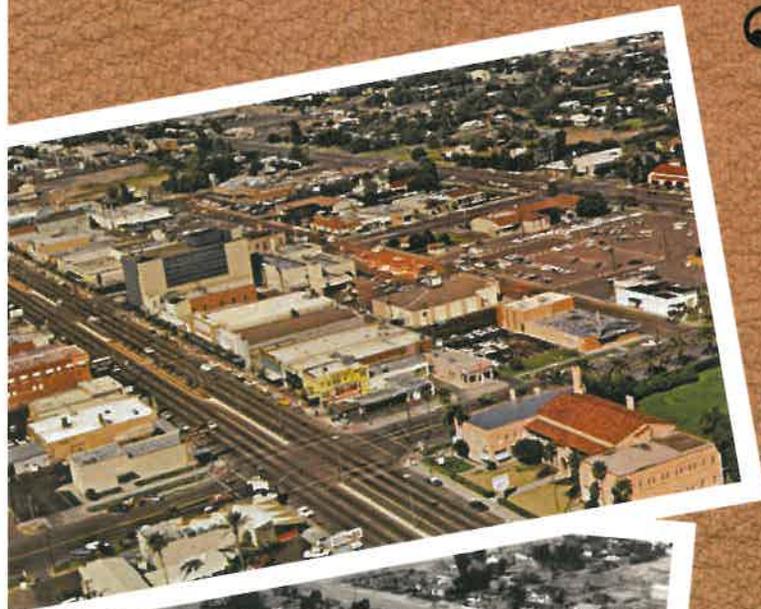


City of Mesa, Arizona

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2013





City of Mesa, Arizona

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2013



Scott Smith
Mayor

Dina Higgins
Councilmember, District 5

Dave Richins
Councilmember, District 1

Scott Somers
Vice Mayor, District 6

Alex Finter
Councilmember, District 2

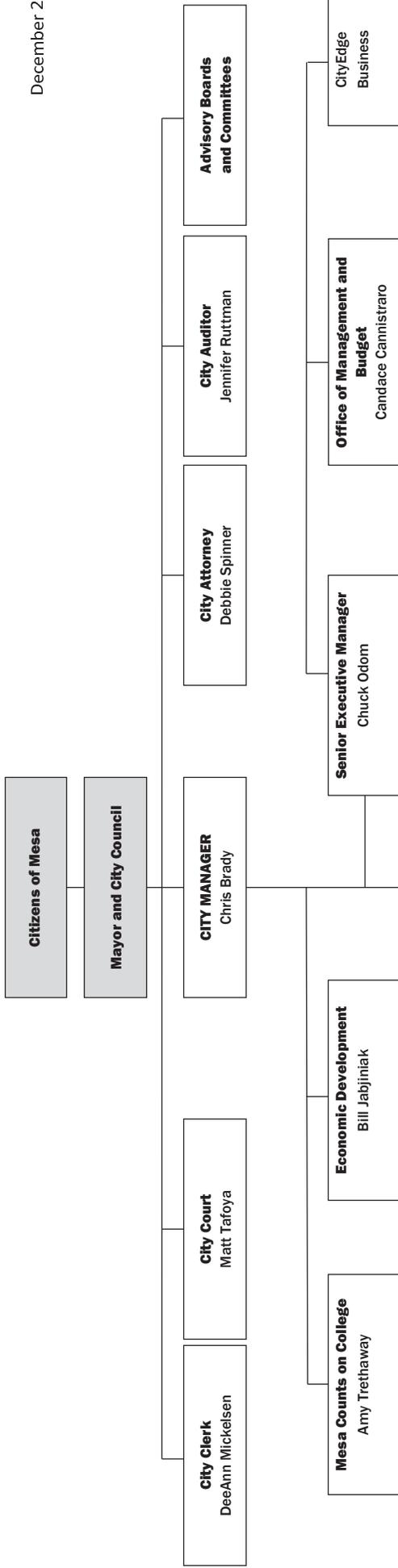
Chris Brady
City Manager

Dennis Kavanaugh
Councilmember, District 3

Kari Kent
Deputy City Manager

Christopher Glover
Councilmember, District 4

John Pombier
Deputy City Manager



Deputy City Manager Kari Kent	Development & Sustainability Christine Zielonka	Energy Resources Frank McRae	Engineering Beth Huning	Parks, Recreation & Commercial Facilities Marc Heishberg	Transit Jodi Sorrell	Transportation Lenny Hulme (Interim)	Water Resources Dan Cleavenger
---	---	--	-----------------------------------	--	--------------------------------	--	--

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 Irma Ashworth	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
--	--	--------------------------------------	---	---	--	--	-------------------------------------



Introductory Section



TABLE OF CONTENTS

	<u>Page</u>
SECTION I – INTRODUCTORY SECTION	
Table of Contents	I
Letter of Transmittal	V
Certificate of Achievement for Excellence in Financial Reporting	XI
 SECTION II - FINANCIAL SECTION	
	<u>Exhibits</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	A-1 16
Statement of Activities	A-2 17
Fund Financial Statements	
Governmental Funds Financial Statements	
Balance Sheet	A-3 19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	A-4 20
Statement of Revenues, Expenditures and Changes in Fund Balances	A-5 21
Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balances of Governmental Funds to the Statement of Activities	A-6 22
Proprietary Funds Financial Statements	
Statement of Net Position	A-7 23
Statement of Revenues, Expenses and Changes in Net Position	A-8 25
Statement of Cash Flows	A-9 27
Fiduciary Funds Financial Statements	
Statement of Fiduciary Assets and Liabilities	A-10 29

