 percent through July 1, 2022. \$ 34,428,598

Total Street and Highway User Revenue Bonds **\$118,247,932**
 Deferred amounts on refundings 3,147,068
 Total Street and Highway User Revenue Bonds not including deferred amounts on refundings **\$121,395,000**

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. \$ 3,015,000

\$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. 2,047,000

Total Special Assessment Bonds **\$ 5,062,000**

Total bonds payable recorded in governmental activities **\$409,016,303**

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

General Obligation Bonds

\$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. \$ 17,981

\$1,529,379 2002A general obligation refunding serial bonds, (partially refunded by 2012 general obligation refunding 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, 2013. 176,517

\$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. 213,918

\$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. 670,870

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

Total General Obligation Bonds **\$ 1,596,126**
 Deferred amounts on refundings 5,034

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Total General Obligation Bonds not including deferred amounts on refunding \$ 1,601,160

Utility Systems Revenue Bonds

\$57,950,000 2002 utility systems revenue serial bonds (partially refunded by 2004 & 2006 utility systems revenue refunding bonds), due in annual principal installments ranging from \$950,000 to \$1,000,000, plus semi-annual interest ranging from 4.25 percent to 5.75 percent through July 1, 2017. \$ 5,000,000

\$129,000,000 2002 utility systems revenue refunding serial bonds, (partially refunded by 2012 and 2012 taxable utility systems revenue refunding bonds) due in annual principal installments ranging from \$65,000 to \$29,550,000, plus semi-annual interest ranging from 3.40 percent to 5.25 percent through July 1, 2017. 41,969,100

\$48,850,000 2002A utility systems revenue refunding serial bonds, (partially refunded by 2012 utility systems revenue refunding 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, 2015. 27,205,120

\$50,470,000 2003 utility systems revenue serial bonds, (partially refunded by 2006 (Series 2) and series 2012 utility systems revenue refunding bonds), due in annual principal installments ranging from \$970,000 to \$25,500,000, plus semi-annual interest ranging from 3.50 percent to 5.00 percent through July 1, 2019. 7,000,000

\$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. 39,036,086

\$91,200,000 2005 utility systems revenue serial bonds, (partially refunded by 2006 (and series 2012) utility systems revenue refunding bonds), due in annual principal installments ranging from \$750,000 to \$24,000,000, plus semi-annual interest ranging from 4.125 percent to 5.0 percent through July 1, 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. 55,647,908

\$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. 121,068,167

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

\$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.	17,106,824
\$59,900,000 2009 utility systems revenue serial bonds, due in annual principal installments ranging from \$900,000 to \$48,250,000, plus semi-annual interest ranging from 5.875 percent to 6.375 percent through July 1, 2033.	59,900,000
\$50,380,000 2010 utility systems revenue serial bonds, due in one principal installment, plus semi-annual interest of 6.10 percent through July 1, 2034.	50,380,000
\$53,950,000 2011 utility systems revenue serial bonds, due in one principal installment, plus semi-annual interest of 5.0 percent through July 1, 2035.	53,950,000
\$67,300,000 2012 utility systems revenue serial bonds, due in one principal installment, plus semi-annual interest of 4.0 percent through July 1, 2036.	67,300,000
\$31,580,000 2012 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$7,440,000 to \$9,150,000, plus semi-annual interest ranging from 4.0 percent to 4.826 percent through July 1, 2021.	30,259,643
\$80,295,000 2012 taxable utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$3,225,000 to \$9,150,000, plus semi-annual interest ranging from 3.269 percent to 5.048 percent through July 1, 2035.	<u>69,328,120</u>
Total Utility Systems Revenue Bonds	\$ 928,225,968
Deferred amounts on refundings	<u>24,274,032</u>
Total Utility System Revenue Bonds not including deferred amounts on refundings	\$ <u>952,500,000</u>
Total bonds payable recorded in business-type activities	\$ <u>929,822,094</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The following tables summarize the City's debt service requirements to maturity for its long term bonds payable at June 30, 2012. The deferred amounts on refundings are not included.

Governmental Activities

<u>General Obligation Bonds</u>				<u>Highway User Revenue Bonds</u>			
Fiscal Year	Principal	Interest	Total	Fiscal Year	Principal	Interest	Total
2013	\$ 24,157,041	\$ 12,157,319	\$ 36,314,360	2013	\$ 6,745,000	\$ 5,789,055	\$ 12,534,055
2014	16,527,285	11,049,539	27,576,824	2014	6,945,000	5,471,900	12,416,900
2015	13,510,323	10,535,491	24,045,814	2015	7,255,000	5,186,200	12,441,200
2016	14,101,179	10,141,208	24,242,387	2016	7,585,000	4,884,250	12,469,250
2017	14,742,595	9,719,995	24,462,590	2017	7,900,000	4,502,850	12,402,850
2018-22	80,725,417	35,789,159	116,514,576	2018-22	45,965,000	16,245,675	62,210,675
2023-27	64,630,000	22,506,606	87,136,606	2023-27	39,000,000	4,491,250	43,491,250
2028-32	<u>60,275,000</u>	<u>7,111,944</u>	<u>67,386,944</u>	2028-32	-	-	-
TOTALS	\$ <u>288,668,840</u>	\$ <u>119,011,261</u>	\$ <u>407,680,101</u>	TOTALS	\$ <u>121,395,000</u>	\$ <u>46,571,180</u>	\$ <u>167,966,180</u>

Special Assessment Bonds

Fiscal Year	Principal	Interest	Total
2013	\$ 744,000	\$ 257,280	\$ 1,001,280
2014	744,000	217,400	961,400
2015	744,000	177,520	921,520
2016	745,000	137,615	882,615
2017	745,000	87,970	832,970
2018-21	<u>1,340,000</u>	<u>165,155</u>	<u>1,505,155</u>
TOTALS	\$ <u>5,062,000</u>	\$ <u>1,042,940</u>	\$ <u>6,104,940</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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>
2013	\$ 712,959	\$ 65,097	\$ 778,056	2013	\$ 21,630,000	\$ 46,179,875	\$ 67,809,875
2014	282,715	30,155	312,870	2014	22,550,000	45,196,225	67,746,225
2015	129,677	20,865	150,542	2015	23,860,000	44,060,513	67,920,513
2016	83,821	17,998	101,819	2016	24,800,000	42,876,808	67,676,808
2017	67,405	15,993	83,398	2017	26,070,000	41,668,358	67,738,358
2018-22	324,583	26,666	351,249	2018-22	161,360,000	186,547,051	347,907,051
2023-27	-	-	-	2023-27	191,110,000	145,162,401	336,272,401
2028-32	-	-	-	2028-32	239,235,000	97,524,859	336,759,859
2033-37	-	-	-	2033-37	241,885,000	30,363,484	272,248,484
TOTALS	\$ <u>1,601,160</u>	\$ <u>176,774</u>	\$ <u>1,777,934</u>	TOTALS	\$ <u>952,500,000</u>	\$ <u>679,579,574</u>	\$ <u>1,632,079,574</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, 2012, 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, 2012 are \$5,062,000.

General Obligation Bonds

The general obligation bonds are backed by the ultimate taxing power and general revenues of the City; however, \$1,596,126 of these bonds at June 30, 2012 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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

municipal purpose bonds, cities may issue general obligation bonds up to an additional 20 percent of the secondary assessed valuation for supplying such city with water, artificial light or sewers, and for the acquisition and development of land for open space preserves, parks, playgrounds and recreation facilities, public safety, law enforcement, fire and emergency services facilities and streets and transportation facilities.

The total debt margin available July 1, 2012 is:

6% Bonds	\$164,855,287
20% Bonds	<u>265,184,455</u>
Total Available	<u>\$430,039,742</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, 2012, the amount provided in the Replacement and Extension Funds equaled \$19,247,144 which is in compliance with the bond provisions.

d. **Notes Payable**

Governmental Activities

The City issued \$122,835,000 of Highway Project Advancement Notes to provide funds to the Arizona Department of Transportation (ADOT) for the acceleration of the right-of-way acquisition, design and construction of highway improvements to State Route 24 between State Route 202L and Ellsworth Road. The City has entered into an intergovernmental agreement with ADOT and the Maricopa Association of Governments to advance the improvements to State Route 24. The agreement provides for repayment by ADOT to the City of the full amount of the City advance from monies available to ADOT for the project within a 60-month loan period. 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, 2012

Business Type Activities

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

The City entered into four separate loan agreements with the Water Infrastructure Finance Authority of Arizona. The purposes of the loans are to make improvements and upgrades to existing water and wastewater projects. The loans utilize funds from the United States Environmental Protection Agency pursuant to the federal American Reinvestment and Recovery Act of 2009. Subject to the City meeting the required specifications of the loan documents, two of the loans include a combined interest and fee rate subsidy and the two remaining loans include a principal forgiveness portion. Total principal (without principal forgiveness) is \$3,486,902 and the loans have a 20 year repayment period. The total principal forgiveness is \$626,000. Total interest over the 20 years with principal forgiveness and the combined interest and fee rate subsidy is \$635,736.

The following table reflects the annual requirements to amortize all notes outstanding as of June 30, 2012:

Fiscal Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest & Fees	Total
2013	\$ -	\$ 5,404,250	\$ 5,404,250	\$ 122,973	\$ 54,692	\$ 177,665
2014	-	5,404,250	5,404,250	125,651	52,014	177,665
2015	20,000,000	5,404,250	25,404,250	128,389	49,276	177,665
2016	25,000,000	4,704,250	29,704,250	131,189	46,476	177,665
2017	14,085,000	3,891,750	17,976,750	134,052	43,613	177,665
2018-2022	63,750,000	8,162,500	71,912,500	715,549	172,777	888,326
2023-2027	-	-	-	797,594	90,732	888,326
2028-2029	-	-	-	337,578	11,153	348,731
TOTALS	\$ 122,835,000	\$ 32,971,250	\$ 155,806,250	\$ 2,492,975	\$ 520,733	\$ 3,013,708

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CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2012.

Governmental Activities			
Fiscal Year	Principal	Interest	Total
2013	\$ 681,958	\$ 34,184	\$ 716,142
2014	67,953	6,581	74,534
2015	71,639	2,894	74,533
TOTALS	\$ 821,550	\$ 43,659	\$ 865,209

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Land	\$ -
Buildings	-
Other Improvements	-
Machinery & Equipment	4,663,859
Infrastructure	3,196,300
Construction Work in Process	-
Less: Accumulated depreciation	(6,043,765)
Total	\$ 1,816,394

f. **Short-term Debt**

The City had no short-term debt activity for the fiscal year ended June 30, 2012.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

6. REFUNDING BONDS

On April 4, 2012, the City issued \$31,580,000 of utility system revenue bonds with an original issue premium of \$5,319,346 to advance refund \$35,280,000 of outstanding utility system revenue bonds. The refunding bonds were issued with an average interest rate of 4.59 percent. The net proceeds of \$36,896,817 (after payment of \$2,529 to the City) were provided to a refunding escrow agent to pay issuance costs of \$231,844 for insurance premiums, underwriting fees and other issuance costs with the remaining \$36,664,973 used to provide cash and purchase United States Government securities. The cash and securities were deposited in an irrevocable trust to provide for all future debt service payments of the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the debt of the City.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,384,973. This difference, reported in the accompanying financial statements as a deduction from revenue bonds payable, is being charged to operations through the year 2022 using the effective interest method. The purpose of the refunding was to take advantage of lower interest rates and restructuring debt service payments to achieve a more level debt retirement schedule. The refunding will decrease debt service payments by \$3,537,059 over the next nine years producing an economic gain (difference between the present value of old and new debt service payments) of \$3,541,596.

On April 12, 2012, the City issued \$80,295,000 of taxable utility system revenue bonds to advance refund \$68,830,000 of outstanding utility system revenue bonds. The refunding bonds were issued with an average interest rate of 5.25 percent. The net proceeds of \$80,294,146 (after payment of \$854 to the City) were provided to a refunding escrow agent to pay issuance costs of \$401,243 for insurance premiums, underwriting fees and other issuance costs with the remaining \$79,892,903 used to provide cash and purchase United States Government securities. The cash and securities were deposited in an irrevocable trust to provide for all future debt service payments of the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the debt of the City.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$11,062,903. This difference, reported in the accompanying financial statements as a deduction from revenue bonds payable, is being charged to operations through the year 2035 using the effective interest method. The purpose of the refunding was to take advantage of lower interest rates and restructuring debt service payments to achieve a more level debt retirement schedule. The refunding will increase debt service payments by \$63,165,748 over the next twenty three years producing an economic loss (difference between the present value of old and new debt service payments) of \$9,356,096.

On April 4, 2012, the City issued \$36,090,000 of highway user revenue bonds with an original issue premium of \$5,837,482 to advance refund \$39,920,000 of outstanding highway user revenue bonds. The refunding bonds were issued with an average interest rate of 4.83 percent. The net proceeds of \$41,923,969 (after payment of \$3,513 to the City) were provided to a refunding escrow agent to pay issuance costs of \$248,985 for insurance premiums, underwriting fees and other issuance costs with the remaining \$41,674,984 used to provide cash and purchase United States Government securities. The cash and securities were deposited in an irrevocable trust to provide for all future debt service payments of the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the debt of the City.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,754,984. This difference, reported in the accompanying financial statements as a deduction from highway user revenue bonds payable, is being charged to operations through the year 2022 using the effective interest method. The purpose of the refunding was to take advantage of lower interest rates and restructuring debt service payments to achieve a more level debt retirement schedule. The refunding will decrease debt service payments by \$3,410,927 over the next ten years producing an economic gain (difference between the present value of old and new debt service payments) of \$3,400,908.

On April 4, 2012, the City issued \$31,665,000 of general obligation bonds with an original issue premium of \$1,823,085 to advance refund \$31,665,000 of outstanding general obligation bonds. The refunding bonds were issued with an average interest rate of 2.88 percent. The net proceeds of \$33,214,986 (after payment of \$273,099 to the City) were provided to a refunding escrow agent to pay issuance costs of \$224,081 for insurance premiums, underwriting fees and other issuance costs with the remaining \$32,990,905 used to provide cash and purchase United States Government securities. The cash and securities were deposited in an irrevocable trust to provide for all future debt service payments of the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the debt of the City.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,325,905. This difference, reported in the accompanying financial statements as a deduction from general obligation bonds payable, is being charged to operations through the year 2022 using the effective interest method. The purpose of the refunding was to take advantage of lower interest rates and restructuring debt service payments to achieve a more level debt retirement schedule. The refunding will decrease debt service payments by \$2,161,552 over the next

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

ten years producing an economic gain (difference between the present value of old and new debt service payments) of \$2,430,451.

7. LIABILITIES TO BE PAID FROM ASSETS HELD IN ESCROW

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

In accordance with GASB Statement No. 7, the refunded debt outstanding at June 30, 2012 as reflected below is not included in the City's financial statements.

Utility System Revenue Refunding Bond Issue dated March 1, 1998	\$ 7,405,000
Utility System Revenue Bond Issue dated March 1, 1998	10,035,000
Utility System Revenue Refunding Bond Issue dated February 1, 2002	68,830,000
Street and Highway User Revenue Bond Issue dated September 1, 2002	15,820,000
Street and Highway User Revenue Bond Issue dated February 1, 2003	21,000,000
General Obligation Bond Issued February 1, 2003	17,065,000
Utility System Revenue Bond Issue dated February 1, 2003	40,500,000
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>285,230,000</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

8. 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	\$ -	\$ 10,978,943	\$ -	\$ 10,978,943
County Funds	-	10,598,980	-	10,598,980
Other Local Government Funds	-	640,577	-	640,577
Contributions - Capital Assets	99,287	558,636	626,349	1,284,272
Total	<u>\$ 99,287</u>	<u>\$ 22,777,136</u>	<u>\$ 626,349</u>	<u>\$ 23,502,772</u>
Business-type Activities:				
Federal and State Funds	\$ -	\$ 1,655,194	\$ -	\$ 1,655,194
Developers - Impact and Development Fees	-	-	4,337,840	4,337,840
Contributions-In-Aid	877,716	4,493,729	-	5,371,445
Contributions - Capital Assets	-	-	4,449,801	4,449,801
Total	<u>\$ 877,716</u>	<u>\$ 6,148,923</u>	<u>\$ 8,787,641</u>	<u>\$ 15,814,280</u>

9. 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 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.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The total sick leave balance recorded as a liability at June 30, 2012, is \$5,098,019.

10. ENTERPRISE ACTIVITIES OPERATIONS DETAIL

The Enterprise Fund includes operations of electricity, gas, water, wastewater, solid waste, airport, golf course, convention center, stadiums and district cooling. Although the City's Enterprise Fund does not meet the requirements for disclosing segment information, these services provided by the City are of such significance as to warrant certain additional disclosures. Operating revenue, expenses and operating income loss for the year ended June 30, 2012 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	\$ 34,624,920	\$ 2,944,156	\$ 23,559,483	\$ 8,121,281
Gas	39,139,278	3,011,300	27,579,988	8,547,990
Water	113,417,881	18,838,487	32,492,891	62,086,503
Wastewater	64,543,503	16,204,815	24,511,236	23,827,452
Solid Waste	47,630,828	2,207,321	28,946,276	16,477,231
Airport	3,270,632	1,280,834	2,448,040	(458,242)
Golf Course	2,168,575	238,809	2,295,242	(365,476)
Convention Center	2,122,304	273,418	3,207,565	(1,358,679)
Hohokam /Fitch Complex	6,073,590	710,090	7,817,116	(2,453,616)
Cubs Stadium	824,556	-	53,748	770,808
District Cooling	1,091,665	390,680	582,915	118,070
Total	\$ <u>314,907,732</u>	\$ <u>46,099,910</u>	\$ <u>153,494,500</u>	\$ <u>115,313,322</u>

11. NET ASSETS

a. **Restricted Net Assets**

The government-wide statement of net assets reports \$110,996,021 of restricted net assets, of which \$37,364,565 is restricted by enabling legislation.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

b. **Designated Net Assets**

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

c. **Deficit Net 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. In addition contributions from the other funds have not increased since fiscal year 2007. A decrease in claims incurred but not reported calculated by the actuarial study resulted in a reduction of the deficit net assets during the fiscal year.

The deficit in the Workers Compensation Self-Insurance Fund was the result of a \$2.9 million increase in contributions to the fund during the year and a \$7.2 million increase in liabilities. The increase in liabilities was the result of an actuarial study which computed a liability for incurred but not reported of \$6.2 million.

Contributions from the various funds will need to be increased in future years to cover these deficits.

12. **PLEDGED REVENUES**

a. **Utility System Revenue Bonds**

The City has pledged future utility customer revenues, net of specified operating expenses, to repay approximately \$1.456 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 2036. Annual principal and interest payments on the bonds were 57 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,632,079,574. Principal and interest paid for the current year and total customer net revenues were \$64,830,323 and \$119,060,457, respectively.

b. **Highway User Revenue Bonds**

The City has pledged future Highway User Taxes Revenue to repay \$224.4 million in highway user revenue bonds issued since 2002. Proceeds from the bonds provided financing for streets projects. The bonds are payable solely from the state shared Highway User Tax revenues and are payable through 2027. Annual principal and interest payments on the bonds were 32 percent of eligible revenues. The total principal and interest remaining to be paid on the bonds is \$167,966,180. Principal and interest paid for the current year and total highway user tax revenues were \$8,853,248 and \$27,825,144, respectively.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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. 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 \$6,104,940. Principal and interest paid for the current year and total assessments collected were \$1,041,160, and \$996,359, respectively.

13. 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, 2011 (latest information available) is as follows:

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Assets	
Equity in Pooled Cash and Investments	\$ 37,395,000
Receivables	12,169,000
Inventories at Average Cost	547,000
Capital Assets	<u>896,596,000</u>
 Total Assets	 <u>946,707,000</u>
 Liabilities	 <u>42,286,000</u>
 Net Assets	 <u>\$ 904,421,000</u>
 Total Revenues	 \$ 55,919,000
Total Expenses	<u>(84,325,000)</u>
 Increase (Decrease) in Net Assets	 <u>\$ (28,406,000)</u>

Separate financial statements for the activity under the Joint Venture agreement can be obtained through the AMWUA office at 3003 N. Central Avenue, Suite 1550, Phoenix, Arizona, 85012.

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 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, 2011 (latest information available) is as follows:

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Assets	
Equity in Pooled Cash and Investments	\$ 8,210,000
Receivables	9,590,000
Inventories	386,000
Capital Assets, Net of Accumulated Depreciation	<u>298,641,000</u>
 Total Assets	 <u>316,827,000</u>
 Liabilities	 <u>13,127,000</u>
 Net Assets	 <u>\$ 303,700,000</u>
 Total Revenues	 \$ 76,950,000
Total Expenses	<u>(29,279,000)</u>
 Increase (Decrease) in Net Assets	 <u>\$ 47,671,000</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.

Total investment in the joint venture as of June 30, 2012 is:

Mesa's Share	\$ 66,803,865
Gilbert's Share	63,425,886
Queen Creek's Share	<u>27,603,036</u>
Total Joint Venture	<u>\$157,832,787</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 \$52,152,759 has been spent on this project through the fiscal year ended June 30, 2012. The City has received \$43.7

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2011, (latest information available) is as follows:

Assets	
Current Assets	\$ 40,821,064
Non Current Assets	<u>1,185,084,002</u>
Total Assets	<u>1,225,905,066</u>
Liabilities	<u>67,532,429</u>
Net Assets	<u>\$ 1,158,372,637</u>
Total Revenues	\$ 101,267,788
Total Expenses	<u>(121,627,679)</u>
Decrease in Net Assets	<u>\$ (20,359,891)</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.

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

The extension is planned to open in 2016 with ridership estimated at approximately 4,750 riders per day. The total capital cost of the project is \$199.0 million to be funded with a combination of federal and regional funds.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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). On May 1, 2012, Rio Verde Fire District Joined TOPAZ. The City acts as the lead agency and is responsible for the planning, budgeting, construction, operation and maintenance of the network. As lead agent, the City provides all management personnel and financing arrangements. The Parties participate in ownership of the network and are charged for operating and capital expenses based on six month rolling average of airtime. The City’s 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, 2012 is:

City of Mesa	\$ 1,528,876
Town of Gilbert	398,722
City of Apache Junction	91,108
Apache Junction Fire District	44,535
Town of Queen Creek	20,930
Rio Verde Fire District	<u>7,156</u>
Total Joint Venture	\$ <u>2,091,327</u>

(Concluded)

Required Supplementary Information



Councilmember

Dennis Kavanaugh

District 3

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, 2012

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
2009	\$ 250,465,218	\$ 336,097,656	74.5 %	\$ 85,632,438	\$ 58,240,512	147.0 %
2010	257,026,009	357,206,422	72.0	100,180,413	56,051,165	178.7
2011	267,751,509	394,642,766	67.8	126,891,257	53,322,879	238.0

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
2009	\$ 155,971,492	\$ 193,517,551	80.6 %	\$ 37,546,059	\$ 27,553,989	136.3 %
2010	156,842,989	205,749,451	76.2	48,906,462	26,743,003	182.9
2011	158,852,143	226,084,157	70.3	67,232,014	26,468,460	254.0

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)
2009	\$ -	\$12,123,354	\$ 12,123,354	- %	\$58,240,512	20.8 %
2010	-	12,792,042	12,792,042	-	56,051,165	22.8
2011	-	14,829,939	14,829,939	-	53,322,879	27.8

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)
2009	\$ -	\$5,787,717	\$ 5,787,717	- %	\$27,553,989	21.0 %
2010	-	6,091,253	6,091,253	-	26,743,003	22.8
2011	-	6,903,647	6,903,647	-	26,468,460	26.1

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, 2012

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	\$ 338,835,124	196.0 %
July 1, 2009	-	916,615,559	-		916,615,559	321,012,148	285.5
July 1, 2011	-	992,015,472	-		992,015,472	330,112,710	300.5

The original GASB 43 & 45 compliant OPEB valuation for the City of Mesa had a valuation date of July 1, 2007 producing biennial funding results applying to the 2007-08 and 2008-09 fiscal years. This corresponds to the first fiscal period that GASB reporting was required for OPEB plans. The current valuation as of July 1, 2011 provides funding results for the 2011-12 and 2012-13 fiscal years with biennial valuation planned going forward from this date.

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, 2012

	<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	\$ 85,144,000	\$ 85,144,000	\$ 86,996,212	\$ 1,852,212
Property Taxes	14,141,000	14,141,000	14,322,925	181,925
Occupancy Taxes	1,493,000	1,493,000	2,018,764	525,764
Licenses and Permits	9,141,000	9,141,000	10,984,707	1,843,707
Intergovernmental	121,243,000	121,243,000	106,521,461	(14,721,539)
Charges For Services	8,621,000	8,621,000	9,101,614	480,614
Fines and Forfeitures	13,652,000	13,652,000	15,864,392	2,212,392
Investment Income	227,000	227,000	384,882	157,882
Miscellaneous	6,013,000	6,013,000	5,792,286	(220,714)
Total Revenues	259,675,000	259,675,000	251,987,243	(7,687,757)
Less: Bad Debts	6,200,000	6,200,000	6,980,373	(780,373)
Total Net Revenues	253,475,000	253,475,000	245,006,870	(8,468,130)
Expenditures:				
Current:				
General Government	44,974,558	46,306,811	41,668,762	4,638,049
Public Safety	227,690,949	227,614,285	209,703,437	17,910,848
Cultural-Recreational	31,296,993	32,977,552	32,002,138	975,414
Community Environment	13,895,623	15,705,089	7,328,879	8,376,210
Capital Outlay	18,977,377	19,161,179	16,303,906	2,857,273
Contingencies	36,149,000	23,732,468	-	23,732,468
Debt Service:				
Principal Retirement	19,792,234	19,792,234	18,319,505	1,472,729
Interest/Service Charges on Bonds	13,724,944	13,724,944	10,574,305	3,150,639
Total Expenditures	406,501,678	399,014,562	335,900,932	63,113,630
Deficiency of Revenues Under Expenditures	(153,026,678)	(145,539,562)	(90,894,062)	54,645,500
Other Financing Sources (Uses):				
Transfers In	83,615,000	83,615,000	87,314,000	3,699,000
Transfers Out	(11,346,000)	(11,346,000)	(9,450,700)	1,895,300
Total Other Financing Sources (Uses)	72,269,000	72,269,000	77,863,300	5,594,300
Net Change in Fund Balance	(80,757,678)	(73,270,562)	(13,030,762)	60,239,800
Fund Balance - Beginning	78,622,078	78,622,078	93,267,734	14,645,656
Increase in Restricted Fund Balance	(153,666)	(153,666)	(235,901)	(82,235)
Fund Balance - Ending	\$ (2,289,266)	\$ 5,197,850	\$ 80,001,071	\$ 74,803,221

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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 30,483,000	\$ 30,483,000	\$ 27,444,747	\$ (3,038,253)
Charges For Services	39,000	39,000	143,667	104,667
Fines and Forfeitures	16,000	16,000	226,101	210,101
Investment Income	-	-	59	59
Miscellaneous	1,000	1,000	14,083	13,083
Total Revenues	<u>30,539,000</u>	<u>30,539,000</u>	<u>27,828,657</u>	<u>(2,710,343)</u>
Expenditures:				
Current:				
Community Environment	17,976,773	17,976,773	18,866,348	(889,575)
Capital Outlay	180,000	180,000	105,969	74,031
Debt Service:				
Principal Retirement	6,390,000	6,390,000	3,290,000	3,100,000
Interest/Service Charges on Bonds	6,032,243	6,032,243	5,566,848	465,395
Total Expenditures	<u>30,579,016</u>	<u>30,579,016</u>	<u>27,829,165</u>	<u>2,749,851</u>
Deficiency of Revenues				
Under Expenditures	(40,016)	(40,016)	(508)	39,508
Fund Balance - Beginning	406,055	406,055	783	(405,272)
Fund Balance - Ending	<u>\$ 366,039</u>	<u>\$ 366,039</u>	<u>\$ 275</u>	<u>\$ (365,764)</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, 2012**

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”.

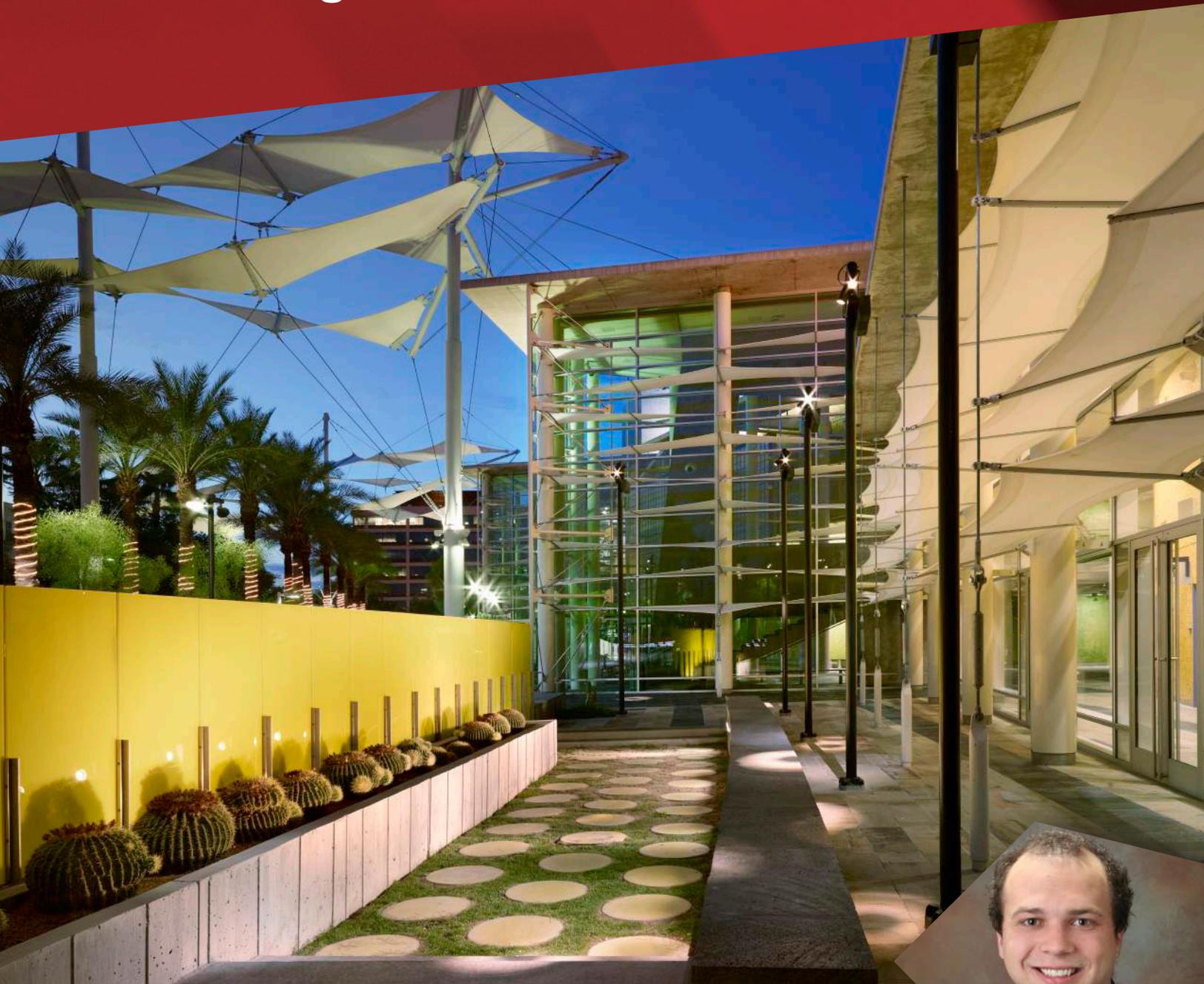
Adjustments necessary to convert the results of operations of the General Fund for the year ended June 30, 2012 on the “GAAP basis” to the “budget basis” as follows:

Net Change in Fund Balance-Budget Basis - Exhibit B-3	\$ (13,030,762)
Basis Differences:	
Compensated Absences	(138,952)
Special Assessments	(45,263)
Sales Tax Accrual	(3,031,903)
Unrealized Gain on Investments	382,613
Timing Differences:	
Grants & Contributions	<u>487,334</u>
Net Change in Fund Balance-GAAP Basis - Exhibit A-5	\$ <u><u>(15,376,933)</u></u>



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Combining Statements



Councilmember

Christopher Glover

District 4

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 provide rent subsidy payments to private sector owners of dwelling units. Financing for this fund is derived from grants from the United States Department of Housing and Urban Development.

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

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

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.

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.

Street Sales Tax Fund accounts for expenditures of the voter-approved sales tax that is used as the City match for the MAG Proposition 400 sales tax funds and also provides a local revenue source that is dedicated for street programs.

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

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.

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.

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

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.



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CITY OF MESA, ARIZONA
EXHIBIT C-1
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Non- major Governmental Funds
ASSETS				
Pooled Cash and Investments	\$ 50,364,405	\$ -	\$ 43,689,814	\$ 94,054,219
Accounts Receivable	5,428,978	-	-	5,428,978
Due From Other Governments	6,469,099	-	12,189,793	18,658,892
Prepaid Costs	82,290	-	-	82,290
Restricted Assets:				
Pooled Cash and Investments	-	160,510	-	160,510
Cash with Fiscal Agent	-	31,956,240	-	31,956,240
Cash with Trustee	35,200	-	-	35,200
Special Assessments Receivable	-	4,502,467	-	4,502,467
Due From Other Governments	-	576,028	-	576,028
Total Assets	<u>\$ 62,379,972</u>	<u>\$ 37,195,245</u>	<u>\$ 55,879,607</u>	<u>\$ 155,454,824</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 1,539,010	\$ -	\$ 3,563,493	\$ 5,102,503
Due To Other Funds	5,226,577	262,236	-	5,488,813
Customer Deposits	5,903,760	-	-	5,903,760
Payable From Restricted Assets:				
Accrued Bond Interest Payable	-	8,690,566	-	8,690,566
Deferred Revenue	-	4,816,260	2,238,855	7,055,115
Matured General Obligation Bonds Payable	-	20,135,109	-	20,135,109
Matured Highway User Revenue Bonds Payable	-	3,290,000	-	3,290,000
Total Liabilities	<u>12,669,347</u>	<u>37,194,171</u>	<u>5,802,348</u>	<u>55,665,866</u>
Fund Balances:				
Nonspendable	82,290	-	-	82,290
Restricted	39,191,603	-	44,154,587	83,346,190
Committed	10,436,732	1,074	5,922,672	16,360,478
Total Fund Balances	<u>49,710,625</u>	<u>1,074</u>	<u>50,077,259</u>	<u>99,788,958</u>
Total Liabilities and Fund Balances	<u>\$ 62,379,972</u>	<u>\$ 37,195,245</u>	<u>\$ 55,879,607</u>	<u>\$ 155,454,824</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, 2012

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Non- major Governmental Fund
Revenues:				
Sales Taxes	\$ 40,067,434	\$ -	\$ -	\$ 40,067,434
Property Taxes	-	14,322,925	-	14,322,925
Special Assessments	-	995,897	-	995,897
Licenses and Permits	2,374,152	-	-	2,374,152
Intergovernmental	21,793,981	-	11,239,556	33,033,537
Charges For Services	16,703,676	-	-	16,703,676
Fees and Forfeitures	-	923,509	-	923,509
Investment Income	437,592	590	37,676	475,858
Miscellaneous	820,961	462	84,740	906,163
Total Revenues	82,197,796	16,243,383	11,361,972	109,803,151
Expenditures:				
Current:				
Public Safety	15,792,186	-	-	15,792,186
Cultural - Recreational	11,889,515	-	-	11,889,515
Community Environment	38,377,792	-	-	38,377,792
Debt Service:				
Principal Retirement	-	25,513,155	-	25,513,155
Interest on Bonds	-	18,244,535	-	18,244,535
Interest on Leases	-	86,367	-	86,367
Service Charges	-	7,864	-	7,864
Cost of Issuance	-	469,412	-	469,412
Capital Outlay	18,848,782	-	32,355,826	51,204,608
Total Expenditures	84,908,275	44,321,333	32,355,826	161,585,434
Deficiency of Revenues				
Under Expenditures	(2,710,479)	(28,077,950)	(20,993,854)	(51,782,283)
Other Financing Sources (Uses):				
Transfers In	7,037,600	27,475,339	2,847,000	37,359,939
Transfers Out	(3,509,776)	(272,161)	-	(3,781,937)
Face Amount of Bonds Issued	-	-	27,290,000	27,290,000
Premium on Issuance of Bonds	-	7,630,822	396,238	8,027,060
Issuance of Refunding Debt	-	67,238,160	-	67,238,160
Payment to Refunded Bond Escrow Agent	-	(74,127,409)	-	(74,127,409)
Total Other Financing Sources (Uses)	3,527,824	27,944,751	30,533,238	62,005,813
Net Change in Fund Balances	817,345	(133,199)	9,539,384	10,223,530
Fund Balances - Beginning	48,893,280	134,273	40,537,875	89,565,428
Fund Balances - Ending	\$ 49,710,625	\$ 1,074	\$ 50,077,259	\$ 99,788,958

CITY OF MESA, ARIZONA
EXHIBIT C-3
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012