TABLE OF CONTENTS (Concluded)

	<u>Exhibits</u>	<u>Page</u>
Notes to the Financial Statements		
Note 1 – Summary of Significant Accounting Policies		30
Note 2 – Reconciliation of Governmental Fund Financial Statements to Government-wide Financial Statements		40
Note 3 – Fund Balance		46
Note 4 – Pooled Cash and Investments		46
Note 5 – Accounts Receivable and Due from Other Governments		49
Note 6 – Interfund Receivables, Payables and Transfers		50
Note 7 – Capital Assets		52
Note 8 – Long-term Obligations		55
Note 9 – Refunded, Refinanced and Defeased Obligations		66
Note 10 – Self-Insurance Internal Service Fund		68
Note 11 – Commitments and Contingent Liabilities		69
Note 12 – Net Position		70
Note 13 – Enterprise Activities Operations Detail		70
Note 14 – Joint Ventures		71
Note 15 – Retirement and Pension Plans		74
Note 16 – Post Employment Benefit		79
Note 17 – Subsequent Events		82
Note 18 – Restatement of Beginning Fund Balance/Net Position		82
 Required Supplementary Information		
Schedule of Funding Progress - Public Safety Personnel Retirement System	B-1	83
Schedule of Funding Progress – Other Post-Employment Benefits	B-2	84
General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis)	B-3	85
Note to Required Supplementary Information		86
 Combining Statements		
Non-Major Governmental Funds		
Combining Balance Sheet	C-1	87
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	C-2	93
 Internal Service Funds		
Combining Statement of Net Position	C-3	98
Combining Statement of Revenues, Expenses and Changes in Net Position	C-4	100
Combining Statement of Cash Flows	C-5	102
 Agency Fund		
Statement of Changes in Assets and Liabilities	C-6	104

TABLE OF CONTENTS (Concluded)

	<u>Exhibits</u>	<u>Page</u>
Supplemental Information		
Budgetary Comparison Schedules – Other Non-major Special Revenue Funds		
Highway User Revenue Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	D-1	105
Quality of Life Sales Tax Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	D-2	106
Street Sales Tax Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	D-3	107
Mesa Housing Authority Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	D-4	108
Grants and Special Programs Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	D-5	109
 SECTION III - STATISTICAL SECTION 		
Financial Trends		
Net Position by Components - Last Ten Fiscal Years (Accrual Basis of Accounting)	I	110
Changes in Net Position - Last Ten Fiscal Years (Accrual Basis of Accounting)	II	112
Fund Balance, Governmental Funds - Last Ten Fiscal Years (Modified Accrual Basis of Accounting)	III	118
Changes in Fund Balance, Governmental Funds - Last Ten Fiscal Years (Modified Accrual Basis of Accounting)	IV	120
Revenue Capacity		
Sales Tax Collections by Category - Last Ten Fiscal Years	V	122
Direct and Overlapping Sales Tax Rates - Last Ten Fiscal Years	VI	124
Debt Capacity		
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	VII	125
Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years	VIII	127
Direct and Overlapping Governmental Activities Debt	IX	128
Legal Debt Margin Information – Last Ten Fiscal Years	X	129
Pledged-Revenue Coverage – Last Ten Fiscal Years	XI	130
Demographic and Economic Information		
Demographic and Economic Statistics – Last Ten Fiscal Years	XII	133
Principal Employers – Current Year and Ten Years Ago	XIII	134

TABLE OF CONTENTS (Concluded)

Full-Time Equivalent City Government Employees by Function/Program - Last Ten Fiscal Years	XIV	135
Operating Indicators by Function/Program – Last Ten Fiscal Years	XV	137
Capital Asset Statistics by Function/Program – Last Ten Fiscal Years	XVI	139

May 8, 2014

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, 2013 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, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit that there was a reasonable basis for rendering an unmodified opinion that the City’s financial statements for the fiscal year ended June 30, 2013, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor’s report is presented as the first component of the financial section of this report.

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

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

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

Profile of the City

The City was founded in 1878 and incorporated July 15, 1883 with an approximate population of 300 and an area of one square mile. Today, the City's estimated population is 444,856 compared with the 2000 decennial census count of 397,760, within an incorporated area of approximately 141 square miles. Total land area encompasses 182 square miles. The City is the 38th largest city in the United States, 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 3,485 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. The Mesa Art Center was awarded the Venue Excellence Award by the International Association of Venue Managers. This prestigious award recognizes venues such as stadiums, convention centers, arenas, performing arts centers, and academic institutions that demonstrate excellence in the following four criteria: service to the community, team building/professional development, safety and security, and operational excellence.

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

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

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

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

Factors Affecting Financial Condition

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

Local Economy

The City's economic indicator for residential construction in fiscal year (FY) 12/13 is up 40% from FY 11/12. During FY12/13 the City issued 957 permits for new residential construction. This is 218 more than the previous fiscal year. The corresponding dollar valuation associated with all FY12/13 permits increased approximately \$128 million from the prior fiscal year. Analysis of the recent data indicates a steady level of construction activity in both the residential and commercial sectors. Activity levels have been increasing for the past three years and may indicate some level of sustained recovery from the economic slowdown of the prior years.

The increase in construction activity resulted in an associated increase in sales tax revenues. For the year ending June 30, 2013, overall sales tax revenues were up 5.3%, an increase of 2.2% from budget forecasts. Over the past 27 months ending June 30, 2013, there were 25 months with year-over-year, positive increases in the sales tax collected. Other financial resources followed the economy's continuation of a slow and steady recovery. The City incorporated this in the preparation of the FY13/14 budget.