	<u>Local Transportation Assistance</u>	<u>Mesa Housing Authority</u>	<u>Cemetery</u>	<u>Development Impact Fees</u>
ASSETS				
Pooled Cash and Investments	\$ 645	\$ 1,792,473	\$ 6,321,374	\$ 1,886,691
Accounts Receivable	-	86,967	62,812	-
Due From Other Governments	5,800,728	-	-	-
Prepaid Costs	369	-	116	2,925
Restricted Assets:				
Cash with Trustee	-	-	-	-
Total Assets	<u>\$ 5,801,742</u>	<u>\$ 1,879,440</u>	<u>\$ 6,384,302</u>	<u>\$ 1,889,616</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 483,720	\$ 75,145	\$ 187,673	\$ -
Due To Other Funds	5,218,000	-	-	-
Customer Deposits	-	-	1,125	-
Total Liabilities	<u>5,701,720</u>	<u>75,145</u>	<u>188,798</u>	<u>-</u>
Fund Balances:				
Nonspendable	369	-	116	2,925
Restricted	99,653	1,804,282	-	-
Committed	-	13	6,195,388	1,886,691
Total Fund Balances	<u>100,022</u>	<u>1,804,295</u>	<u>6,195,504</u>	<u>1,889,616</u>
Total Liabilities and Fund Balances	<u>\$ 5,801,742</u>	<u>\$ 1,879,440</u>	<u>\$ 6,384,302</u>	<u>\$ 1,889,616</u>

EXHIBIT C-3

(Continued)

<u>Mesa Arts Center Restoration</u>	<u>Environmental Compliance</u>	<u>Street Sales Tax</u>	<u>Quality of Life Sales Tax</u>	<u>Total</u>
\$ 1,271,504	\$ 1,273,292	\$ 37,809,656	\$ 8,770	\$ 50,364,405
-	-	1,697,152	3,582,047	5,428,978
-	-	668,371	-	6,469,099
-	1,983	76,897	-	82,290
-	-	35,200	-	35,200
<u>\$ 1,271,504</u>	<u>\$ 1,275,275</u>	<u>\$ 40,287,276</u>	<u>\$ 3,590,817</u>	<u>\$ 62,379,972</u>
\$ -	\$ 190,156	\$ 602,316	\$ -	\$ 1,539,010
-	-	-	8,577	5,226,577
-	-	5,902,635	-	5,903,760
-	190,156	6,504,951	8,577	12,669,347
-	1,983	76,897	-	82,290
-	-	33,705,428	3,582,240	39,191,603
1,271,504	1,083,136	-	-	10,436,732
<u>1,271,504</u>	<u>1,085,119</u>	<u>33,782,325</u>	<u>3,582,240</u>	<u>49,710,625</u>
<u>\$ 1,271,504</u>	<u>\$ 1,275,275</u>	<u>\$ 40,287,276</u>	<u>\$ 3,590,817</u>	<u>\$ 62,379,972</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, 2012

	<u>Local Transportation Assistance</u>	<u>Mesa Housing Authority</u>	<u>Cemetery</u>	<u>Development Impact Fees</u>
Revenues:				
Sales Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	2,289,744
Intergovernmental	6,403,915	11,161,641	-	-
Charges for Services	1,013,573	-	1,180,710	-
Investment Income	25	9,667	35,692	18,237
Miscellaneous	373,053	112,977	528	55,228
	<u>7,790,566</u>	<u>11,284,285</u>	<u>1,216,930</u>	<u>2,363,209</u>
Total Revenues				
Expenditures:				
Current:				
Public Safety	-	-	-	-
Cultural-Recreational	-	-	-	-
Community Environment	9,672,660	11,597,703	1,090,776	-
Capital Outlay	5,080,345	-	681,049	3,505,863
	<u>14,753,005</u>	<u>11,597,703</u>	<u>1,771,825</u>	<u>3,505,863</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,962,439)</u>	<u>(313,418)</u>	<u>(554,895)</u>	<u>(1,142,654)</u>
Other Financing Sources (Uses):				
Transfers In	7,037,600	-	-	-
Transfers Out	-	-	-	(2,572,392)
	<u>7,037,600</u>	<u>-</u>	<u>-</u>	<u>(2,572,392)</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	75,161	(313,418)	(554,895)	(3,715,046)
Fund Balances - Beginning	<u>24,861</u>	<u>2,117,713</u>	<u>6,750,399</u>	<u>5,604,662</u>
Fund Balances - Ending	<u>\$ 100,022</u>	<u>\$ 1,804,295</u>	<u>\$ 6,195,504</u>	<u>\$ 1,889,616</u>

EXHIBIT C-4

(Continued)

<u>Mesa Arts Center Restoration</u>	<u>Environmental Compliance</u>	<u>Street Sales Tax</u>	<u>Quality of Life Sales Tax</u>	<u>Total</u>
\$ -	\$ -	\$ 21,821,912	\$ 18,245,522	\$ 40,067,434
-	-	84,408	-	2,374,152
-	-	4,198,759	29,666	21,793,981
280,318	10,114,540	-	4,114,535	16,703,676
6,384	7,297	360,290	-	437,592
-	-	985	278,190	820,961
<u>286,702</u>	<u>10,121,837</u>	<u>26,466,354</u>	<u>22,667,913</u>	<u>82,197,796</u>
-	9,046,453	-	6,745,733	15,792,186
-	-	-	11,889,515	11,889,515
-	-	16,016,653	-	38,377,792
162,521	339,109	8,841,854	238,041	18,848,782
<u>162,521</u>	<u>9,385,562</u>	<u>24,858,507</u>	<u>18,873,289</u>	<u>84,908,275</u>
<u>124,181</u>	<u>736,275</u>	<u>1,607,847</u>	<u>3,794,624</u>	<u>(2,710,479)</u>
-	-	-	-	7,037,600
-	-	(725,000)	(212,384)	(3,509,776)
-	-	(725,000)	(212,384)	3,527,824
124,181	736,275	882,847	3,582,240	817,345
1,147,323	348,844	32,899,478	-	48,893,280
<u>\$ 1,271,504</u>	<u>\$ 1,085,119</u>	<u>\$ 33,782,325</u>	<u>\$ 3,582,240</u>	<u>\$ 49,710,625</u>

CITY OF MESA, ARIZONA
EXHIBIT C-5
NON-MAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012

	General Obligation Bond Redemption	Special Assessment Bond Redemption	Capital Lease Redemption
ASSETS			
Restricted Assets:			
Pooled Cash and Investments	\$ 73,075	\$ 87,435	\$ -
Cash with Fiscal Agent	26,065,938	51,175	-
Special Assesments Receivable	-	4,502,467	-
Due From Other Governments	576,028	-	-
Total Assets	<u>\$ 26,715,041</u>	<u>\$ 4,641,077</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES			
Liabilities Payable From Restricted Assets:			
Due To Other Funds	262,236	-	-
Accrued Bond Interest Payable	6,002,829	138,610	-
Deferred Revenue	313,793	4,502,467	-
Matured General Obligation Bonds Payable	20,135,109	-	-
Matured Highway User Revenue Bonds Payable	-	-	-
Total Liabilities	<u>26,713,967</u>	<u>4,641,077</u>	<u>-</u>
Fund Balances:			
Committed	<u>1,074</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 26,715,041</u>	<u>\$ 4,641,077</u>	<u>\$ -</u>

EXHIBIT C-5

(Continued)

Highway User Revenue Bond Redemption	Total
\$ -	\$ 160,510
5,839,127	31,956,240
-	4,502,467
-	576,028
<u>\$ 5,839,127</u>	<u>\$ 37,195,245</u>
-	262,236
2,549,127	8,690,566
-	4,816,260
-	20,135,109
<u>3,290,000</u>	<u>3,290,000</u>
<u>5,839,127</u>	<u>37,194,171</u>
<u>-</u>	<u>1,074</u>
<u>\$ 5,839,127</u>	<u>\$ 37,195,245</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, 2012

	General Obligation Bond Redemption	Special Assessment Bond Redemption	Capital Lease Redemption
Revenues:			
Property Taxes	\$ 14,322,925	\$ -	\$ -
Special Assessments	-	995,897	-
Fines and Forfeitures	923,509	-	-
Investment Income	590	-	-
Miscellaneous	-	462	-
Total Revenues	15,247,024	996,359	-
Expenditures:			
Debt Service:			
Principal Retirement	20,135,109	744,000	1,344,046
Interest on Bonds	12,384,126	297,160	-
Interest on Leases	-	-	86,367
Service Charges	4,264	-	-
Cost of Issuance	220,428	-	-
Total Expenditures	32,743,927	1,041,160	1,430,413
Deficiency of Revenues Under Expenditures	(17,496,903)	(44,801)	(1,430,413)
Other Financing Sources (Uses):			
Transfers In	17,143,276	44,801	1,430,413
Transfers Out	(268,648)	-	-
Refunding Bonds Issued	31,148,160	-	-
Premium on Issuance of Bonds	1,793,341	-	-
Payment to Refunded Bond Escrow Agent	(32,452,425)	-	-
Total Other Financing Sources (Uses)	17,363,704	44,801	1,430,413
Net Change In Fund Balances	(133,199)	-	-
Fund Balances - Beginning	134,273	-	-
Fund Balances - Ending	<u>\$ 1,074</u>	<u>\$ -</u>	<u>\$ -</u>

EXHIBIT C-6

(Continued)

Highway User Revenue Bond Redemption	Total
\$ -	\$ 14,322,925
-	995,897
-	923,509
-	590
-	462
<hr/>	<hr/>
-	16,243,383
<hr/>	<hr/>
3,290,000	25,513,155
5,563,249	18,244,535
-	86,367
3,600	7,864
248,984	469,412
<hr/>	<hr/>
9,105,833	44,321,333
<hr/>	<hr/>
(9,105,833)	(28,077,950)
<hr/>	<hr/>
8,856,849	27,475,339
(3,513)	(272,161)
36,090,000	67,238,160
5,837,481	7,630,822
(41,674,984)	(74,127,409)
<hr/>	<hr/>
9,105,833	27,944,751
<hr/>	<hr/>
-	(133,199)
-	134,273
<hr/>	<hr/>
\$ -	\$ 1,074
<hr/>	<hr/>

CITY OF MESA, ARIZONA
EXHIBIT C-7
NON-MAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012

	<u>Fire</u>	<u>Storm Sewer</u>	<u>Streets</u>	<u>Law Enforcement</u>
ASSETS				
Pooled Cash and Investments	\$ 3,953,262	\$ 591,465	\$ 25,693,355	\$ 6,772,497
Due From Other Governments	-	-	12,189,793	-
Total Assets	<u>\$ 3,953,262</u>	<u>\$ 591,465</u>	<u>\$ 37,883,148</u>	<u>\$ 6,772,497</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 357,886	\$ 174,571	\$ 1,921,832	\$ 352,641
Deferred Revenue	-	-	2,238,855	-
Total Liabilities	<u>357,886</u>	<u>174,571</u>	<u>4,160,687</u>	<u>352,641</u>
Fund Balances:				
Restricted	3,595,376	416,894	33,722,461	6,419,856
Committed	-	-	-	-
Total Fund Balances	<u>3,595,376</u>	<u>416,894</u>	<u>33,722,461</u>	<u>6,419,856</u>
Total Liabilities and Fund Balances	<u>\$ 3,953,262</u>	<u>\$ 591,465</u>	<u>\$ 37,883,148</u>	<u>\$ 6,772,497</u>

EXHIBIT C-7
(Continued)

<u>Library</u>	<u>Vehicle Replacement</u>	<u>Total</u>
\$ -	\$ 6,679,235	\$ 43,689,814
-	-	12,189,793
<u>\$ -</u>	<u>\$ 6,679,235</u>	<u>\$ 55,879,607</u>
\$ -	\$ 756,563	\$ 3,563,493
-	-	2,238,855
<u>-</u>	<u>756,563</u>	<u>5,802,348</u>
-	-	44,154,587
-	5,922,672	5,922,672
<u>-</u>	<u>5,922,672</u>	<u>50,077,259</u>
<u>\$ -</u>	<u>\$ 6,679,235</u>	<u>\$ 55,879,607</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, 2012

	<u>Fire</u>	<u>Storm Sewer</u>	<u>Streets</u>	<u>Law Enforcement</u>
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 11,239,556	\$ -
Investment Income	111	96	10,110	-
Miscellaneous	-	-	-	-
Total Revenues	<u>111</u>	<u>96</u>	<u>11,249,666</u>	<u>-</u>
Expenditures:				
Capital Outlay:				
Construction Projects	7,828,921	673,646	18,235,575	2,392,457
Cost of Issuance	45,896	-	371,759	41,306
Total Expenditures	<u>7,874,817</u>	<u>673,646</u>	<u>18,607,334</u>	<u>2,433,763</u>
Deficiency of Revenues Under Expenditures	<u>(7,874,706)</u>	<u>(673,550)</u>	<u>(7,357,668)</u>	<u>(2,433,763)</u>
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Face Amount of Bonds Issued	2,729,000	-	22,104,900	2,456,100
Premium on Issuance of Bonds	39,624	-	320,953	35,661
Total Other Financing Sources (Uses)	<u>2,768,624</u>	<u>-</u>	<u>22,425,853</u>	<u>2,491,761</u>
Net Change in Fund Balances	(5,106,082)	(673,550)	15,068,185	57,998
Fund Balances - Beginning	<u>8,701,458</u>	<u>1,090,444</u>	<u>18,654,276</u>	<u>6,361,858</u>
Fund Balances - Ending	<u>\$ 3,595,376</u>	<u>\$ 416,894</u>	<u>\$ 33,722,461</u>	<u>\$ 6,419,856</u>

EXHIBIT C-8

(Continued)

<u>Library</u>	<u>Vehicle Replacement</u>	<u>Total</u>
\$ -	\$ -	\$ 11,239,556
-	27,359	37,676
-	84,740	84,740
<u>-</u>	<u>112,099</u>	<u>11,361,972</u>
544,032	2,222,234	31,896,865
-	-	458,961
<u>544,032</u>	<u>2,222,234</u>	<u>32,355,826</u>
<u>(544,032)</u>	<u>(2,110,135)</u>	<u>(20,993,854)</u>
-	2,847,000	2,847,000
-	-	27,290,000
-	-	396,238
<u>-</u>	<u>2,847,000</u>	<u>30,533,238</u>
(544,032)	736,865	9,539,384
<u>544,032</u>	<u>5,185,807</u>	<u>40,537,875</u>
<u>\$ -</u>	<u>\$ 5,922,672</u>	<u>\$ 50,077,259</u>



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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, 2012

	<u>Warehouse, Maintenance and Services</u>	<u>Property and Public Liability Self Insurance</u>
ASSETS		
Current Assets:		
Pooled Cash and Investments	\$ 391,101	\$ 8,114,385
Accounts Receivable	732	-
Accrued Premiums Receivable	-	-
Due From Other Governments	43,150	-
Inventory	6,061,888	-
Prepaid Costs	4,915	408,404
Total Current Assets	<u>6,501,786</u>	<u>8,522,789</u>
Capital Assets:		
Buildings	2,061,431	-
Other Improvements	426,745	-
Machinery and Equipment	6,506,851	-
Intangibles	2,758	-
Infrastructure	1,042	-
Construction in Progress	144,538	-
	<u>9,143,365</u>	<u>-</u>
Less Accumulated Depreciation	(5,763,694)	-
Net Capital Assets	<u>3,379,671</u>	<u>-</u>
Total Assets	<u>9,881,457</u>	<u>8,522,789</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	439,803	797
Other Accrued Expenses:		
Estimated Liability For Claims:		
Incurred-Not Reported	-	7,730,000
Incurred and Pending	-	5,300,000
Current Portion of Compensated Absences	87,848	-
Total Current Liabilities	<u>527,651</u>	<u>13,030,797</u>
Long-Term Liabilities		
Compensated Absences	831,628	-
Post Employment Benefits	6,067,493	-
Total Long-Term Liabilities	<u>6,899,121</u>	<u>-</u>
Total Liabilities	<u>7,426,772</u>	<u>13,030,797</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	3,379,671	-
Unrestricted	(924,986)	(4,508,008)
Total Net Assets	<u>\$ 2,454,685</u>	<u>\$ (4,508,008)</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>
\$ 4,471,203	\$ 38,449,087	\$ 51,425,776
162,840	-	163,572
-	1,279,168	1,279,168
-	-	43,150
-	-	6,061,888
232,445	11,949	657,713
<u>4,866,488</u>	<u>39,740,204</u>	<u>59,631,267</u>
-	-	2,061,431
-	-	426,745
-	-	6,506,851
-	-	2,758
-	-	1,042
-	-	144,538
-	-	<u>9,143,365</u>
-	-	<u>(5,763,694)</u>
-	-	<u>3,379,671</u>
<u>4,866,488</u>	<u>39,740,204</u>	<u>63,010,938</u>
91,257	566,929	1,098,786
6,236,861	5,586,769	19,553,630
12,481,335	-	17,781,335
-	-	87,848
<u>18,809,453</u>	<u>6,153,698</u>	<u>38,521,599</u>
-	-	831,628
-	-	<u>6,067,493</u>
-	-	<u>6,899,121</u>
<u>18,809,453</u>	<u>6,153,698</u>	<u>45,420,720</u>
-	-	3,379,671
(13,942,965)	33,586,506	14,210,547
<u>\$ (13,942,965)</u>	<u>\$ 33,586,506</u>	<u>\$ 17,590,218</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, 2012

	Warehouse, Maintenance and Services	Property and Public Liability Self Insurance
	<u> </u>	<u> </u>
Operating Revenues:		
Charges For Services:		
Material and Supply	\$ 986,991	\$ -
Printing and Graphics	928,004	-
Fleet Support Services	17,147,110	-
Self-Insurance Contributions:		
Employee	-	-
City	-	4,301,000
State Retirement System	-	-
Other	-	-
	<u> </u>	<u> </u>
Total Operating Revenues	<u>19,062,105</u>	<u>4,301,000</u>
Operating Expenses:		
Material and Supply	1,045,846	-
Printing and Graphics	1,097,291	-
Fleet Support Services	18,149,471	-
Administrative Costs	-	847,366
Claims Incurred	-	567,582
Premiums to Insurance Carriers	-	786,739
	<u> </u>	<u> </u>
Total Operating Expenses	<u>20,292,608</u>	<u>2,201,687</u>
Operating Income (Loss) Before Depreciation	(1,230,503)	2,099,313
Depreciation	(340,110)	-
	<u> </u>	<u> </u>
Operating Income (Loss)	<u>(1,570,613)</u>	<u>2,099,313</u>
Nonoperating Revenues (Expense):		
Investment Income	-	43,032
Loss on Disposal of Capital Assets	(36,970)	-
	<u> </u>	<u> </u>
Total Nonoperating Revenues (Expenses)	<u>(36,970)</u>	<u>43,032</u>
Net Income (Loss) Before Transfers and Capital Contributions	(1,607,583)	2,142,345
Transfer of Capital Assets to Governmental Funds	(1,581)	-
Transfers In	291,100	-
	<u> </u>	<u> </u>
Change in Net Assets	(1,318,064)	2,142,345
Total Net Assets - Beginning	<u>3,772,749</u>	<u>(6,650,353)</u>
Total Net Assets - Ending	<u>\$ 2,454,685</u>	<u>\$ (4,508,008)</u>

EXHIBIT C-10

(Continued)

<u>Workers' Compensation Self Insurance</u>	<u>Employee Benefits Self Insurance</u>	<u>Total</u>
\$ -	\$ -	\$ 986,991
-	-	928,004
-	-	17,147,110
-	13,649,905	13,649,905
3,308,189	46,596,854	54,206,043
-	3,520,596	3,520,596
-	1,352,879	1,352,879
<u>3,308,189</u>	<u>65,120,234</u>	<u>91,791,528</u>
-	-	1,045,846
-	-	1,097,291
-	-	18,149,471
895,090	5,267,031	7,009,487
10,687,858	48,463,642	59,719,082
930,416	345,666	2,062,821
<u>12,513,364</u>	<u>54,076,339</u>	<u>89,083,998</u>
(9,205,175)	11,043,895	2,707,530
-	-	(340,110)
<u>(9,205,175)</u>	<u>11,043,895</u>	<u>2,367,420</u>
25,237	168,747	237,016
-	-	(36,970)
<u>25,237</u>	<u>168,747</u>	<u>200,046</u>
(9,179,938)	11,212,642	2,567,466
-	-	(1,581)
-	-	291,100
<u>(9,179,938)</u>	<u>11,212,642</u>	<u>2,856,985</u>
<u>(4,763,027)</u>	<u>22,373,864</u>	<u>14,733,233</u>
<u>\$ (13,942,965)</u>	<u>\$ 33,586,506</u>	<u>\$ 17,590,218</u>

CITY OF MESA, ARIZONA
EXHIBIT C-11
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Warehouse, Maintenance and Services
Cash Flows From Operating Activities:	
Cash Received From Users	\$ 19,036,190
Cash Payments To Suppliers	(14,577,956)
Cash Payments To Employees	(5,028,884)
	<u>(570,650)</u>
Net Cash Provided by (Used For) Operating Activities	<u>(570,650)</u>
Cash Flows From Noncapital Financing Activities:	
Operating Transfers-In From Other Funds	291,100
	<u>291,100</u>
Net Cash Provided By Noncapital Financing Activities	<u>291,100</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition and Construction of Capital Assets	(97,030)
	<u>(97,030)</u>
Net Cash Used For Capital and Related Financing Activities	<u>(97,030)</u>
Cash Flows From Investing Activities:	
Interest Received on Investments	-
	<u>-</u>
Net Cash Provided By Investing Activities	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(376,580)
Pooled Cash and Investments at Beginning of Year	767,681
Pooled Cash and Investments at End of Year	\$ <u><u>391,101</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:	
Operating Income (Loss)	\$ (1,570,613)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used Provided By Operating Activities:	
Depreciation	340,110
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	(25,915)
Increase in Inventory	(193,994)
Increase in Prepaid Costs	(2,050)
Increase (Decrease) in Accounts Payable	881,812
Increase (Decrease) in Other Accrued Expenses	-
	<u>999,963</u>
Total Adjustments	<u>999,963</u>
Net Cash Provided By (Used For) Operating Activities	\$ <u><u>(570,650)</u></u>
Noncash Transactions Affecting Financial Position:	
Loss on Disposal of Capital Assets	(36,970)
Transfer of Capital Assets to Governmental Funds	(1,581)

EXHIBIT C-11

(Continued)

<u>Property and Public Liability Self Insurance</u>	<u>Workers' Compensation Self Insurance</u>	<u>Employee Benefits Self Insurance</u>	<u>Total</u>
\$ 4,301,000	\$ 3,438,937	\$ 65,100,825	\$ 91,876,952
(3,171,172)	(5,149,126)	(50,555,262)	(73,453,516)
(824,902)	(245,432)	(1,385,015)	(7,484,233)
<u>304,926</u>	<u>(1,955,621)</u>	<u>13,160,548</u>	<u>10,939,203</u>
-	-	-	291,100
-	-	-	291,100
-	-	-	(97,030)
-	-	-	(97,030)
<u>43,032</u>	<u>25,237</u>	<u>168,747</u>	<u>237,016</u>
<u>43,032</u>	<u>25,237</u>	<u>168,747</u>	<u>237,016</u>
347,958	(1,930,384)	13,329,295	11,370,289
<u>7,766,427</u>	<u>6,401,587</u>	<u>25,119,792</u>	<u>40,055,487</u>
<u>\$ 8,114,385</u>	<u>\$ 4,471,203</u>	<u>\$ 38,449,087</u>	<u>\$ 51,425,776</u>
\$ 2,099,313	\$ (9,205,175)	\$ 11,043,895	\$ 2,367,420
-	-	-	340,110
-	130,748	(19,409)	85,424
-	-	-	(193,994)
(183,847)	(152,688)	(10,276)	(348,861)
460	22,916	(126,658)	778,530
(1,611,000)	7,248,578	2,272,996	7,910,574
<u>(1,794,387)</u>	<u>7,249,554</u>	<u>2,116,653</u>	<u>8,571,783</u>
<u>\$ 304,926</u>	<u>\$ (1,955,621)</u>	<u>\$ 13,160,548</u>	<u>\$ 10,939,203</u>
			(36,970)
			(1,581)



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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, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
PAYROLL AGENCY FUND				
Assets:				
Pooled Cash and Investments	\$ 11,499,861	\$ 554,666,895	\$ 553,315,402	\$ 12,851,354
Due From Other Funds	<u>-</u>	<u>12,044,800</u>	<u>12,044,800</u>	<u>-</u>
Total Assets	<u>\$ 11,499,861</u>	<u>\$ 566,711,695</u>	<u>\$ 565,360,202</u>	<u>\$ 12,851,354</u>
Liabilities:				
Accrued Payroll Payable	<u>\$ 11,499,861</u>	<u>\$ 340,787,367</u>	<u>\$ 339,435,874</u>	<u>\$ 12,851,354</u>
Total Liabilities	<u>\$ 11,499,861</u>	<u>\$ 340,787,367</u>	<u>\$ 339,435,874</u>	<u>\$ 12,851,354</u>

Supplemental Information



Councilwoman

Dina Higgins

District 5

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, 2012

	Original Budget	Final Budget	Actual Amounts - Budget Basis	Variance With Final Budget Positive (Negative)
General Government:				
Legislative	\$ 1,664,000	\$ 1,664,001	\$ 1,641,085	\$ 22,916
Executive	946,000	959,201	959,201	-
Williams Gateway	4,444,000	4,592,580	4,592,580	-
Town Center Development	1,161,000	1,161,000	1,011,485	149,515
Judicial	14,326,000	14,272,203	11,379,019	2,893,184
Legal	847,000	954,984	954,984	-
Building Maintenance	1,748,249	1,748,249	1,600,777	147,472
City Clerk	1,110,000	1,110,000	968,374	141,626
Economic Development	3,952,000	4,667,522	4,667,522	-
Engineering	2,577,700	2,577,700	2,381,164	196,536
Financial Services	7,923,424	7,923,424	6,921,740	1,001,684
E-Streets & Cable TV Licensing	783,000	797,809	797,809	-
General Services	4,159,046	4,670,697	4,670,697	-
Planning	2,172,000	2,172,000	2,095,610	76,390
Capital Improvement	676,319	1,045,958	1,045,958	-
Total General Government	48,489,738	50,317,328	45,688,005	4,629,323
Less: Capital Outlay Expenditures	1,954,837	2,450,174	2,852,528	(402,354)
Debt Service Expenditures	1,560,343	1,560,343	1,166,715	393,628
Total Current Expenditures	44,974,558	46,306,811	41,668,762	4,638,049
Public Safety:				
Law Enforcement	173,983,339	173,647,778	161,672,098	11,975,680
Fire Prevention	76,086,605	75,875,314	67,518,158	8,357,156
Building Safety	4,392,000	4,392,000	3,478,287	913,713
Code Compliance	881,000	881,000	695,213	185,787
Environmental Management	2,170,721	2,170,721	1,839,456	331,265
Total Public Safety	257,513,665	256,966,813	235,203,212	21,763,601
Less: Capital Outlay Expenditures	13,564,855	13,094,667	11,381,431	1,713,236
Debt Service Expenditures	16,257,861	16,257,861	14,118,344	2,139,517
Total Current Expenditures	\$ 227,690,949	\$ 227,614,285	\$ 209,703,437	\$ 17,910,848

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, 2012

	Original Budget	Final Budget	Actual Amounts - Budget Basis	Variance With Final Budget Positive (Negative)
Cultural-Recreational:				
Parks and Recreation	\$ 19,706,854	\$ 19,706,854	\$ 18,110,982	\$ 1,595,872
Cultural	747,011	747,011	466,211	280,800
Aquatics	2,292,115	3,253,850	3,253,850	-
Library	8,745,145	8,739,145	7,487,047	1,252,098
Community Aid	2,840,000	3,489,498	3,489,498	-
Museum of Natural History	2,188,000	2,188,000	1,859,704	328,296
Museum for Youth	1,396,161	1,396,161	1,134,596	261,565
Neighborhood & Human Services	3,137,000	3,330,250	3,330,250	-
Total Cultural-Recreational	<u>41,052,286</u>	<u>42,850,769</u>	<u>39,132,138</u>	<u>3,718,631</u>
Less: Capital Outlay Expenditures	2,883,864	3,001,788	1,693,642	1,308,146
Debt Service Expenditures	<u>6,871,429</u>	<u>6,871,429</u>	<u>5,436,358</u>	<u>1,435,071</u>
Total Current Expenditures	<u>31,296,993</u>	<u>32,977,552</u>	<u>32,002,138</u>	<u>975,414</u>
Community Environment:				
Community Development	13,140,000	13,140,000	4,769,860	8,370,140
Streets	3,392,351	3,392,351	3,359,868	32,483
Storm Sewer	6,113,941	6,113,941	5,246,957	866,984
Mass Transit	25,697	66,426	66,426	-
Miscellaneous Services	625,000	2,434,466	2,434,466	-
Total Community Environment	<u>23,296,989</u>	<u>25,147,184</u>	<u>15,877,577</u>	<u>9,269,607</u>
Less: Capital Outlay Expenditures	573,821	614,550	376,305	238,245
Debt Service Expenditures	<u>8,827,545</u>	<u>8,827,545</u>	<u>8,172,393</u>	<u>655,152</u>
Total Current Expenditures	<u>13,895,623</u>	<u>15,705,089</u>	<u>7,328,879</u>	<u>8,376,210</u>
Contingencies	<u>36,149,000</u>	<u>23,732,468</u>	<u>-</u>	<u>23,732,468</u>
Total General Fund Expenditures	<u><u>\$ 406,501,678</u></u>	<u><u>\$ 399,014,562</u></u>	<u><u>\$ 335,900,932</u></u>	<u><u>\$ 63,113,630</u></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, 2012

	Original Budget	Final Budget	Actual Amounts - Budget Basis	Variance With Final Budget - Positive (Negative)
Community Environment:				
Streets	29,517,473	29,517,473	27,829,163	1,688,310
Storm Sewer	1,061,543	1,061,543	2	1,061,541
Total Community Environment	30,579,016	30,579,016	27,829,165	2,749,851
Less: Capital Outlay Expenditures	180,000	180,000	105,969	74,031
Debt Service Expenditures	12,422,243	12,422,243	8,856,848	3,565,395
Total Current Expenditures	17,976,773	17,976,773	18,866,348	(889,575)
Total Highway User Revenue Fund Expenditures	\$ 30,579,016	\$ 30,579,016	\$ 27,829,165	\$ 2,749,851

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, 2012

Budget Basis

Actual amount (budgetary basis) "Net Change in Fund Balances" from the budgetary comparison schedule	\$ (2,924,322)
--	----------------

Basis Difference

Unrealized Gain on Investment	45,102
Sales Tax Accrual	<u>3,696,565</u>

GAAP Basis

"Net Change in Fund Balances" GAAP Basis as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance-Non-Major Special Revenue Funds Exhibit C-4	<u><u>\$ 817,345</u></u>
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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, 2012

	<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	\$ 6,280,000	\$ 6,280,000	\$ 6,403,915	\$ 123,915
Charges For Services	715,000	715,000	1,013,573	298,573
Investment Income	-	-	25	25
Miscellaneous	2,000	2,000	373,053	371,053
Total Revenues	<u>6,997,000</u>	<u>6,997,000</u>	<u>7,790,566</u>	<u>793,566</u>
Expenditures:				
Current:				
Community Environment	10,258,303	10,217,926	9,672,660	545,266
Capital Outlay	5,900,000	5,900,000	5,080,345	819,655
Contingencies	-	40,377	-	40,377
Total Expenditures	<u>16,158,303</u>	<u>16,158,303</u>	<u>14,753,005</u>	<u>1,405,298</u>
Deficiency of Revenues Under Expenditures	(9,161,303)	(9,161,303)	(6,962,439)	2,198,864
Other Financing Sources:				
Transfers In	9,162,000	9,162,000	7,037,600	(2,124,400)
Net Change in Fund Balance	697	697	75,161	74,464
Fund Balance - Beginning	177	177	24,861	24,684
Fund Balance - Ending	<u>\$ 874</u>	<u>\$ 874</u>	<u>\$ 100,022</u>	<u>\$ 99,148</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, 2012

	<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	\$ 11,211,000	\$ 11,211,000	\$ 11,161,641	\$ (49,359)
Investment Income	2,000	2,000	6,240	4,240
Miscellaneous	23,000	23,000	112,977	89,977
Total Revenues	<u>11,236,000</u>	<u>11,236,000</u>	<u>11,280,858</u>	<u>44,858</u>
Expenditures:				
Current:				
Community Environment	12,847,000	12,847,000	11,597,703	1,249,297
Total Expenditures	<u>12,847,000</u>	<u>12,847,000</u>	<u>11,597,703</u>	<u>1,249,297</u>
Net Change in Fund Balance	(1,611,000)	(1,611,000)	(316,845)	1,294,155
Fund Balance - Beginning	<u>1,611,788</u>	<u>1,611,788</u>	<u>2,117,713</u>	<u>505,925</u>
Fund Balance - Ending	<u>\$ 788</u>	<u>\$ 788</u>	<u>\$ 1,800,868</u>	<u>\$ 1,800,080</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, 2012

	<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	\$ 1,076,000	\$ 1,076,000	\$ 1,180,710	\$ 104,710
Investment Income	10,000	10,000	23,699	13,699
Miscellaneous	-	-	528	528
Total Revenues	<u>1,086,000</u>	<u>1,086,000</u>	<u>1,204,937</u>	<u>118,937</u>
Expenditures:				
Current:				
Community Environment	1,205,610	1,205,610	1,090,776	114,834
Capital Outlay	852,390	852,390	681,049	171,341
Total Expenditures	<u>2,058,000</u>	<u>2,058,000</u>	<u>1,771,825</u>	<u>286,175</u>
Net Change in Fund Balance	(972,000)	(972,000)	(566,888)	405,112
Fund Balance - Beginning	<u>6,896,711</u>	<u>6,896,711</u>	<u>6,750,399</u>	<u>(146,312)</u>
Fund Balance - Ending	<u><u>\$ 5,924,711</u></u>	<u><u>\$ 5,924,711</u></u>	<u><u>\$ 6,183,511</u></u>	<u><u>\$ 258,800</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, 2012

	<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	\$ 1,359,000	\$ 1,359,000	\$ 2,289,744	\$ 930,744
Investment Income	9,000	9,000	14,644	5,644
Miscellaneous	-	-	55,228	55,228
Total Revenues	<u>1,368,000</u>	<u>1,368,000</u>	<u>2,359,616</u>	<u>991,616</u>
Expenditures:				
Capital Outlay	3,260,681	3,505,863	3,505,863	-
Debt Service:				
Principal Retirement	462,000	1,113,082	1,113,082	-
Interest on Bonds	853,665	1,459,310	1,459,310	-
Total Expenditures	<u>4,576,346</u>	<u>6,078,255</u>	<u>6,078,255</u>	<u>-</u>
Net Change in Fund Balance	(3,208,346)	(4,710,255)	(3,718,639)	991,616
Fund Balance - Beginning	<u>5,343,128</u>	<u>5,343,128</u>	<u>5,604,662</u>	<u>261,534</u>
Fund Balance - Ending	<u>\$ 2,134,782</u>	<u>\$ 632,873</u>	<u>\$ 1,886,023</u>	<u>\$ 1,253,150</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, 2012

	<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	\$ 184,000	\$ 184,000	\$ 280,318	\$ 96,318
Investment Income	2,000	2,000	3,952	1,952
Total Revenues	<u>186,000</u>	<u>186,000</u>	<u>284,270</u>	<u>98,270</u>
Expenditures:				
Current:				
Cultural-Recreational	1,292	1,292	-	1,292
Capital Outlay	250,000	250,000	162,521	87,479
Total Expenditures	<u>251,292</u>	<u>251,292</u>	<u>162,521</u>	<u>88,771</u>
Net Change in Fund Balance	(65,292)	(65,292)	121,749	187,041
Fund Balance - Beginning	<u>942,962</u>	<u>942,962</u>	<u>1,147,323</u>	<u>204,361</u>
Fund Balance - Ending	<u>\$ 877,670</u>	<u>\$ 877,670</u>	<u>\$ 1,269,072</u>	<u>\$ 391,402</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, 2012