Conservative budget practices and willingness to respond to economic indicators continues to allow the City to maintain unrestricted fund balance reserve levels as established in the City's financial policies. The FY13/14 budget continues the City's fiscally conservative approach and reinforces the City's effort to invest in economic development, improve public safety and attract and retain excellent employees. All fund balances were maintained at or above the levels prescribed by financial policy and prudent practice. Bond ratings were maintained for the 2013 bond issuances.

Major Initiatives

Several major accomplishments have continued to be realized. Some of these were:

- The Chicago Cubs opened the 2014 Spring Training season in the new 15,000 seat ballpark adjacent to the new Riverview Park. In addition to the field itself, the Cubs facility includes a player development facility, a 12-tunnel indoor batting cage, two full-sized fields, a fan shop and even a mini-field for practice. Riverview Park includes a climbing tower, bouldering wall and a huge splash pad play area that complements the usual playground equipment found at the park. The lake next to the park serves 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. Just north of the pedestrian path is the future site of a 170 room Sheraton hotel which will begin construction after the Cactus League season is completed. 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.
- Soon after the Chicago Cubs moved into their new facility, the Oakland A's began their upgrades to Hohokam Park and the training facility at the adjacent Fitch Park in preparation for the 2015 Spring Training season. Hohokam Park will have upgrades made to its seating bowl, patio areas, home clubhouse and scoreboard. The Stadium will also be given an Athletics makeover from color schemes and logos to features that evoke the team's history in Mesa. Fitch Park will feature hydrotherapy pools, including one with a treadmill, a state-of-the-art weight room and an agility field. The project is expected to cost \$21 million with Mesa's portion capped at \$17.5 million of the cost. \$8.2 million will be reimbursed to Mesa by the Arizona Sports and Tourism Authority with the remaining debt service to be covered by the sale over six years of the Pinal County Lands.
- In October 2013, Apple Inc. purchased the former First Solar building for its manufacturing partner, New Hampshire-based GT Advanced Technologies. The 1.3 million square foot facility is located just off the Loop 202 at Signal Butte and Ellsworth roads. GT Advanced Technologies will manufacture for Apple creating approximately 700 new, permanent jobs and 1,300 construction jobs. Apple will also be working with Salt River Project to use 100 percent renewable energy, greening the grid and allowing for the utility to invest in entirely new, renewable energy projects. The City of Mesa had previously invested heavily in the infrastructure in the area to accommodate forthcoming manufacturing and high-tech companies, which made it an attractive, "move-in ready" location for Apple.
- In July 2013, Grand Canyon University selected Mesa's Eastmark development as the new site for a \$150 million campus. The University currently offers one of the Top 500 Graduate Nursing Programs in the country and also boasts a Top 100 Online Bachelor's Degree Program, as ranked by *U.S. News & World Report*. Currently enrolling over 31,000 students, their new campus in Mesa seeks to house an additional 10,000 students in seven years. Construction is expected to start in 2014 on the 160 acre campus.

- In October 2013, Mesa THINKspot, a collaborative workspace and makerspace, celebrated its opening at the Mesa Public Library's Red Mountain Branch. As a collaborative workspace, Mesa THINKspot is a place where people interested in becoming an entrepreneur or creating their own business can meet up with others to collaborate or share ideas or best practices. As a makerspace, it's a place where hobbyists or people of all ages come to tinker, create, take-apart, and learn about new things, ranging from electronics to crafts. Children and teens can learn about science, technology, engineering, and math (STEM) outside of the classroom. Adults can pick up a new skill that can help them with future jobs or a hobby.
- In December 2013, the City of Mesa and Arizona State University (ASU) hosted the grand opening for LAUNCHPOINT, a Mesa technology accelerator. LAUNCHPOINT is a specialized facility where entrepreneurs are provided flexible work space, mentorship guidance, business development assistance, networking opportunities, access to capital, and access to select University assets.
- In May 2013, Bridgestone Americas Inc. (BSA) broke ground on its Biorubber Process Research Center, a research and development project in Mesa, to investigate the use of the Guayule plant as an alternative natural rubber source. Once completed, the center will be home to a staff of 40 researchers and technicians. The 10-acre site will include an 8,400 square-foot office/lab building, a four-platform, 3,500 square-foot shrub prep building and a 3,100 square foot mechanical and electrical building. The first rubber samples for tire evaluations are expected in mid-2015.
- METRO light rail construction in Mesa continues to reach important milestones. On February 8th, 2014, Mesa celebrated the halfway milestone with the welding of the first piece of rail. The Central Mesa light rail extension will add 3.1 miles of track. The Central Mesa extension will continue light rail east on Main Street from the current end-of-line at Sycamore Street, 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 or early 2016.

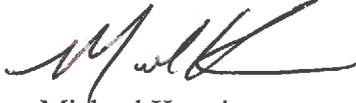
Awards and Acknowledgements

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, 2012. This was the 31st 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, Irma Ashworth, and the devoted staff of the Financial Services Division has made the preparation of the comprehensive annual financial report possible. Also, I want to thank the Mayor, members of the City Council and the City Manager for their continued interest and support of the staff's efforts in planning and conducting the financial operations of the City.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'M. Kennington', written in a cursive style.