	<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	\$ 6,184,000	\$ 6,184,000	\$ 10,114,540	\$ 3,930,540
Investment Income	1,000	1,000	4,865	\$ 3,865
Total Revenues	<u>6,185,000</u>	<u>6,185,000</u>	<u>10,119,405</u>	<u>3,934,405</u>
Expenditures:				
Current:				
Public Safety	6,210,993	9,046,453	9,046,453	-
Capital Outlay	323,286	339,109	339,109	-
Total Expenditures	<u>6,534,279</u>	<u>9,385,562</u>	<u>9,385,562</u>	<u>-</u>
Net Change in Fund Balance	(349,279)	(3,200,562)	733,843	3,934,405
Fund Balance - Beginning	<u>363,865</u>	<u>363,865</u>	<u>348,844</u>	<u>(15,021)</u>
Fund Balance - Ending	<u>\$ 14,586</u>	<u>\$ (2,836,697)</u>	<u>\$ 1,082,687</u>	<u>\$ 3,919,384</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
STREET SALES TAX FUND				
Revenues:				
Sales Taxes	\$ 21,205,000	\$ 21,205,000	\$ 21,707,394	\$ 502,394
Licenses & Permits	-	-	84,408	84,408
Intergovernmental	10,331,000	10,331,000	5,676,059	(4,654,941)
Investment Income	31,000	31,000	339,065	308,065
Miscellaneous	-	-	985	985
Total Revenues	<u>31,567,000</u>	<u>31,567,000</u>	<u>27,807,911</u>	<u>(3,759,089)</u>
Expenditures:				
Current:				
General Government	446,576	446,576	-	446,576
Community Environment	27,804,603	27,804,603	16,016,653	11,787,950
Capital Outlay	12,086,028	12,086,028	8,841,854	3,244,174
Contingencies	9,095,000	9,095,000	-	9,095,000
Debt Service:				
Interest on Notes and Bonds	-	-	4,312,398	(4,312,398)
Total Expenditures	<u>49,432,207</u>	<u>49,432,207</u>	<u>29,170,905</u>	<u>20,261,302</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(17,865,207)	(17,865,207)	(1,362,994)	16,502,213
Other Financing Sources:				
Transfers In	-	-	2,835,098	2,835,098
Transfers Out	(725,000)	(725,000)	(725,000)	-
Net Change in Fund Balance	<u>(18,590,207)</u>	<u>(18,590,207)</u>	<u>747,104</u>	<u>19,337,311</u>
Fund Balance - Beginning	<u>18,809,744</u>	<u>18,809,744</u>	<u>31,284,739</u>	<u>12,474,995</u>
Fund Balance - Ending	<u>\$ 219,537</u>	<u>\$ 219,537</u>	<u>\$ 32,031,843</u>	<u>\$ 31,812,306</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
QUALITY OF LIFE SALES TAX FUND				
Revenues:				
Sales Taxes	\$ 17,752,000	\$ 17,752,000	\$ 18,150,091	\$ 398,091
Intergovernmental	40,000	40,000	29,666	(10,334)
Charges For Services	3,120,000	3,120,000	4,114,535	994,535
Miscellaneous	383,000	383,000	278,190	(104,810)
Total Revenues	<u>21,295,000</u>	<u>21,295,000</u>	<u>22,572,482</u>	<u>1,277,482</u>
Expenditures:				
Current:				
Public Safety	6,610,658	6,745,733	6,745,733	-
Cultural - Recreational	11,984,643	12,799,794	11,889,515	910,279
Capital Outlay	410,433	410,433	238,041	172,392
Total Expenditures	<u>19,005,734</u>	<u>19,955,960</u>	<u>18,873,289</u>	<u>1,082,671</u>
Excess of Revenues Over Expenditures	2,289,266	1,339,040	3,699,193	2,360,153
Other Financing Uses:				
Transfers Out	-	-	3,699,000	(3,699,000)
Net Change in Fund Balance	2,289,266	1,339,040	193	(1,338,847)
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ 2,289,266</u>	<u>\$ 1,339,040</u>	<u>\$ 193</u>	<u>\$ (1,338,847)</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
RECAP				
Revenues:				
Sales Taxes	\$ 38,957,000	\$ 38,957,000	\$ 39,857,485	\$ 900,485
Licenses and Permits	1,359,000	1,359,000	2,374,152	1,015,152
Intergovernmental	27,862,000	27,862,000	23,271,281	(4,590,719)
Charges for Services	11,279,000	11,279,000	16,703,676	5,424,676
Investment Income	55,000	55,000	392,490	337,490
Miscellaneous	408,000	408,000	820,961	412,961
Total Revenues	<u>79,920,000</u>	<u>79,920,000</u>	<u>83,420,045</u>	<u>3,500,045</u>
Expenditures:				
Current:				
General Government	446,576	446,576	-	446,576
Public Safety	12,821,651	15,792,186	15,792,186	-
Cultural-Recreational	11,985,935	12,801,086	11,889,515	911,571
Community Environment	52,115,516	52,320,321	38,377,792	13,942,529
Capital Outlay	23,082,818	23,098,641	18,848,782	4,249,859
Contingencies	9,095,000	9,135,377	-	9,135,377
Principal Retirement	462,000	1,113,082	1,113,082	-
Interest on Notes and Bonds	853,665	1,459,310	5,771,708	(4,312,398)
Total Expenditures	<u>110,863,161</u>	<u>116,166,579</u>	<u>91,793,065</u>	<u>24,373,514</u>
Deficiency of Revenues Under Expenditures	(30,943,161)	(36,246,579)	(8,373,020)	27,873,559
Other Financing Sources:				
Transfers In	9,162,000	9,162,000	9,872,698	710,698
Transfer Out	(725,000)	(725,000)	(4,424,000)	(3,699,000)
Net Change in Fund Balances	(22,506,161)	(27,809,579)	(2,924,322)	24,885,257
Fund Balances - Beginning	<u>33,968,375</u>	<u>33,968,375</u>	<u>47,278,541</u>	<u>13,310,166</u>
Fund Balances - Ending	<u>\$ 11,462,214</u>	<u>\$ 6,158,796</u>	<u>\$ 44,354,219</u>	<u>\$ 38,195,423</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, 2012

Budget Basis

Actual amount (budgetary basis) "Net Change in Fund Balances" from the budgetary comparison schedule	\$ (2,924,322)
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Basis Difference

Unrealized Gain on Investment	45,102
Sales Tax Accrual	<u>3,696,565</u>

GAAP Basis

"Net Change in Fund Balances" GAAP Basis as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance-Non-Major Special Revenue Funds Exhibit C-4	<u><u>\$ 817,345</u></u>
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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, 2012

	<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	\$ 16,158,303	\$ 16,117,926	\$ 14,753,005	\$ 1,364,921
Total Community Environment	<u>16,158,303</u>	<u>16,117,926</u>	<u>14,753,005</u>	<u>1,364,921</u>
Less: Capital Outlay Expenditures	<u>5,900,000</u>	<u>5,900,000</u>	<u>5,080,345</u>	<u>819,655</u>
Total Current Expenditures	<u>10,258,303</u>	<u>10,217,926</u>	<u>9,672,660</u>	<u>545,266</u>
Contingencies	<u>-</u>	<u>40,377</u>	<u>-</u>	<u>40,377</u>
Total Local Transportation Assistance Fund Expenditures	<u><u>\$ 16,158,303</u></u>	<u><u>\$ 16,117,926</u></u>	<u><u>\$ 14,753,005</u></u>	<u><u>\$ 1,364,921</u></u>
MESA HOUSING AUTHORITY				
Community Environment				
Mesa Housing Authority	\$ 12,847,000	\$ 12,847,000	\$ 11,597,703	\$ 1,249,297
Total Community Environment	<u>12,847,000</u>	<u>12,847,000</u>	<u>11,597,703</u>	<u>1,249,297</u>
Total Current Expenditures	<u>12,847,000</u>	<u>12,847,000</u>	<u>11,597,703</u>	<u>1,249,297</u>
Total Mesa Housing Authority Fund Expenditures	<u><u>\$ 12,847,000</u></u>	<u><u>\$ 12,847,000</u></u>	<u><u>\$ 11,597,703</u></u>	<u><u>\$ 1,249,297</u></u>
CEMETERY FUND				
Community Environment:				
Cemetery	\$ 2,058,000	\$ 2,058,000	\$ 1,771,825	\$ 286,175
Less: Capital Outlay Expenditures	<u>852,390</u>	<u>852,390</u>	<u>681,049</u>	<u>171,341</u>
Total Current Expenditures	<u>1,205,610</u>	<u>1,205,610</u>	<u>1,090,776</u>	<u>114,834</u>
Total Cemetery Fund Expenditures	<u><u>\$ 2,058,000</u></u>	<u><u>\$ 2,058,000</u></u>	<u><u>\$ 1,771,825</u></u>	<u><u>\$ 286,175</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, 2012

	<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				
General Government:				
Capital Outlay:				
General Government Facilities	\$ 3,260,681	\$ 3,430,870	\$ 3,430,870	\$ -
Total General Government	<u>3,260,681</u>	<u>3,430,870</u>	<u>3,430,870</u>	<u>-</u>
Public Safety:				
Debt Service:				
Law Enforcement	217,866	394,866	394,866	-
Fire Prevention	149,737	265,737	265,737	-
Total Public Safety	<u>367,603</u>	<u>660,603</u>	<u>660,603</u>	<u>-</u>
Cultural-Recreational:				
Capital Outlay:				
Library	-	109	109	-
Cultural Facilities	-	74,884	74,884	-
Debt Service:				
Library	462,000	809,727	809,727	-
Parks & Recreation	368,546	831,546	831,546	-
Total Cultural-Recreational	<u>830,546</u>	<u>1,716,266</u>	<u>1,716,266</u>	<u>-</u>
Community Environment:				
Debt Service:				
Storm Sewer	117,516	270,516	270,516	-
Total Community Environment	<u>117,516</u>	<u>270,516</u>	<u>270,516</u>	<u>-</u>
Total Development Impact Fees Fund Expenditures	<u>\$ 4,576,346</u>	<u>\$ 6,078,255</u>	<u>\$ 6,078,255</u>	<u>\$ -</u>
MESA ARTS CENTER RESTORATION FUND				
Cultural-Recreational:				
Cultural	\$ 251,292	\$ 251,292	\$ 162,521	\$ 88,771
Total Cultural-Recreational	<u>251,292</u>	<u>251,292</u>	<u>162,521</u>	<u>88,771</u>
Less: Capital Outlay Expenditures	<u>250,000</u>	<u>250,000</u>	<u>162,521</u>	<u>87,479</u>
Total Current Expenditures	<u>1,292</u>	<u>1,292</u>	<u>-</u>	<u>1,292</u>
Total Mesa Arts Center Restoration Fund Expenditures	<u>\$ 251,292</u>	<u>\$ 251,292</u>	<u>\$ 162,521</u>	<u>\$ 88,771</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, 2012

	<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	\$ 6,534,279	\$ 9,385,562	\$ 9,385,562	\$ -
Total Environmental Management	<u>6,534,279</u>	<u>9,385,562</u>	<u>9,385,562</u>	<u>-</u>
Less: Capital Outlay Expenditures	<u>323,286</u>	<u>339,109</u>	<u>339,109</u>	<u>-</u>
Total Current Expenditures	<u>6,210,993</u>	<u>9,046,453</u>	<u>9,046,453</u>	<u>-</u>
Total Environmental Compliance Fund Expenditures	<u>\$ 6,534,279</u>	<u>\$ 9,385,562</u>	<u>\$ 9,385,562</u>	<u>\$ -</u>
STREET SALES TAX FUND				
General Government				
Financial Services	\$ 446,576	\$ 446,576	\$ -	\$ 446,576
Total General Government	<u>446,576</u>	<u>446,576</u>	<u>-</u>	<u>446,576</u>
Community Environment:				
Streets	<u>39,890,631</u>	<u>39,890,631</u>	<u>29,170,905</u>	<u>10,719,726</u>
Total Community Environment	<u>39,890,631</u>	<u>39,890,631</u>	<u>29,170,905</u>	<u>10,719,726</u>
Less: Capital Outlay Expenditures	<u>12,086,028</u>	<u>12,086,028</u>	<u>8,841,854</u>	<u>3,244,174</u>
Debt Service Expenditures	<u>-</u>	<u>-</u>	<u>4,312,398</u>	<u>(4,312,398)</u>
Total Current Expenditures	<u>27,804,603</u>	<u>27,804,603</u>	<u>16,016,653</u>	<u>11,787,950</u>
Contingencies	<u>9,095,000</u>	<u>9,095,000</u>	<u>-</u>	<u>9,095,000</u>
Total Street Sales Tax Fund Expenditures	<u>\$ 49,432,207</u>	<u>\$ 49,432,207</u>	<u>\$ 29,170,905</u>	<u>\$ 20,261,302</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
QUALITY OF LIFE SALES TAX				
Public Safety:				
Fire	\$ 6,610,658	\$ 6,745,733	\$ 6,745,733	\$ -
Total Public Safety	<u>6,610,658</u>	<u>6,745,733</u>	<u>6,745,733</u>	<u>-</u>
Total Current Expenditures	<u>6,610,658</u>	<u>6,745,733</u>	<u>6,745,733</u>	<u>-</u>
Cultural - Recreational:				
Parks & Recreation	714,800	714,800	22,141	692,659
Cultural	10,154,697	10,868,241	10,868,241	-
Aquatics	433,885	433,885	43,873	390,012
Library	813,855	835,309	835,309	-
Museum for Youth	277,839	357,992	357,992	-
Total Cultural - Recreational	<u>12,395,076</u>	<u>13,210,227</u>	<u>12,127,556</u>	<u>1,082,671</u>
Less: Capital Outlay Expenditures	<u>410,433</u>	<u>410,433</u>	<u>238,041</u>	<u>172,392</u>
Total Current Expenditures	<u>11,984,643</u>	<u>12,799,794</u>	<u>11,889,515</u>	<u>910,279</u>
Total Quality of Life Expenditures	<u>\$ 19,005,734</u>	<u>\$ 19,955,960</u>	<u>\$ 18,873,289</u>	<u>\$ 1,082,671</u>
RECAP				
General Government	\$ 3,707,257	\$ 3,877,446	\$ 3,430,870	\$ 446,576
Public Safety	13,512,540	16,791,898	16,791,898	-
Cultural-Recreational	13,476,914	15,177,785	14,006,343	1,171,442
Community Environment	71,071,450	71,184,073	57,563,954	13,620,119
Contingencies	9,095,000	9,135,377	-	9,135,377
Total Nonmajor Special Revenue Funds Expenditures	<u>\$ 110,863,161</u>	<u>\$ 116,166,579</u>	<u>\$ 91,793,065</u>	<u>\$ 24,373,514</u>

CITY OF MESA, ARIZONA

EXHIBIT D-5

NON-MAJOR DEBT SERVICE FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
GENERAL OBLIGATION BOND				
REDEMPTION FUND				
Revenues:				
Fines and Forfeitures	\$ 746,000	\$ 746,000	\$ 923,509	177,509
Investment Income	-	-	590	590
Total Revenues	<u>746,000</u>	<u>746,000</u>	<u>924,099</u>	<u>178,099</u>
Expenditures:				
Debt Service:				
Principal Retirement	702,522	702,522	702,522	-
Interest on Bonds	43,478	354,478	354,478	-
Service Charges	-	298	298	-
Total Expenditures	<u>746,000</u>	<u>1,057,298</u>	<u>1,057,298</u>	<u>-</u>
Net Change in Fund Balance	-	(311,298)	(133,199)	178,099
Fund Balance - Beginning	<u>382</u>	<u>382</u>	<u>134,273</u>	<u>133,891</u>
Fund Balance - Ending	<u>\$ 382</u>	<u>\$ (310,916)</u>	<u>\$ 1,074</u>	<u>\$ 311,990</u>

CITY OF MESA, ARIZONA

EXHIBIT D-6

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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
CAPITAL PROJECTS FUNDS				
Revenues:				
Intergovernmental	\$ 12,416,000	\$ 12,416,000	\$ 11,239,556	(1,176,444)
Investment Income	-	-	22,488	22,488
Miscellaneous	344,000	344,000	4,602,458	4,258,458
Total Revenues	<u>12,760,000</u>	<u>12,760,000</u>	<u>15,864,502</u>	<u>3,104,502</u>
Expenditures:				
Capital Outlay	236,332,091	236,229,158	107,774,064	128,455,094
Total Expenditures	<u>236,332,091</u>	<u>236,229,158</u>	<u>107,774,064</u>	<u>128,455,094</u>
Deficiency of Revenues Under Expenditures	<u>(223,572,091)</u>	<u>(223,469,158)</u>	<u>(91,909,562)</u>	<u>131,559,596</u>
Other Financing Sources:				
Face Amount of Bonds Issued	167,671,000	167,671,000	94,590,000	(73,081,000)
Premium on Issuance of Bonds	-	-	665,438	665,438
Transfers In	6,003,000	6,003,000	8,878,000	2,875,000
Net Change in Fund Balances	(49,898,091)	(49,795,158)	12,223,876	62,019,034
Fund Balances-Beginning	<u>78,243,707</u>	<u>78,243,707</u>	<u>102,863,121</u>	<u>24,619,414</u>
Fund Balances-Ending	<u>\$ 28,345,616</u>	<u>\$ 28,448,549</u>	<u>\$ 115,086,997</u>	<u>\$ 86,638,448</u>

Budget Basis

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

\$ 12,223,876

Basis Differences:

Increase of Fair Market Value of Investments

16,026

Perspective Differences:

Proprietary Capital Project Funds

(2,700,518)

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

\$ 9,539,384

CITY OF MESA, ARIZONA

EXHIBIT D-7

ENTERPRISE FUND

SCHEDULE OF REVENUES, EXPENSES AND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual Amounts - Budgetary Basis	Variance With Final Budget - Positive (Negative)
Revenues:				
Electric	\$ 33,993,000	\$ 33,993,000	\$ 34,893,746	\$ 900,746
Gas	43,679,000	43,679,000	39,687,912	(3,991,088)
Water	109,177,000	109,177,000	117,467,707	8,290,707
Wastewater	66,720,000	66,720,000	67,247,815	527,815
Solid Waste	47,860,000	47,860,000	47,808,733	(51,267)
Airport	9,396,000	9,396,000	4,901,902	(4,494,098)
Golf Course	1,957,000	1,957,000	2,220,739	263,739
Convention Center	1,917,000	1,917,000	2,277,372	360,372
Hohokam Stadium/Fitch Complex	6,409,000	6,409,000	6,175,500	(233,500)
Cubs Stadium	-	-	824,556	824,556
District Cooling	969,000	969,000	1,091,665	122,665
Total Revenues	322,077,000	322,077,000	324,597,647	2,520,647
Expenses:				
Electric	26,146,000	26,144,173	24,588,641	1,555,532
Gas	35,390,000	35,387,032	30,715,048	4,671,984
Water	74,510,000	74,503,150	66,112,955	8,390,195
Wastewater	60,203,000	60,173,477	58,003,769	2,169,708
Solid Waste	28,824,000	28,817,835	28,220,432	597,403
Airport	11,160,000	11,160,000	3,997,493	7,162,507
Golf Course	3,007,000	2,981,107	2,537,900	443,207
Convention Center	3,431,000	3,431,000	2,980,033	450,967
Hohokam Stadium/Fitch Complex	6,857,000	7,718,964	7,718,964	-
Cubs Stadium	-	495,482	495,482	-
District Cooling	1,516,000	1,516,000	574,008	941,992
Contingencies	37,770,000	36,485,780	-	36,485,780
Total Expenses	288,814,000	288,814,000	225,944,725	62,869,275
Income Before Transfers	33,263,000	33,263,000	98,652,922	65,389,922
Other Operating Uses:				
Transfers Out	83,615,000	83,615,000	83,615,000	-
Change in Net Assets	(50,352,000)	(50,352,000)	15,037,922	65,389,922
Unappropriated Net Assets - Beginning	54,690,890	54,690,890	60,195,266	5,504,376
Increase in Restricted Net Assets	(4,338,890)	(4,338,890)	(1,146,982)	3,191,908
Unappropriated Net Assets - Ending	\$ -	\$ -	\$ 74,086,206	\$ 74,086,206