Michael Kennington,
Chief Financial Officer



Government Finance Officers Association

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

Presented to

**City of Mesa
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO





Financial Section



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mesa, Arizona (City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mesa, Arizona as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Adjustments were recorded to correct errors in the previously issued financial statements. See Note 18 for a summary of restatements to beginning net position and beginning fund balance. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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.

Supplementary and Other Information

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

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2014, on our consideration of the City of Mesa, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mesa, Arizona's internal control over financial reporting and compliance.



Phoenix, Arizona
May 8, 2014

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, 2013. This discussion and analysis is designed to 1) assist the reader in focusing on significant financial issues, 2) provide an overview of the City's financial activities, 3) identify changes in the City's financial position, 4) identify any material deviations from the financial plan (the approved annual budget), and 5) identify individual fund issues and concerns.

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

FINANCIAL HIGHLIGHTS

- The City's net position at the end of the fiscal year was \$1.43 billion, of which \$87.2 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased \$143.6 million in fiscal year 2013.
- As of the end of fiscal year 2013, the City's governmental funds reported a combined ending fund balance of \$319.3 million, a \$9.6 million increase from the previous year. Approximately 23.0% of the total fund balance amount, or \$73.4 million is designated by the City as committed, assigned, or unassigned. The remaining 77.0% or \$245.9 million is designated as non-spendable or restricted.
- The City's total long-term liabilities increased by \$235.6 million to \$2.1 billion at June 30, 2013. Primary factors leading to this increase include the issuance of \$68.9 million in General Obligation Bonds, \$47.3 million in Utility System Revenue Bonds, and \$94.1 million in Excise Tax Obligations.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

The *statement of activities*, Exhibit A-2, presents information showing how the City's net position changed over the most recent fiscal year. All changes to net position are reported at the time that the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This

is the accrual basis of accounting. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

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

The City restated the beginning net position for the governmental activities due to assets that should have been placed in service in prior years and their associated depreciation expense. Additionally, items were capitalized that were owned by other entities. This resulted in a decrease to beginning net position of \$11.1 million. The City also restated beginning net position for the governmental activities due to an error in prior years of accruing accounts receivables that should not have been accrued. This resulted in a decrease to beginning net position of \$3.7 million. The City restated the beginning net position for the business-type activities due to assets that should have been placed in service in prior years and their associated depreciation expense. This resulted in a decrease to beginning net position of \$4.9 million. See Note 18 to the basic financial statements for additional details of these restatements.

Government-Wide Financial Statement Analysis

The following tables, graphs and analysis discuss the financial position and changes to the financial position for the City as a whole as of and for the year ended June 30, 2013 and 2012.

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

	Governmental Activities		Business-Type Activities		Total Government	
	2013	2012 As Restated	2013	2012 As Restated	2013	2012 As Restated
Cash and Other Assets	\$ 569,087	\$ 511,359	\$542,024	\$ 483,838	1,111,111	995,197
Capital Assets	1,261,873	1,282,648	1,371,362	1,334,991	2,633,235	2,617,639
Total Assets	<u>1,830,960</u>	<u>1,794,007</u>	<u>1,913,386</u>	<u>1,818,829</u>	<u>3,744,346</u>	<u>3,612,836</u>
Non-current Liabilities Outstanding	931,360	835,493	1,151,357	1,011,663	2,082,717	1,847,156
Other Liabilities	124,839	115,426	106,263	76,117	231,102	191,543
Total Liabilities	<u>1,056,199</u>	<u>950,919</u>	<u>1,257,620</u>	<u>1,087,780</u>	<u>2,313,819</u>	<u>2,038,699</u>
Net Position:						
Net Investment in Capital Assets	902,397	902,554	346,352	407,121	1,248,749	1,309,675
Restricted	56,719	41,257	37,795	69,739	94,514	110,996
Unrestricted	<u>(184,355)</u>	<u>(100,723)</u>	<u>271,619</u>	<u>254,189</u>	<u>87,264</u>	<u>153,466</u>
Total Net Position	<u>\$ 774,761</u>	<u>\$ 843,088</u>	<u>\$655,766</u>	<u>\$ 731,049</u>	<u>\$ 1,430,527</u>	<u>\$ 1,574,137</u>

Net Position - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$1.4 billion at the close of the most recent year.

The largest portion of net position (\$1.2 billion or 87.3%) reflects the City's investment in capital assets (land, buildings, equipment, infrastructure, etc.) less any outstanding related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position represents resources that are subject to external restrictions on how they may be used. Such restrictions include debt service payments, transportation programs, and required bond indentures. The City's restricted assets decreased \$16.5 million from \$111.0 million in fiscal year 2012 to \$94.5 million in fiscal year 2013 primarily due to decrease in debt service restrictions.

The unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net position decreased from \$153.5 million in fiscal year 2012 to \$87.3 million in fiscal year 2013 primarily due to the change in net position as shown on page 9.

Capital Assets – The following table provides a breakdown of the City's capital assets at June 30, 2013 and 2012:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Government</u>	
	2013	2012	2013	2012	2013	2012
		As Restated		As Restated		As Restated
Land	\$ 278,120	\$ 275,383	\$ 57,847	\$ 57,909	\$ 335,967	\$ 333,292
Water Rights	-	-	17,560	17,560	17,560	17,560
Collections of Art	23	-	-	-	23	-
Buildings	215,299	221,246	29,927	30,857	245,226	252,103
Other Improvements	59,548	81,796	52,049	60,155	111,597	141,951
Machinery & Equipment	48,762	51,009	17,889	23,518	66,651	74,527
Intangibles	12,685	13,269	9,813	10,352	22,498	23,621
Infrastructure	479,063	528,076	906,013	986,869	1,385,076	1,514,945
Construction-in-Progress	168,373	111,869	280,264	147,771	448,637	259,640
Total	<u>\$ 1,261,873</u>	<u>\$ 1,282,648</u>	<u>\$ 1,371,362</u>	<u>\$ 1,334,991</u>	<u>\$ 2,633,235</u>	<u>\$ 2,617,639</u>

The City's net investment in capital assets for its governmental and business-type activities amounts to \$2.6 billion (net of accumulated depreciation/amortization) as of June 30, 2013. This net investment in capital assets includes land, buildings, other improvements, machinery and equipment, intangibles, and infrastructure. Infrastructure assets are items that are normally immovable and have value only to the City, such as streets, street lighting systems, and storm drainage systems.

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

- Various street and storm sewer projects citywide valued at \$70.5 million. The largest projects include transportation projects on Mesa Drive and Power Road.

- Various water and wastewater projects citywide valued at \$48 million. The largest project includes improvements to the Pasadena Pump Station.
- The City continued construction of a new Spring Training Facility for the Chicago Cubs Major League Baseball team with \$63.4 million spent during fiscal year 2013. 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 continued construction of the Fiesta District Police Station with \$10.3 million spent during fiscal year 2013. In addition, the City spent \$5.6 million on Fiesta District Improvement projects.

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

Debt Administration – The following schedule shows the outstanding long-term debt of the City as of June 30, 2013 and 2012.

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

	Governmental		Business-Type		Total Government	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$ 321,807	\$ 285,706	\$ 887	\$ 1,596	\$ 322,694	\$ 287,302
Utility System Revenue Bonds	-	-	956,336	928,226	956,336	928,226
Highway User Revenue Fund Bonds	111,318	118,248	-	-	111,318	118,248
Excise Tax Obligations	-	-	94,060	-	94,060	-
Special Assessment Bonds						
with Governmental Commitment	4,318	5,062	-	-	4,318	5,062
Community Facility District	2,712	-	-	-	2,712	-
Capital Leases	140	822	-	-	140	822
Notes Payable	122,835	122,835	2,370	2,493	125,205	125,328
Total	\$ 563,130	\$ 532,673	\$ 1,053,653	\$ 932,315	\$ 1,616,783	\$ 1,464,988

At the end of the current fiscal year, the City had total outstanding debt of \$1.6 billion. Of this amount, \$448.0 million comprises debt backed by the full faith and credit of the City and \$1.2 billion represents bonds secured by specified revenue sources (i.e., Utility System Revenue and Highway User Revenue). An additional amount of \$7.0 million are special assessment and community facility district bonds where the City is contingently liable in the event that the assessment revenues are insufficient to satisfy the debt payments.

The City's outstanding long-term debt (considering new borrowings, debt retirements, and refunding) increased \$151.8 million. The change in debt includes new borrowings during the fiscal year totaling \$204.0 million, refundings of \$17.4 million, and principal payments of \$69.7 million.

The City's current bond ratings are as follows:

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

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

The City's total debt margin available at June 30, 2013 was \$166,050,240 in the 6% capacity and \$253,349,502 in the 20% capacity. Additional information on the City's long-term obligations can be found in Note 8 of the notes to the basic financial statements and also Table X in the Statistical Section.

Changes in Net Position

The following table shows the revenues and expenses of the City for the fiscal years ended June 30, 2013 and 2012.