CITY OF MESA, ARIZONA
EXHIBIT D-8
 ENTERPRISE FUND
 RECONCILIATION OF BUDGET TO GAAP
 CHANGES IN NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Budget Basis

Actual Amounts (Budgetary Basis)	
"Change in Net Assets" from Exhibit D-7	\$ 15,037,922

Basis Differences:

Compensated Absences	(18,994)
Post Employment Benefits	(12,176,413)
Capitalized Interest	3,132,995
Contractual Commitments	1,134
Utility Revenue Accrual	1,044,870
Change in Fair Market Value of Investments	(4,540)
Revenues in Capital Project Funds	4,518,556

Perspective Differences:

Contributions of Capital Assets	4,449,801
---------------------------------	-----------

Timing Differences:

Water Rights	4,799,299
Capital Expenditures	7,288,681
Depreciation - Amortization	(46,099,910)
Investment in Joint Ventures	(12,651,307)
Non-Cash Loss on Disposal of Capital Assets	(5,340,280)
Bond Principal and Reserves	28,136,245
Amortization of Bond Premiums	2,388,108
Deferred Amounts on Refundings	<u>(2,338,256)</u>

GAAP Basis

Actual Amount (GAAP Basis)	
"Change in Net Assets" from Exhibit A-8	<u>\$ (7,832,089)</u>

CITY OF MESA, ARIZONA

EXHIBIT D-9

INTERNAL SERVICE FUNDS

SCHEDULE OF REVENUES, EXPENSES AND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<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	\$ 1,180,723	\$ 1,180,723	\$ 986,991	\$ (193,732)
Printing and Graphics	1,364,342	1,364,342	928,004	(436,338)
Fleet Support Services	<u>16,369,318</u>	<u>16,369,318</u>	<u>17,147,110</u>	<u>777,792</u>
Total Revenues	<u>18,914,383</u>	<u>18,914,383</u>	<u>19,062,105</u>	<u>147,722</u>
Expenses:				
Materials and Supply	1,192,723	1,376,218	1,182,486	193,732
Printing and Graphics	1,369,396	1,369,396	931,209	438,187
Fleet Support Services	<u>16,414,318</u>	<u>16,461,641</u>	<u>17,239,433</u>	<u>(777,792)</u>
Total Expenses	<u>18,976,437</u>	<u>19,207,255</u>	<u>19,353,128</u>	<u>(145,873)</u>
Loss Before Transfers	(62,054)	(292,872)	(291,023)	1,849
Transfers In	<u>62,000</u>	<u>62,000</u>	<u>291,100</u>	<u>229,100</u>
Change in Net Assets	(54)	(230,872)	77	230,949
Unappropriated Net Assets - Beginning	<u>83</u>	<u>83</u>	<u>18</u>	<u>(65)</u>
Unappropriated Net Assets - Ending	<u><u>\$ 29</u></u>	<u><u>\$ (230,789)</u></u>	<u><u>\$ 95</u></u>	<u><u>\$ 230,884</u></u>

CITY OF MESA, ARIZONA
EXHIBIT D-9 (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, 2012

	<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	\$ 6,000	\$ 6,000	\$ 27,614	\$ 21,614
Contributions	4,301,000	4,301,000	4,301,000	-
Miscellaneous	53,000	53,000	-	(53,000)
Total Revenues	<u>4,360,000</u>	<u>4,360,000</u>	<u>4,328,614</u>	<u>(31,386)</u>
Expenses:				
Administrative and Other Fees	2,035,978	2,035,978	1,634,105	401,873
Claims Incurred	2,387,022	2,387,022	2,178,582	208,440
Total Expenses	<u>4,423,000</u>	<u>4,423,000</u>	<u>3,812,687</u>	<u>610,313</u>
Change in Net Assets	(63,000)	(63,000)	515,927	578,927
Unappropriated Net Assets - Beginning	<u>9,366,098</u>	<u>9,366,098</u>	<u>7,990,647</u>	<u>(1,375,451)</u>
Unappropriated Net Assets - Ending	<u><u>\$ 9,303,098</u></u>	<u><u>\$ 9,303,098</u></u>	<u><u>\$ 8,506,574</u></u>	<u><u>\$ (796,524)</u></u>

CITY OF MESA, ARIZONA
EXHIBIT D-9 (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, 2012

	<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	\$ 7,000	\$ 7,000	\$ 16,726	\$ 9,726
Contributions	2,148,000	2,148,000	3,308,189	1,160,189
Miscellaneous	134,000	134,000	128,796	(5,204)
Total Revenues	<u>2,289,000</u>	<u>2,289,000</u>	<u>3,453,711</u>	<u>1,164,711</u>
Expenses:				
Administrative and Other Fees	1,324,821	1,825,506	1,825,506	-
Claims Incurred	2,427,179	3,568,076	3,568,076	-
Total Expenses	<u>3,752,000</u>	<u>5,393,582</u>	<u>5,393,582</u>	<u>-</u>
Change in Net Assets	(1,463,000)	(3,104,582)	(1,939,871)	1,164,711
Unappropriated Net Assets - Beginning	<u>7,126,676</u>	<u>7,126,676</u>	<u>6,706,592</u>	<u>(420,084)</u>
Unappropriated Net Assets - Ending	<u>\$ 5,663,676</u>	<u>\$ 4,022,094</u>	<u>\$ 4,766,721</u>	<u>\$ 744,627</u>

CITY OF MESA, ARIZONA
EXHIBIT D-9 (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, 2012

	<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	\$ 12,000	\$ 12,000	\$ 97,623	\$ 85,623
Contributions	65,063,000	65,063,000	63,767,355	(1,295,645)
Miscellaneous	586,000	586,000	1,750,358	1,164,358
Total Revenues	<u>65,661,000</u>	<u>65,661,000</u>	<u>65,615,336</u>	<u>(45,664)</u>
Expenses:				
Administrative and Other Fees	5,300,471	5,300,471	5,612,698	(312,227)
Claims Incurred	60,403,529	60,403,529	46,588,126	13,815,403
Total Expenses	<u>65,704,000</u>	<u>65,704,000</u>	<u>52,200,824</u>	<u>13,503,176</u>
Change in Net Assets	(43,000)	(43,000)	13,414,512	13,457,512
Unappropriated Net Assets - Beginning	<u>17,985,434</u>	<u>17,985,434</u>	<u>25,687,639</u>	<u>7,702,205</u>
Unappropriated Net Assets - Ending	<u><u>\$ 17,942,434</u></u>	<u><u>\$ 17,942,434</u></u>	<u><u>\$ 39,102,151</u></u>	<u><u>\$ 21,159,717</u></u>

CITY OF MESA, ARIZONA
EXHIBIT D-9 (Concluded)
INTERNAL SERVICE FUNDS
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET TO ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR JUNE 30, 2012

	<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	\$ 18,914,383	\$ 18,914,383	\$ 19,062,105	\$ 147,722
Investment Income	25,000	25,000	141,963	116,963
Contributions	71,512,000	71,512,000	71,376,544	(135,456)
Miscellaneous	<u>773,000</u>	<u>773,000</u>	<u>1,879,154</u>	<u>1,106,154</u>
Total Revenues	<u>91,224,383</u>	<u>91,224,383</u>	<u>92,459,766</u>	<u>1,235,383</u>
Expenses:				
Materials and Supply	1,192,723	1,376,218	1,182,486	193,732
Printing and Graphics	1,369,396	1,369,396	931,209	438,187
Fleet Support	16,414,318	16,461,641	17,239,433	(777,792)
Administrative and Other Fees	8,661,270	9,161,955	9,072,309	89,646
Claims Incurred	<u>65,217,730</u>	<u>66,358,627</u>	<u>52,334,784</u>	<u>14,023,843</u>
Total Expenses	<u>92,855,437</u>	<u>94,727,837</u>	<u>80,760,221</u>	<u>13,967,616</u>
Income (Loss) Before Transfers	(1,631,054)	(3,503,454)	11,699,545	15,202,999
Transfers In	<u>62,000</u>	<u>62,000</u>	<u>291,100</u>	<u>229,100</u>
Change in Net Assets	(1,569,054)	(3,441,454)	11,990,645	15,432,099
Unappropriated Net Assets - Beginning	<u>34,478,291</u>	<u>34,478,291</u>	<u>40,384,896</u>	<u>5,906,605</u>
Unappropriated Net Assets - Ending	<u>\$ 32,909,237</u>	<u>\$ 31,036,837</u>	<u>\$ 52,375,541</u>	<u>\$ 21,338,704</u>

CITY OF MESA, ARIZONA
EXHIBIT D-10
INTERNAL SERVICE FUND
RECONCILIATION OF BUDGET TO GAAP
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Budget Basis

Actual Amounts (Budgetary Basis)		
"Change in Net Assets" from Exhibit D-8	\$	11,990,645

Basis Differences:

Compensated Absences		(1,916)
OPEB Proprietary Funds		(1,228,587)
Increase of Fair Market Value of Investments		95,053

Perspective Differences:

Contributions of Capital Assets		(1,581)
---------------------------------	--	---------

Timing Differences:

Capital Expenditures		97,030
Non-Cash Loss on Disposal of Capital assests		(36,970)
Depreciation - Amortization		(340,110)
Inventory Increase		193,993
Increase in Contingent Liabilities		<u>(7,910,572)</u>

GAAP Basis

Actual Amount (GAAP Basis)		
"Change in Net Assets" from Exhibit A-8	\$	<u><u>2,856,985</u></u>



mesa·az

Statistical Section



Vice Mayor

Scott Somers

District 6

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.	141
Revenue Capacity These schedules contain information to help readers assess the City's most significant local revenue source, the sales tax.	153
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.	156
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.	164
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.	166

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

CITY OF MESA, ARIZONA

TABLE I

NET ASSETS BY COMPONENTS

LAST TEN FISCAL YEARS

(accrual basis of accounting)

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
GOVERNMENTAL ACTIVITIES				
Invested in Capital Assets, Net of Related Debt	\$ 692,576,782	\$ 781,518,870	\$ 769,923,509	\$ 765,874,830
Restricted	85,299,383	61,749,912	68,486,614	84,386,395
Unrestricted	<u>53,068,738</u>	<u>43,964,946</u>	<u>62,539,346</u>	<u>85,734,791</u>
Total Governmental Activities Net Assets	<u>\$ 830,944,903</u>	<u>\$ 887,233,728</u>	<u>\$ 900,949,469</u>	<u>\$ 935,996,016</u>
BUSINESS-TYPE ACTIVITIES				
Invested in Capital Assets, Net of Related Debt	\$ 477,877,715	\$ 451,550,515	\$ 424,820,602	\$ 390,100,160
Restricted	44,402,649	62,692,972	101,565,804	89,383,126
Unrestricted	<u>182,390,271</u>	<u>218,266,775</u>	<u>219,103,522</u>	<u>268,388,224</u>
Total Business-type Activities	<u>\$ 704,670,635</u>	<u>\$ 732,510,262</u>	<u>\$ 745,489,928</u>	<u>\$ 747,871,510</u>
PRIMARY GOVERNMENT				
Invested in Capital Assets, Net of Related Debt	\$ 1,170,454,497	\$ 1,233,069,385	\$ 1,194,744,111	\$ 1,155,974,990
Restricted	129,702,032	124,442,884	170,052,418	173,769,521
Unrestricted	<u>235,459,009</u>	<u>262,231,721</u>	<u>281,642,868</u>	<u>354,123,015</u>
Total Primary Government	<u>\$ 1,535,615,538</u>	<u>\$ 1,619,743,990</u>	<u>\$ 1,646,439,397</u>	<u>\$ 1,683,867,526</u>

TABLE I
(Continued)

<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
\$ 791,591,633	\$ 794,720,403	\$ 791,523,460	\$ 844,777,095	\$ 872,302,182	\$ 913,701,563
95,107,036	86,252,122	92,532,141	86,954,514	39,295,786	41,257,218
<u>128,548,213</u>	<u>125,128,033</u>	<u>91,363,394</u>	<u>3,651,537</u>	<u>(6,375,735)</u>	<u>(96,985,751)</u>
<u>\$ 1,015,246,882</u>	<u>\$ 1,006,100,558</u>	<u>\$ 975,418,995</u>	<u>\$ 935,383,146</u>	<u>\$ 905,222,233</u>	<u>\$ 857,973,030</u>
\$ 366,497,841	\$ 410,073,719	\$ 413,943,796	\$ 434,813,786	\$ 430,435,538	\$ 412,016,435
96,756,386	94,133,333	82,697,422	47,011,208	55,873,506	69,738,803
<u>308,374,940</u>	<u>308,215,959</u>	<u>278,891,568</u>	<u>271,705,523</u>	<u>258,130,789</u>	<u>254,188,941</u>
<u>\$ 771,629,167</u>	<u>\$ 812,423,011</u>	<u>\$ 775,532,786</u>	<u>\$ 753,530,517</u>	<u>\$ 744,439,833</u>	<u>\$ 735,944,179</u>
\$ 1,158,089,474	\$ 1,204,794,122	\$ 1,205,467,256	\$ 1,279,590,881	\$ 1,302,737,720	\$ 1,325,717,998
191,863,422	180,385,455	175,229,563	133,965,722	95,169,292	110,996,021
<u>436,923,153</u>	<u>433,343,992</u>	<u>370,254,962</u>	<u>275,357,060</u>	<u>251,755,054</u>	<u>157,203,190</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>	<u>\$ 1,649,662,066</u>	<u>\$ 1,593,917,209</u>

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

EXPENSES	2002-03	2003-04	2004-05	2005-06
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 48,918,830	\$ 44,012,723	\$ 48,722,316	\$ 44,568,148
Public Safety	169,665,871	181,856,295	204,366,091	212,010,952
Cultural-Recreational	52,778,367	53,201,350	62,870,201	65,389,229
Community Environment	55,886,591	72,984,342	86,363,321	97,613,466
Interest in Long-term Debt	13,891,122	14,490,474	15,503,667	16,061,123
Total Governmental Activities Expenses	341,140,781	366,545,184	417,825,596	435,642,918
BUSINESS-TYPE ACTIVITIES:				
Electric	21,809,560	24,390,551	27,118,590	26,817,051
Gas	22,433,015	25,990,497	33,829,631	38,743,370
Water	46,247,340	49,542,568	54,247,920	54,110,525
Wastewater	36,177,157	39,673,430	47,799,248	67,180,688
Solid Waste	21,737,238	21,826,949	23,863,908	25,070,150
Airport	1,940,735	2,087,395	2,119,795	4,194,272
Golf Course	2,296,550	2,781,273	2,966,147	2,524,364
Convention Center	3,013,443	4,224,151	4,260,510	4,822,347
Hohokam Stadium/Fitch Complex	-	-	-	-
Cubs Stadium	-	-	-	-
District Cooling	-	-	-	67,274
Total Business-type Activities Expenses	155,655,038	170,516,814	196,205,749	223,530,041
Total Primary Government Expenses	\$ 496,795,819	\$ 537,061,998	\$ 614,031,345	\$ 659,172,959

TABLE II
(Continued)

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
\$	48,200,767	\$ 63,633,405	\$ 54,225,566	\$ 54,862,584	\$ 59,551,669	\$ 57,472,328
	232,099,968	292,395,865	290,927,716	288,928,693	273,320,156	287,918,202
	64,591,583	72,999,346	67,039,000	54,010,115	54,549,751	57,170,754
	91,664,096	99,414,870	121,735,796	104,096,133	106,434,114	97,592,690
	18,037,348	19,082,936	18,658,530	20,013,068	21,078,138	21,631,042
	<u>454,593,762</u>	<u>547,526,422</u>	<u>552,586,608</u>	<u>521,910,593</u>	<u>514,933,828</u>	<u>521,785,016</u>
	26,280,947	31,612,431	27,633,642	27,106,177	26,816,560	29,751,312
	37,825,634	43,246,724	35,991,817	35,466,448	36,020,012	34,275,119
	59,964,524	59,224,757	68,955,827	80,915,190	82,377,888	74,161,665
	60,603,399	61,293,453	80,349,057	70,227,712	63,613,492	68,540,140
	27,891,495	32,877,483	31,953,188	31,503,513	31,462,070	32,485,233
	2,720,953	3,316,536	3,703,129	3,943,651	3,971,648	3,737,409
	2,601,521	3,011,883	3,082,522	2,714,896	2,679,327	2,588,958
	5,666,507	5,447,050	4,558,208	4,158,023	3,849,444	3,486,069
	-	-	-	7,407,501	8,323,724	8,525,374
	-	-	-	-	14,990	53,747
	<u>1,090,931</u>	<u>768,873</u>	<u>975,687</u>	<u>1,000,347</u>	<u>964,585</u>	<u>973,595</u>
	<u>224,645,911</u>	<u>240,799,190</u>	<u>257,203,077</u>	<u>264,443,458</u>	<u>260,093,740</u>	<u>258,578,621</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>	<u><u>775,027,568</u></u>	<u><u>780,363,637</u></u>