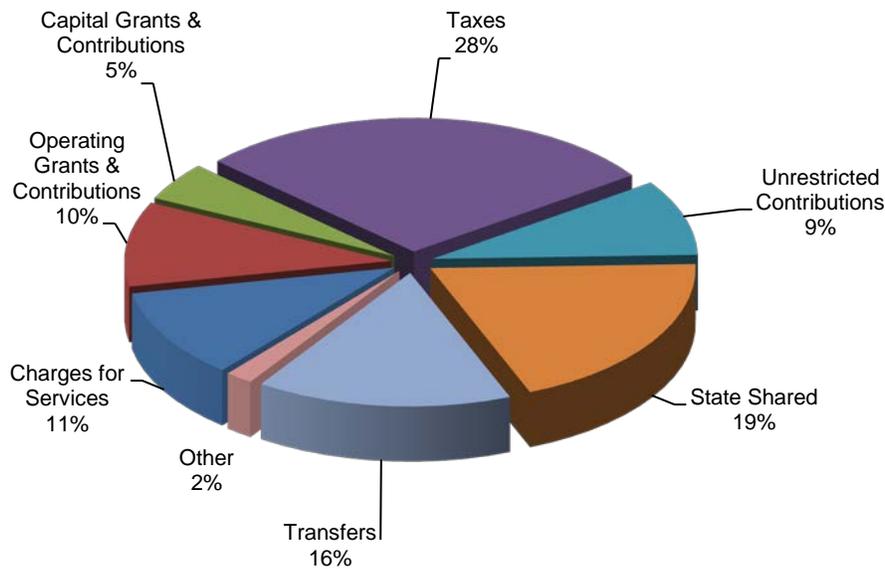
Changes in Net Position Year Ended June 30 (In thousands of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012, as Restated	2013	2012, as Restated	2013	2012, as Restated
REVENUES						
Program Revenues:						
Charges for Services	\$ 58,198	\$ 50,450	\$ 308,088	\$ 314,908	\$ 366,286	\$ 365,358
Operating Grants & Contributions	55,312	60,355	9,402	2,125	64,714	62,480
Capital Grants & Contributions	25,049	23,503	7,998	15,814	33,047	39,317
General Revenues:						
Sales Taxes	137,280	126,644	-	-	137,280	126,644
Property Taxes	14,354	14,234	-	-	14,354	14,234
Occupancy Taxes	1,903	2,019	825	-	2,728	2,019
State-Shared	104,462	86,103	-	-	104,462	86,103
Contributions	49,570	17,171	-	-	49,570	17,171
Unrestricted Investment Income	1,692	1,503	860	850	2,552	2,353
Miscellaneous	7,424	8,939	-	-	7,424	8,939
Total Revenues	455,244	390,921	327,173	333,697	782,417	724,618
EXPENSES						
Governmental Activities:						
General Government	105,410	58,700	-	-	105,410	58,700
Public Safety	287,451	294,069	-	-	287,451	294,069
Cultural-Recreational	61,718	58,392	-	-	61,718	58,392
Community Environment	129,164	99,678	-	-	129,164	99,678
Interest on Long-term Debt	23,443	22,094	-	-	23,443	22,094
Business-type Activities:						
Electric	-	-	28,897	31,266	28,897	31,266
Gas	-	-	35,653	35,628	35,653	35,628
Water	-	-	103,432	75,422	103,432	75,422
Wastewater	-	-	91,739	68,540	91,739	68,540
Solid Waste	-	-	33,693	32,485	33,693	32,485
Airport	-	-	4,300	4,485	4,300	4,485
Golf Course	-	-	3,353	2,589	3,353	2,589
Convention Center	-	-	3,946	3,486	3,946	3,486
Hohokam Stadium/Fitch Complex	-	-	9,094	8,544	9,094	8,544
Cubs Stadium	-	-	-	54	-	54
District Cooling	-	-	1,081	974	1,081	974
Economic Investment	-	-	3,653	-	3,653	-
Total Expenses	607,186	532,933	318,841	263,473	926,027	796,406
Increase (decrease) in Net Position Before Transfers	(151,942)	(142,012)	8,332	70,224	(143,610)	(71,788)
Transfers	83,615	83,615	(83,615)	(83,615)	-	-
Change in Net Position	(68,327)	(58,397)	(75,283)	(13,391)	(143,610)	(71,788)
Total Net Position - As Adjusted	843,088	901,485	731,049	744,440	1,574,137	1,645,925
Net Position - ending	<u>\$ 774,761</u>	<u>\$ 843,088</u>	<u>\$ 655,766</u>	<u>\$ 731,049</u>	<u>\$ 1,430,527</u>	<u>\$ 1,574,137</u>

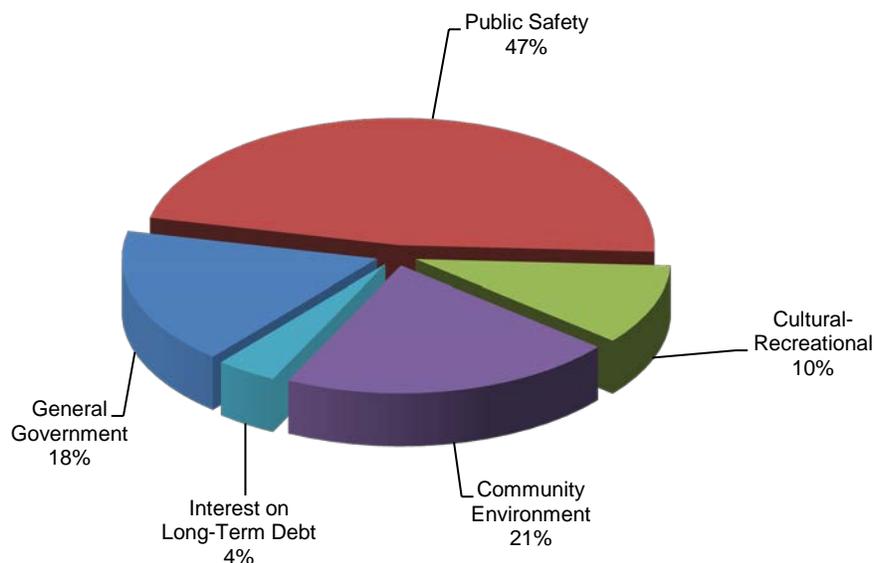
Governmental Activities

As presented in the following two graphs, the largest funding sources, including transfers, for the governmental activities are taxes (28%), state-shared revenues (19%), and capital and operating grants & contributions (24%). The largest users of resources for the governmental activities are Public Safety (47%), Community Environment (21%), and General Government (18%).

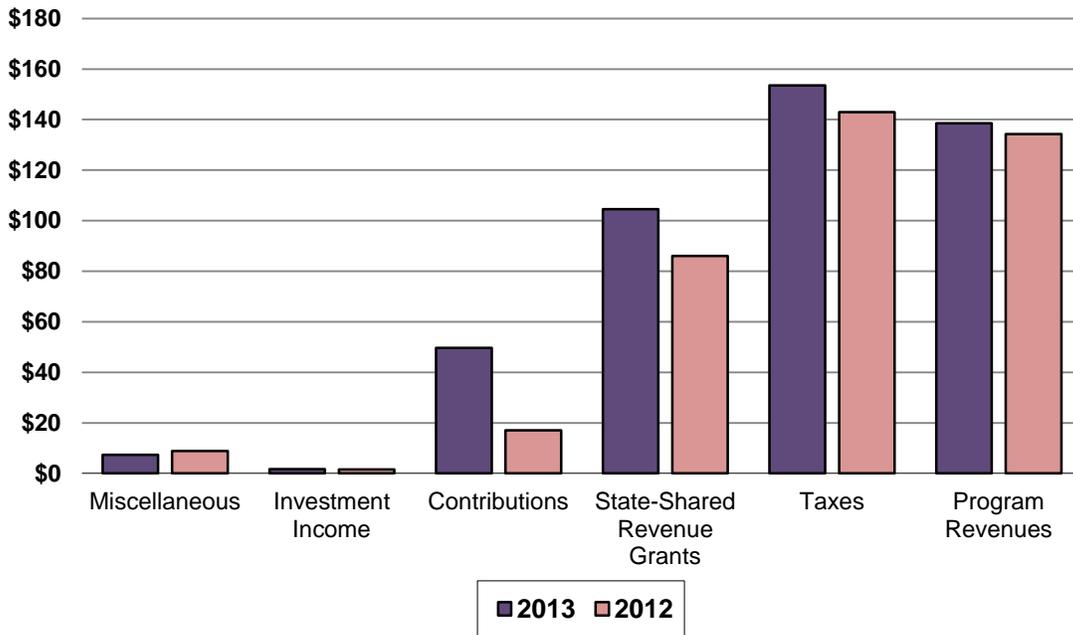
**Revenues by Source Including Transfers – Governmental Activities
For the Fiscal Year Ended June 30, 2013**



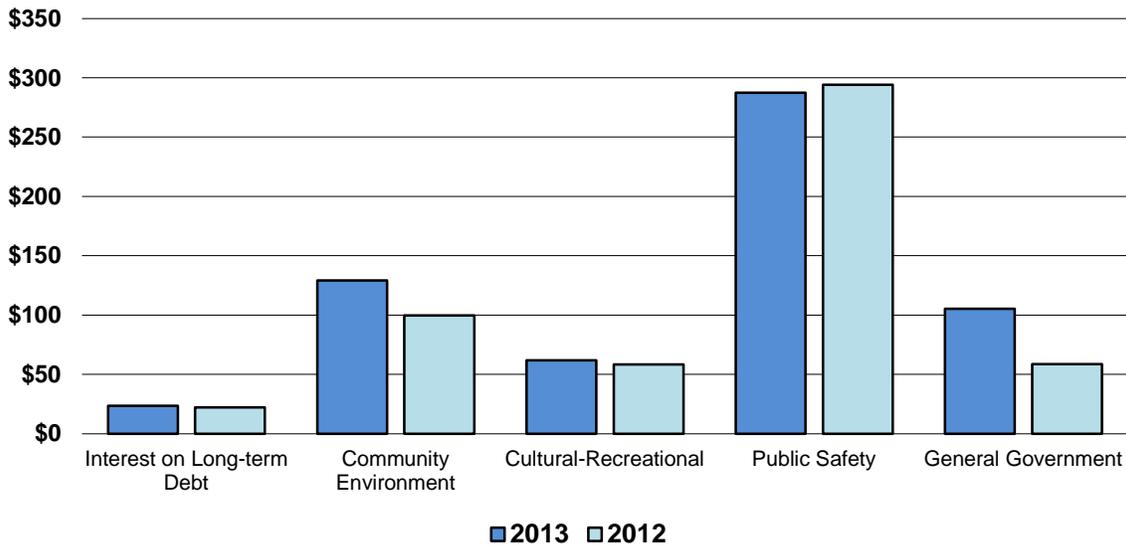
**Functional Expenses – Governmental Activities
For the Fiscal Year Ended June 30, 2013**



**Governmental Activities Revenues
For Fiscal Years 2013 and 2012**
(In millions of dollars)



**Governmental Activities Functional Expenses
For Fiscal Years 2013 and 2012**
(In millions of dollars)



The graphs above compare governmental activities revenues and expenses from fiscal year 2013 to fiscal year 2012. Total governmental activities revenues increased \$64.3 million from \$390.9 million to \$455.2 million. Total governmental expenses increased by \$74.3 million from \$532.9 million to \$607.2 million.

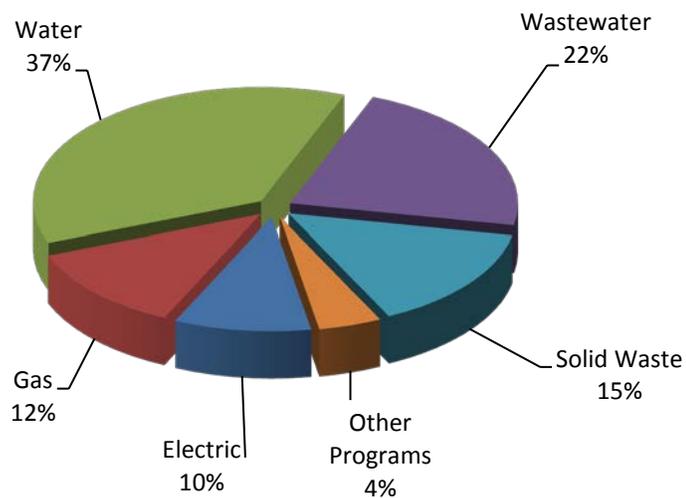
Key factors in this change include:

- The program revenues of the governmental activities increased \$4.3 million over the previous year. Charges for services and capital grants & contributions increased a total of \$9.3 million; however this was offset by a \$5 million decrease in operating grants & contributions, as compared to the previous year.
- Sales taxes and state shared revenues increased by \$10.6 million and \$18.4 million respectively over the previous year reflecting an overall improvement in the local economy.
- There was an overall increase in expenses caused by higher payments for pension-related expense, the expensing of Post-Employment Benefits to the governmental activities, and depreciation expense.