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

PROGRAM REVENUES	2002-03	2003-04	2004-05	2005-06
GOVERNMENTAL ACTIVITIES:				
Charges for services:				
Licenses and Permits	\$ 15,436,013	\$ 19,819,170	\$ 18,817,521	\$ 23,145,062
Charges for Services	9,639,690	11,152,669	13,047,596	17,649,718
Fines and Forfeitures	8,421,178	8,536,253	9,247,469	9,049,107
Other activities	(113,419)	52,970	116,882	282,129
Operating Grants and Contributions	53,256,253	60,346,450	60,813,367	68,784,384
Capital Grants and Contributions	<u>25,473,077</u>	<u>48,400,338</u>	<u>25,513,149</u>	<u>16,777,436</u>
Total Governmental Activities Program Revenues	<u>112,112,792</u>	<u>148,307,850</u>	<u>127,555,984</u>	<u>135,687,836</u>
BUSINESS-TYPE ACTIVITIES:				
Charges for services:				
Electric	27,839,896	33,694,077	30,983,581	36,112,821
Gas	25,113,857	29,941,402	35,131,012	44,088,814
Water	74,769,709	80,036,607	79,724,508	88,497,653
Wastewater	41,656,214	43,643,144	46,024,679	49,618,163
Solid Waste	31,833,958	34,460,114	36,638,993	38,898,904
Airport	1,845,693	1,873,185	1,941,001	2,086,753
Golf Course	2,325,121	2,298,163	2,327,788	2,522,464
Convention Center	1,422,276	2,686,799	2,570,569	3,727,573
Hohokam Stadium/Fitch Complex	-	-	-	-
Cubs Stadium	-	-	-	-
District Cooling	-	-	-	54,678
Operating Grants and Contributions	320,639	248,295	275,024	141,207
Capital Grants and Contributions	<u>94,629,677</u>	<u>35,374,484</u>	<u>15,585,679</u>	<u>27,692,246</u>
Total Business-type Activities Program Revenues	<u>301,757,040</u>	<u>264,256,270</u>	<u>251,202,834</u>	<u>293,441,276</u>
Total Primary Government Program Revenues	<u>\$ 413,869,832</u>	<u>\$ 412,564,120</u>	<u>\$ 378,758,818</u>	<u>\$ 429,129,112</u>
NET (EXPENSE)/REVENUE				
Governmental Activities	\$ (229,027,989)	\$ (218,237,334)	\$ (290,269,612)	\$ (299,955,082)
Business-type Activities	<u>146,102,002</u>	<u>93,739,456</u>	<u>54,997,085</u>	<u>69,911,235</u>
Total Primary Government Net Expense	<u>\$ (82,925,987)</u>	<u>\$ (124,497,878)</u>	<u>\$ (235,272,527)</u>	<u>\$ (230,043,847)</u>

TABLE II
(Continued)

<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
\$ 20,127,674	\$ 23,342,116	\$ 13,426,408	\$ 11,823,758	\$ 12,577,426	\$ 13,358,859
22,039,055	23,702,601	24,739,517	20,419,291	20,303,514	25,779,212
10,276,600	10,761,086	10,215,428	10,134,507	11,820,028	11,294,065
433,359	323,970	78,021	8,709	8,490	18,237
74,498,258	63,787,258	63,054,542	72,811,744	65,283,992	60,354,574
<u>44,858,222</u>	<u>21,916,433</u>	<u>35,436,059</u>	<u>30,343,087</u>	<u>31,461,449</u>	<u>23,502,772</u>
<u>172,233,168</u>	<u>143,833,464</u>	<u>146,949,975</u>	<u>145,541,096</u>	<u>141,454,899</u>	<u>134,307,719</u>
34,518,898	34,148,281	35,312,658	33,078,601	33,138,456	34,624,920
45,250,476	46,539,692	41,707,578	38,923,919	41,369,805	39,139,278
92,007,207	97,558,682	95,994,839	98,806,049	102,215,430	113,417,881
55,398,349	53,950,994	54,719,926	57,698,904	59,659,464	64,543,503
42,894,663	46,167,910	46,762,035	46,685,307	47,537,833	47,630,828
2,953,825	3,192,347	2,958,955	3,124,886	3,317,542	3,270,632
2,456,596	2,448,313	2,309,899	2,265,452	2,250,256	2,168,575
4,745,578	3,658,449	2,686,663	1,970,891	2,825,693	2,122,304
-	-	-	5,836,650	6,161,320	6,073,590
-	-	-	-	51,614	824,556
192,972	229,168	834,376	983,592	945,434	1,091,665
146,614	10,545	100,797	210,074	25,463	2,125,501
<u>20,724,241</u>	<u>80,569,929</u>	<u>31,222,401</u>	<u>17,782,326</u>	<u>10,773,988</u>	<u>15,814,280</u>
<u>301,289,419</u>	<u>368,474,310</u>	<u>314,610,127</u>	<u>307,366,651</u>	<u>310,272,298</u>	<u>332,847,513</u>
<u>473,522,587</u>	<u>512,307,774</u>	<u>461,560,102</u>	<u>452,907,747</u>	<u>451,727,197</u>	<u>467,155,232</u>
\$ (282,360,594)	\$ (403,692,958)	\$ (405,636,633)	\$ (376,369,497)	\$ (373,478,929)	\$ (387,477,297)
<u>76,643,508</u>	<u>127,675,120</u>	<u>57,407,050</u>	<u>42,923,193</u>	<u>50,178,558</u>	<u>74,268,892</u>
<u>\$ (205,717,086)</u>	<u>\$ (276,017,838)</u>	<u>\$ (348,229,583)</u>	<u>\$ (333,446,304)</u>	<u>\$ (323,300,371)</u>	<u>\$ (313,208,405)</u>

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

GENERAL REVENUES AND OTHER CHANGES

IN NET ASSETS	2002-03	2003-04	2004-05	2005-06
GOVERNMENTAL ACTIVITIES:				
Sales Taxes	\$ 98,434,394	\$ 105,096,378	\$ 112,528,968	\$ 128,372,155
Property Taxes	-	-	-	-
Occupancy Taxes	1,224,044	1,320,706	1,856,955	2,189,830
Unrestricted State Shared Revenues	89,146,593	85,469,452	90,867,567	103,848,818
Contributions Not Restricted to Specific Programs	5,363,401	8,202,920	10,725,969	12,205,647
Unrestricted Investment Income	2,499,434	1,202,348	1,905,411	5,430,860
Loss on Investment in Local Government				
Investment Pool	(4,442,638)	-	-	-
Miscellaneous	7,109,157	5,461,757	9,740,646	10,052,208
Transfers	59,719,000	67,772,618	76,359,837	72,902,111
Total Governmental Activities	259,053,385	274,526,179	303,985,353	335,001,629
BUSINESS-TYPE ACTIVITIES:				
Unrestricted Investment Income	1,230,644	947,498	1,579,215	4,818,652
Loss on Investment in Local Government				
Investment Pool	(1,733,725)	-	-	-
Miscellaneous	800,247	925,291	84,910	553,806
Special Item - Gain on Sale of Land	-	-	32,678,293	-
Transfers	(59,719,000)	(67,772,618)	(76,359,837)	(72,902,111)
Total Business-type Activities	(59,421,834)	(65,899,829)	(42,017,419)	(67,529,653)
Total Primary Government	\$ 199,631,551	\$ 208,626,350	\$ 261,967,934	\$ 267,471,976
Change in Net Assets				
Governmental Activities	\$ 30,025,396	\$ 56,288,845	\$ 13,715,741	\$ 35,046,547
Business-type Activities	86,680,168	27,839,627	12,979,666	2,381,582
Total Primary Government	\$ 116,705,564	\$ 84,128,472	\$ 26,695,407	\$ 37,428,129

TABLE II
(Concluded)

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
\$	155,817,051	\$ 147,762,866	\$ 126,519,701	\$ 121,556,751	\$ 121,046,053	\$ 126,644,151
	-	-	-	14,318,257	14,243,721	14,234,285
	2,389,528	2,394,765	1,807,601	1,580,533	2,148,216	2,018,764
	113,048,782	122,560,731	117,542,894	104,580,393	92,612,858	86,103,399
	14,037,707	14,745,722	14,740,889	14,757,171	15,610,470	17,170,502
	7,824,612	6,282,425	1,895,561	260,939	617,419	1,502,659
	-	-	-	-	-	-
	7,053,840	6,678,633	15,849,424	13,846,390	7,060,132	8,939,334
	<u>61,439,940</u>	<u>94,121,492</u>	<u>96,599,000</u>	<u>65,433,214</u>	<u>83,334,303</u>	<u>83,615,000</u>
	<u>361,611,460</u>	<u>394,546,634</u>	<u>374,955,070</u>	<u>336,333,648</u>	<u>336,673,172</u>	<u>340,228,094</u>
	8,125,127	6,546,254	1,894,369	507,752	839,348	850,454
	-	-	-	-	-	-
	428,962	693,962	407,356	-	-	-
	-	-	-	-	-	-
	<u>(61,439,940)</u>	<u>(94,121,492)</u>	<u>(96,599,000)</u>	<u>(65,433,214)</u>	<u>(83,334,303)</u>	<u>(83,615,000)</u>
	<u>(52,885,851)</u>	<u>(86,881,276)</u>	<u>(94,297,275)</u>	<u>(64,925,462)</u>	<u>(82,494,955)</u>	<u>(82,764,546)</u>
\$	<u><u>308,725,609</u></u>	<u><u>307,665,358</u></u>	<u><u>280,657,795</u></u>	<u><u>271,408,186</u></u>	<u><u>254,178,217</u></u>	<u><u>257,463,548</u></u>
\$	79,250,866	\$ (9,146,324)	\$ (30,681,563)	\$ (40,035,849)	\$ (36,805,757)	\$ (47,249,203)
	<u>23,757,657</u>	<u>40,793,844</u>	<u>(36,890,225)</u>	<u>(22,002,269)</u>	<u>(32,316,397)</u>	<u>(8,495,654)</u>
\$	<u><u>103,008,523</u></u>	<u><u>31,647,520</u></u>	<u><u>(67,571,788)</u></u>	<u><u>(62,038,118)</u></u>	<u><u>(69,122,154)</u></u>	<u><u>(55,744,857)</u></u>

CITY OF MESA, ARIZONA

TABLE III

FUND BALANCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
GENERAL FUND				
Reserved (1)(2)	\$ 53,697,322	\$ 30,195,115	\$ 37,871,632	\$ 61,257,305
Unreserved	11,253,612	25,844,445	19,310,081	27,993,782
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 64,950,934</u>	<u>\$ 56,039,560</u>	<u>\$ 57,181,713</u>	<u>\$ 89,251,087</u>
ALL OTHER GOVERNMENTAL FUNDS				
Reserved	\$ 14,555,545	\$ 8,542,839	\$ 10,335,341	\$ 8,391,978
Unreserved, Reported in:				
Special Revenue Funds	9,211,016	20,215,242	23,498,926	21,745,990
Capital Project Funds	23,676,985	13,773,686	15,681,069	18,611,420
Nonspendable	-	-	-	-
Restricted (3)(4)	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total All Other Governmental Funds	<u>\$ 47,443,546</u>	<u>\$ 42,531,767</u>	<u>\$ 49,515,336</u>	<u>\$ 48,749,388</u>

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

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

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

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

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

TABLE III
(Continued)

<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
\$ 77,177,037	\$ 84,886,350	\$ 51,862,378	\$ 40,748,236	\$ -	\$ -
57,029,523	50,283,211	74,711,328	92,186,747	-	-
-	-	-	-	404,506	753,701
-	-	-	-	1,991,911	2,011,527
-	-	-	-	4,897,687	4,992,039
-	-	-	-	93,874,956	78,034,860
<u>\$ 134,206,560</u>	<u>\$ 135,169,561</u>	<u>\$ 126,573,706</u>	<u>\$ 132,934,983</u>	<u>\$ 101,169,060</u>	<u>\$ 85,792,127</u>
\$ 5,885,100	\$ 8,643,272	\$ 17,012,682	\$ 53,674,468	\$ -	\$ -
24,627,227	24,921,672	24,815,604	31,870,664	-	-
17,567,790	11,142,826	28,442,378	15,724,086	-	-
-	-	-	-	2,905,610	83,502
-	-	-	-	112,537,801	211,279,003
-	-	-	-	19,165,631	16,360,478
-	-	-	-	-	(937)
<u>\$ 48,080,117</u>	<u>\$ 44,707,770</u>	<u>\$ 70,270,664</u>	<u>\$ 101,269,218</u>	<u>\$ 134,609,042</u>	<u>\$ 227,722,046</u>

CITY OF MESA, ARIZONA

TABLE IV

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	<u>2002-03</u>		<u>2003-04</u>		<u>2004-05</u>		<u>2005-06</u>
REVENUES							
Sales Taxes (1)	98,434,394	\$	105,096,378	\$	112,258,968	\$	128,372,155
Property Taxes	-		-		-		-
Occupancy Taxes	1,227,044		1,320,706		1,856,955		2,189,830
Special Assessments	67,313		57,567		4,770		4,770
Licenses and Permits	15,436,013		19,819,170		18,817,521		23,145,062
Intergovernmental	157,187,256		149,036,481		153,369,074		178,553,235
Charges for Services	9,639,690		11,152,669		13,047,596		17,649,718
Fines and Forfeitures	8,421,178		8,536,253		9,247,469		9,049,107
Investment Income	1,999,483		885,188		1,353,224		4,376,010
Loss on Investment in Local Government Investment Pool	(3,588,706)		-		-		-
Miscellaneous	6,204,205		5,268,925		9,562,131		9,632,863
Total Revenues	<u>295,027,870</u>		<u>301,173,337</u>		<u>319,517,708</u>		<u>372,972,750</u>
EXPENDITURES							
General Government	35,314,279		36,328,122		38,364,301		36,730,857
Public Safety	160,151,434		166,576,022		182,224,448		190,761,508
Cultural-Recreational	46,940,164		47,366,458		54,761,753		56,187,938
Community Environment	48,643,271		51,520,603		56,953,311		60,079,827
Debt Service							
Principal	20,548,390		7,145,591		7,692,222		8,857,085
Interest	13,551,752		14,081,131		15,369,204		16,181,484
Issuance Cost on Refunding Bonds	-		-		-		234,487
Service Charges	74,345		62,131		61,994		55,510
Cost of Issuance	-		-		-		-
Capital Outlay	106,255,818		81,823,895		62,392,135		79,316,975
Total Expenditures	<u>431,479,453</u>		<u>404,903,953</u>		<u>417,819,368</u>		<u>448,405,671</u>
Excess of Revenues Under Expenditures	<u>(136,451,583)</u>		<u>(103,730,616)</u>		<u>(98,301,660)</u>		<u>(75,432,921)</u>
OTHER FINANCING SOURCES (USES)							
Transfers In	100,545,246		98,213,698		104,642,640		106,253,593
Transfers Out	(40,765,246)		(27,993,698)		(28,065,640)		(32,339,810)
Face Amount of Bonds Issued	49,370,000		9,585,000		21,930,000		26,410,000
Face Amount of Notes Issued	-		-		-		-
Premium on Issuance of Bonds	145,133		-		640,258		2,003,565
Premium on Issuance of Notes	-		-		-		-
Proceeds from Obligations of							
Capital Leases	4,899,000		9,322,015		6,746,097		6,401,832
Proceeds From Refunding Issue	84,292,722		139,441,539		26,420,341		25,482,000
Payment to Refunded Bond Escrow Agent	(84,875,410)		(138,661,071)		(26,156,314)		(27,474,833)
Total Other Financing Sources (Uses)	<u>113,611,445</u>		<u>89,907,483</u>		<u>106,157,382</u>		<u>106,736,347</u>
Net Change in Fund Balances	<u>(22,840,138)</u>	\$	<u>(13,823,133)</u>	\$	<u>7,855,722</u>	\$	<u>31,303,426</u>
Debt Service as a percentage of Noncapital Expenditures	10.51%		6.59%		6.51%		6.86%

(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>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
\$	155,817,051	\$ 147,762,866	\$ 126,519,701	\$ 121,556,751	\$ 121,046,053	\$ 126,644,151
	-	-	-	13,885,749	14,273,796	14,322,925
	2,389,528	2,394,765	1,807,601	1,580,533	2,148,216	2,018,764
	416,906	1,218,100	806,151	922,651	1,069,363	995,897
	20,127,674	23,342,116	13,426,408	11,823,758	12,577,426	13,358,859
	190,825,624	193,585,472	191,084,600	190,731,282	174,781,231	168,433,432
	22,039,055	23,702,601	24,343,284	20,419,291	20,303,514	25,779,212
	10,276,600	10,761,086	10,215,428	10,134,507	11,820,028	11,294,065
	6,463,111	5,177,695	2,017,949	190,716	586,799	1,283,881
	-	-	-	-	-	-
	<u>6,365,625</u>	<u>6,421,576</u>	<u>14,754,573</u>	<u>13,675,435</u>	<u>7,416,679</u>	<u>7,572,501</u>
	<u>414,721,174</u>	<u>414,366,277</u>	<u>384,975,695</u>	<u>384,920,673</u>	<u>366,023,105</u>	<u>371,703,687</u>
	40,661,807	48,111,893	36,506,727	40,112,552	38,843,180	41,083,321
	210,541,969	233,506,939	230,863,556	216,025,864	215,165,541	226,428,861
	54,711,334	57,765,169	53,171,005	40,150,034	42,191,344	43,903,634
	65,314,260	66,615,531	72,646,647	72,081,273	68,462,936	64,403,759
	8,357,577	25,870,624	36,905,901	34,845,924	31,689,926	25,513,155
	18,150,710	19,229,682	18,845,224	21,185,810	21,211,173	22,643,300
	-	-	-	-	-	-
	56,768	58,196	27,738	9,397	9,546	7,864
	-	-	-	538,824	29,100	869,882
	<u>77,474,595</u>	<u>77,308,807</u>	<u>77,899,367</u>	<u>82,530,441</u>	<u>60,172,590</u>	<u>66,950,632</u>
	<u>475,269,020</u>	<u>528,466,841</u>	<u>526,866,165</u>	<u>507,480,119</u>	<u>477,775,336</u>	<u>491,804,408</u>
	<u>(60,547,846)</u>	<u>(114,100,564)</u>	<u>(141,890,470)</u>	<u>(122,559,446)</u>	<u>(111,752,231)</u>	<u>(120,100,721)</u>
	99,900,805	147,477,785	155,696,867	149,437,331	128,064,505	121,459,483
	(33,233,233)	(53,960,459)	(59,105,867)	(66,653,904)	(44,418,305)	(38,135,583)
	30,681,840	15,450,000	61,830,000	30,865,000	29,320,000	27,290,000
	-	-	-	45,000,000	-	77,835,000
	573,254	195,209	436,509	401,850	359,932	8,027,060
	-	-	-	869,000	-	8,250,081
	6,911,382	2,528,683	-	-	-	-
	-	-	-	-	-	67,238,160
	-	-	-	-	-	<u>(74,127,409)</u>
	<u>104,834,048</u>	<u>111,691,218</u>	<u>158,857,509</u>	<u>159,919,277</u>	<u>113,326,132</u>	<u>197,836,792</u>
\$	<u>44,286,202</u>	<u>\$ (2,409,346)</u>	<u>\$ 16,967,039</u>	<u>\$ 37,359,831</u>	<u>\$ 1,573,901</u>	<u>\$ 77,736,071</u>
	6.68%	10.01%	12.42%	13.19%	12.67%	11.34%

CITY OF MESA, ARIZONA

TABLE VSALES TAX COLLECTIONS BY CATEGORY
LAST TEN FISCAL YEARS

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
Utilities	\$ 5,912,385	\$ 6,762,032	\$ 6,692,042	\$ 7,539,420
Communications	3,574,953	3,164,951	3,241,465	2,839,438
Publishing	1,530,906	1,470,008	1,564,309	1,792,345
Printing & Advertising	384,241	378,322	367,306	453,958
Contracting	11,333,545	12,454,780	12,073,940	14,580,722
Retail Sales	54,110,533	58,588,455	64,266,464	74,420,542
Restaurants & Bars	7,176,167	7,749,295	8,483,650	9,417,798
Amusements	974,633	1,029,101	1,071,285	1,210,343
Rentals	13,323,813	13,399,200	14,380,416	15,786,032
Miscellaneous	<u>113,218</u>	<u>100,234</u>	<u>118,091</u>	<u>331,557</u>
Total	<u>\$ 98,434,394</u>	<u>\$ 105,096,378</u>	<u>\$ 112,258,968</u>	<u>\$ 128,372,155</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 and is restricted to fund street improvements.

Source: City of Mesa Tax & Licensing Division

TABLE V
(Continued)

	<u>2006-07 (3)</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
\$	9,116,291	\$ 9,667,778	\$ 9,654,488	\$ 9,756,726	\$ 11,103,931	\$ 11,877,683
	3,939,497	4,312,054	3,748,960	3,808,798	4,455,855	4,482,950
	1,963,330	1,922,909	1,402,465	1,102,145	999,010	934,312
	477,939	374,839	280,350	175,207	342,381	336,188
	21,424,371	19,300,601	15,263,241	10,913,417	8,387,647	9,961,599
	85,014,600	77,307,911	63,230,186	63,468,754	60,265,881	62,190,619
	11,725,779	12,038,983	10,956,021	10,948,158	11,164,824	11,863,562
	1,456,808	1,348,973	1,362,931	1,176,440	1,433,369	1,433,595
	20,533,854	21,369,386	20,514,008	20,122,775	22,218,976	22,968,362
	<u>164,582</u>	<u>119,432</u>	<u>107,051</u>	<u>84,330</u>	<u>674,180</u>	<u>595,281</u>
\$	<u>155,817,051</u>	<u>147,762,866</u>	<u>126,519,701</u>	<u>121,556,751</u>	<u>121,046,053</u>	<u>126,644,151</u>
	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%

CITY OF MESA, ARIZONA

TABLE VI

DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS

	<u>City Direct Rate</u>		<u>Maricopa County</u>		<u>State of Arizona</u>	
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	*
2010-11	1.75		0.70		6.60	
2011-12	1.75		0.70		6.60	

Source: City of Mesa Tax & Licensing Division

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



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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	Notes Payable
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
2011	281,513,949	-	128,515,000	5,806,000	2,165,596	45,000,000
2012	288,668,840	-	121,395,000	5,062,000	821,550	122,835,000

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

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)
\$ 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
898,800,000	2,221,051	-	2,731,125	-	1,366,752,721	13.06	3,101
952,500,000	1,601,160	-	2,492,975	-	1,495,376,525	14.10	3,390

CITY OF MESA, ARIZONA

TABLE VIII

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

<u>General Bonded Debt Outstanding</u>						
<u>Year</u>	<u>Secondary Assessed Value (1)</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage Of Secondary Assessed Value</u>	<u>Per Capita (2)</u>
2003	\$ 2,272,244,234	\$ 201,545,000	\$ -	\$ 201,545,000	8.87 %	\$ 463.76
2004	2,463,878,234	190,935,000	-	190,935,000	7.75	428.73
2005	2,648,163,284	202,060,000	-	202,060,000	7.63	447.81
2006	2,921,998,915	211,150,000	-	211,150,000	7.23	463.91
2007	3,083,070,290	226,405,000	-	226,405,000	7.34	492.02
2008	4,114,527,313	224,915,000	-	224,915,000	5.47	485.36
2009	4,793,081,793	259,895,000	-	259,895,000	5.42	558.59
2010	4,749,616,941	276,560,000	382	276,559,618	5.82	591.75
2011	4,094,036,999	283,735,000	134,273	283,600,727	6.93	643.56
2012	3,164,277,311	290,270,000	1,074	290,268,926	9.17	657.97

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

CITY OF MESA, ARIZONA

TABLE IX

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)

JUNE 30, 2012

<u>Governmental Unit</u>	<u>Debt Outstanding (2)</u>	<u>Proportion Applicable to the City of Mesa</u>	
		<u>Percent (2)</u>	<u>Amount</u>
Debt repaid with property taxes			
Maricopa County Community College District	\$ 671,250,000	8.16 %	\$ 54,774,000
Mesa Unified School District No. 4	244,095,000	86.01	209,946,110
Gilbert Unified School District No. 41	170,450,000	25.28	43,089,760
Queen Creek Unified School District No. 95	44,275,000	27.50	12,175,625
Higley Unified School District No. 60	64,905,000	1.52	986,556
Tempe Union High School District No. 213	62,560,000	0.23	143,888
Tempe Elementary School District No. 3	129,200,000	0.53	684,760
Other Debt:			
Maricopa County	197,835,000	8.16	<u>16,143,336</u>
Subtotal, overlapping debt			337,944,035
City direct debt (3)			<u>553,905,395</u>
Total Direct and Overlapping Debt			<u><u>\$ 891,849,430</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 2011/12 for the overlapping jurisdiction to the amount of such valuation which lies within the City.

Source:

(2) Wedbush Securities

(3) Includes: General Obligation Bonds, Highway User Revenue Bonds, Special 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>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
6% Limitation				
Legal Debt Limitation Equal to 6% of Assessed Valuation	\$ 136,334,693	\$ 147,832,694	\$ 158,889,797	\$ 175,319,935
Total Net Debt Applicable to 6% Limit	<u>102,910,000</u>	<u>102,715,000</u>	<u>110,085,000</u>	<u>115,400,000</u>
Margin Available for Future General Obligation Bond Issues for 6% Bonds	<u>\$ 33,424,693</u>	<u>\$ 45,117,694</u>	<u>\$ 48,804,797</u>	<u>\$ 59,919,935</u>
Total Net Debt Applicable to the 6% Limit as a Percentage of the 6% Legal Debt Limitation	75.48%	69.48%	69.28%	65.82%
20% Limitation				
Legal Debt Limitation Equal to 20% of Assessed Valuation	\$ 454,448,977	\$ 492,775,647	\$ 529,632,657	\$ 584,399,783
Total Net Debt Applicable to 20% Limit	<u>98,635,000</u>	<u>88,220,000</u>	<u>91,975,000</u>	<u>95,750,000</u>
Margin Available for Future General Obligation Bond Issues for 20% Bonds	<u>\$ 355,813,977</u>	<u>\$ 404,555,647</u>	<u>\$ 437,657,657</u>	<u>\$ 488,649,783</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of the 20% Legal Debt Limitation	21.70%	17.90%	17.37%	16.38%
Total Margin Available	<u>\$ 389,238,670</u>	<u>\$ 449,673,341</u>	<u>\$ 486,462,454</u>	<u>\$ 548,569,718</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 2011-12

Secondary Assessed Value		\$	3,164,277,311
Legal Debt Limitation	\$	<u>189,856,639</u>	\$ <u>632,855,462</u>
Debt Applicable to Limit:			
General Obligation Bonds		5,325,517	305,699,483
Less: Cash With Fiscal Agents		<u>(3,955,479)</u>	<u>(16,799,521)</u>
Total Net Debt Applicable to Limit		<u>1,370,038</u>	<u>288,899,962</u>
Margin Available for Future General Obligation Bond Issues	\$	<u><u>188,486,601</u></u>	\$ <u><u>343,955,500</u></u>
Total Margin Available			\$ <u><u>532,442,102</u></u>

<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
\$ 184,984,217	\$ 246,871,639	\$ 287,584,908	\$ 284,977,016	\$ 245,642,220	189,856,639
<u>22,453,366</u>	<u>17,687,616</u>	<u>13,569,322</u>	<u>6,064,322</u>	<u>5,325,517</u>	<u>1,370,038</u>
\$ <u><u>162,530,851</u></u>	\$ <u><u>229,184,023</u></u>	\$ <u><u>274,015,586</u></u>	\$ <u><u>278,912,694</u></u>	\$ <u><u>240,316,703</u></u>	<u><u>188,486,601</u></u>
12.14%	7.16%	4.72%	2.13%	2.17%	0.72%
\$ 616,614,058	\$ 822,905,463	\$ 958,616,359	\$ 949,923,388	\$ 818,807,400	632,855,462
<u>203,951,634</u>	<u>207,227,384</u>	<u>246,325,678</u>	<u>270,495,678</u>	<u>278,409,483</u>	<u>288,899,962</u>
\$ <u><u>412,662,424</u></u>	\$ <u><u>615,678,079</u></u>	\$ <u><u>712,290,681</u></u>	\$ <u><u>679,427,710</u></u>	\$ <u><u>540,397,917</u></u>	<u><u>343,955,500</u></u>
33.08%	25.18%	25.70%	28.48%	34.00%	45.65%
\$ <u><u>575,193,275</u></u>	\$ <u><u>844,862,103</u></u>	\$ <u><u>986,306,267</u></u>	\$ <u><u>958,340,404</u></u>	\$ <u><u>780,714,621</u></u>	<u><u>532,442,102</u></u>

CITY OF MESA, ARIZONA

TABLE XIPLEDGED-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	
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
2010-11	283,920,988	190,441,138	93,479,850	12,585,000	42,813,585	1.69
2011-12	299,356,410	180,295,953	119,060,457	21,365,000	43,465,323	1.84

Highway User Revenue Fund Revenue Bonds				
	Highway User Fund Revenues	Debt Service		Coverage Ratio
		Principal	Interest	
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
2010-11	32,052,757	6,030,000	6,365,242	2.59
2011-12	27,825,144	3,290,000	5,563,249	3.14

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

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

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

TABLE XI
(Continued)

Special Assessment Bonds				Highway Project Advancement Notes			
Special Assessment Collections	Debt Service		Coverage Ratio	Excise Tax Revenues (2)	Debt Service		Coverage Ratio
	Principal	Interest			Principal	Interest	
\$ 75,365	\$ 84,000	\$ 10,535	0.80	\$ -	\$ -	\$ -	0.00
60,844	85,000	5,455	0.67	-	-	-	0.00
5,807	12,000	2,535	0.40	-	-	-	0.00
188,475	12,000	184,771	0.96	-	-	-	0.00
850,926	343,000	357,384	1.21	-	-	-	0.00
1,709,830	751,840	457,396	1.41	-	-	-	0.00
1,202,384	752,000	417,040	1.03	-	-	-	0.00
922,651	744,000	376,920	0.82	208,547,166	-	449,167	464.30
1,088,465	744,000	337,040	1.01	200,873,397	-	1,575,694	127.48
996,359	744,000	297,160	0.96	199,948,711	-	4,312,398	46.37

Municipal Development Corporation Bonds

	Excise Tax Revenues (2)	Debt Service		Coverage Ratio
		Principal	Interest	
\$	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
	-	-	-	-
	-	-	-	-
	-	-	-	-

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>
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
2011	440,677	10,465,197,396	23,748	32.6	66,144	9.0
2012	441,160	10,603,280,600	24,035	34.3	65,662	7.5

Sources:

- (1) City of Mesa Development Services Estimate
- (2) 2003-2004 Census Bureau (estimate), 2005-2012 Claritas (estimate)
- (3) 2003-2004 Census Bureau, 2005-2012 Claritas
- (4) Mesa Public Schools
- (5) AZ Dept of Economic Security. Data is Phoenix - Mesa Metropolitan Area. Beginning in 2011 unemployment rate is not seasonally adjusted.

CITY OF MESA, ARIZONA

TABLE XIII

PRINCIPAL EMPLOYERS

CURRENT YEAR AND TEN YEARS AGO

Employer	2012			2002		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Banner Health System	8,287	1	4.08 %	5,800	2	3.12 %
Mesa Public Schools	8,042	2	3.96	9,300	1	5.01
Boeing	4,700	3	2.31	5,000	3	2.69
City of Mesa	3,491	4	1.72	3,600	4	1.94
Maricopa County Government	2,644	5	1.30	-		0.00
Wal-Mart	2,537	6	1.25	-		0.00
Maricopa Community College	1,951	7	0.96	-		0.00
Gilbert Unified School District	1,230	8	0.61	-		0.00
The Kroger Company (Fry's)	1,059	9	0.52	-		0.00
West Direct II Inc.	800	10	0.39	-		0.00
Motorola Semiconductor Products	-		0.00	3,100	5	1.67
TRW/Vehicle Safety Systems, Inc.	-		0.00	3,000	6	1.62
AT&T	-		0.00	2,400	7	1.29
General Motors Desert Proving Grounds	-		0.00	1,400	8	0.75
Empire 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	34,741		17.11 %	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 TEN FISCAL YEARS

Function/Program	2002-03	2003-04	2004-05	2005-06	2006-07
General Government	879	867	882	826	857
Public Safety					
Police	1,269	1,286	1,325	1,311	1,332
Fire	434	440	446	454	468
Other	113	121	123	108	122
Cultural-Recreational	501	478	490	398	426
Community Environment	168	164	170	161	183
Electric	48	51	50	38	44
Gas	82	77	79	77	81
Water	90	97	104	102	113
Wastewater	43	47	44	54	64
Solid Waste	137	135	135	138	132
Airport	9	10	9	11	10
Convention Center	22	21	21	64	19
Total	3,795	3,794	3,878	3,742	3,851

Source: City of Mesa Budget and Research Division

TABLE XIV
(Continued)

<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
875	793	783	781	819
1,306	1,282	1,240	1,163	1,158
472	470	455	457	473
91	46	52	43	51
398	318	315	317	315
181	189	184	189	184
47	48	32	29	28
85	92	91	87	87
97	134	159	160	158
69	79	73	70	75
136	126	124	120	117
9	10	10	9	9
19	17	14	17	17
<u>3,785</u>	<u>3,601</u>	<u>3,529</u>	<u>3,442</u>	<u>3,491</u>

CITY OF MESA, ARIZONA

TABLE XVOPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2002-03	2003-04	2004-05
Police			
Major Crimes	29,379	27,933	25,853
Traffic Accidents	9,593	9,562	10,121
Fire			
Fires	1,451	1,332	1,386
Rescue or Emergency	37,339	39,489	41,689
False Alarms	2,073	1,999	2,021
Hazardous Conditions	557	653	591
Other Calls	7,229	7,439	7,738
Libraries			
Number of Registered Borrowers	184,647	200,461	193,722
Total Attendance	1,202,947	1,183,794	1,208,594
Access to Electronic Resources	1,027,157	1,365,863	1,835,867
Electric Connections	15,797	17,945	15,652
Gas Connections	40,328	42,241	45,435
Water			
Connections	127,140	129,477	131,141
Average Daily Consumption (mgd)*	93.5	105.3	93.6
Peak Daily Consumption (mg)**	141.01	132.15	137.95
Wastewater			
Connections	110,537	112,497	114,500
Average Daily Sewage Treatment (mgd)*	38.7	39.3	38.9
Solid Waste			
Customers Served	140,190	109,960	114,112
Refuse Collected (tons)	245,286	254,688	248,255
Recyclables Collected (tons)	36,282	34,141	36,264
Green Waste Collected (tons)	15,373	16,384	16,983
Falcon Field			
Average Number of Aircraft Based	930	934	922
Aircraft Operations (annual)	290,902	277,088	255,069

* mgd - millions of gallons per day

** mg - millions of gallons

TABLE XV
(Continued)

<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
24,904	22,437	21,388	18,482	17,345	16,623	16,740
9,205	12,184	7,578	6,256	5,890	5,952	6,047
1,605	1,428	1,200	1,165	1,048	981	1,012
43,073	38,003	34,207	32,478	34,079	38,788	42,925
2,595	2,875	2,456	2,125	1,478	1,478	1,292
676	608	567	663	701	478	446
7,820	11,792	12,976	11,923	12,819	11,840	11,192
233,836	266,839	275,449	306,427	352,607	220,812	142,943
1,195,075	1,161,887	1,165,451	1,348,555	1,367,667	1,095,196	1,143,718
2,307,051	3,029,001	2,910,088	3,661,261	2,542,927	1,691,966	1,566,775
15,806	15,723	15,215	14,546	14,738	15,064	15,841
48,622	50,478	51,454	51,911	52,832	53,434	55,828
133,105	133,249	133,086	132,771	133,701	134,072	135,138
94.5	89.6	85.8	79.7	72.7	76.2	81.6
131.28	128.83	125.72	108.68	111.14	114.30	122.30
116,282	116,190	116,465	116,721	117,831	118,413	119,615
41.8	38.1	38.0	36.0	33.6	33.7	33.4
113,146	115,305	112,632	112,832	113,079	115,811	118,949
261,369	266,817	243,208	234,709	217,295	223,217	209,116
32,869	38,660	39,296	37,841	36,490	35,486	34,443
17,500	18,215	17,601	18,936	18,588	19,149	17,882
924	901	934	873	841	789	749
271,295	261,623	337,178	283,336	248,381	221,910	222,650

CITY OF MESA, ARIZONA

TABLE XVI

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2002-03	2003-04	2004-05
Police Stations			
Stations	4	4	4
Vehicular Patrol Units	421	306	321
Fire Stations	17	17	17
Libraries	3	3	3
Parks and Recreation			
Developed Parks (acres)	1,202	1,198	1,149
Undeveloped Acres	1,932	1,228	1,230
Swimming Pools	13	13	12
Recreation Facilities	6	6	6
Community Environment			
Streets (miles)			
Paved	1,132	1,152	1,160
Unpaved	12	12	12
Storm Sewers (miles)	271	290	296
Gas Mains (miles)	954	998	1,037
Water			
Mains (miles)	1,924	1,978	2,004
Storage Capacity (millions of gallons)	97	97	97
Wastewater			
Mains (miles)	1,454	1,496	1,512
Treatment Capacity (millions of gallons per day)	56	56	56
Solid Waste			
Collection Trucks (1)	-	-	69
Golf Courses	2	2	2

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

TABLE XVI
(Continued)

<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
4	4	4	4	4	4	5
285	351	368	330	289	290	267
17	17	17	17	18	18	19
3	3	3	3	3	4	4
1,184	1,184	1,180	1,180	1,154	1,154	1,553
1,251	1,251	1,251	1,251	1,078	1,074	705
12	12	12	12	12	13	9
6	6	6	6	6	6	6
1,162	1,169	1,178	1,182	1,184	1,190	1,303
12	12	12	12	12	12	1
298	303	308	316	321	329	438
1,121	1,147	1,202	1,223	1,243	1,247	1,240
2,022	2,008	2,068	2,104	2,127	2,136	2,270
117	117	117	125	125	125	125
1,522	1,544	1,577	1,598	1,606	1,613	1,652
56	60	60	60	60	60	60
78	68	70	69	69	69	70
2	2	2	2	2	2	1



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