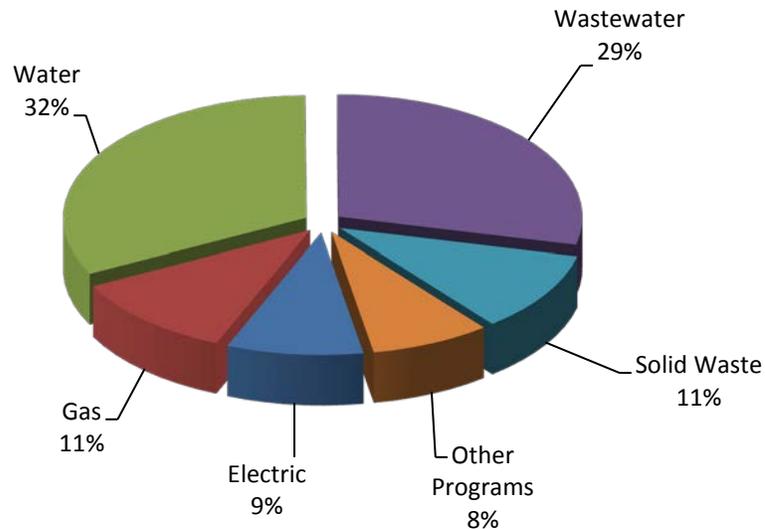
Business-type Activities

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

Revenues by Source – Business-type Activities



Functional Expenses – Business-type Activities



Total business-type activities program and general revenues decreased by \$6.5 million from \$333.7 million to \$327.2 million, while the business-type activities total expenses increased by \$55.4 million from \$263.5 million to \$318.9 million. The largest increase in expenses was primarily in the water and wastewater funds, and related to the post employment expense and depreciation expense.

Fund Financial Statements

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

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

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

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

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

Other information – Governments have an option of including the budgetary comparisons statements for the General Fund as either part of the fund financial statements within the basic financial statements or as

required supplementary information after the notes to the financial statements. The City has chosen to present the budgetary statements as required supplementary information beginning on page 85.

Fund Financial Statement Analysis

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

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

The City's governmental funds reported combined ending fund balance of \$319.3 million, a \$9.6 million increase from the previous year. \$49.2 million of this total amount is in unassigned fund balance, available for spending in the coming year. Included in the remainder is \$244.1 million in restricted fund balance.

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 \$53.6 million, while unassigned fund balance was \$50.4 million.

Total fund balance of the City's General Fund decreased by \$28.4 million during the current fiscal year from \$82.0 million (as restated) to \$53.6 million. Total revenues of \$247.0 million were \$14.4 million higher than the previous year; however, \$11.0 million was primarily due to the reclassification of the Transit Fund into the General Fund from the Special Revenue funds.

The Highway Project Advancement Notes Fund accumulates monies for the payment of principal and interest requirements for the Highway Project Advancement Notes. Debt service on the notes increased to \$5.4 million from \$4.3 million in the previous fiscal year.

Proprietary Funds - The City's Enterprise Fund provides the same type of information as the government-wide financial statements, except in more detail. The total net position of the Enterprise Fund decreased by \$78.7 million in fiscal year 2013 from \$734.5 million (as restated) in fiscal year 2012 to \$655.8 million. The unrestricted net position of the Enterprise Fund amounted to \$271.6 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 can be found in Exhibit B-3. This schedule compares the original adopted budget, the budget as amended throughout the year, and the actual expenditures prepared on a budgetary basis.

Amendments to the adopted budget may occur throughout the year in a legally permissible manner (see Note 1.f. of the notes to the financial statements for more information on budget policies). No amendments increasing the City's total adopted budget of \$1.3 billion occurred during fiscal year 2013.

General Fund revenues of \$242.7 million, on a budgetary basis, were less than budgeted revenues of \$245.3 million by \$2.6 million while expenditures of \$323.3 million were only 87.8% of budgeted expenditures. The decrease in revenues is due to decrease in sales taxes recorded in the general fund.

ECONOMIC FACTORS

In June 2013, the City Council approved a \$1.3 billion budget, which is approximately a 5% increase from the prior year's budget. The fiscal year 2013–14 budget includes \$994.6 million for operations and \$335.0 million for scheduled bond capital improvements.

The adopted fiscal year 2013-14 budget continues the City's fiscally conservative approach to budget development, while still providing quality services to the citizens. Rather than simply surviving budget reductions, the City has reorganized and retooled to focus on community priorities and innovative approaches. The goal has been to help Mesa grow and prosper despite a challenging national, state, and local economy.

REQUESTS FOR INFORMATION

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



Basic Financial Statements



CITY OF MESA, ARIZONA
EXHIBIT A-1
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Pooled Cash and Investments	\$ 243,455,833	\$ 33,877,463	\$ 277,333,296
Accounts Receivable, Net	24,050,691	32,327,353	56,378,044
Accrued Interest Receivable	481,226	330,557	811,783
Due from Other Governments	30,014,661	5,469,003	35,483,664
Inventory	6,109,311	-	6,109,311
Prepaid Costs	1,274,183	101,192	1,375,375
Deposits	1,616,368	45,000	1,661,368
Restricted Assets:			
Pooled Cash and Investments	270,770	75,526,574	75,797,344
Cash with Fiscal Agent	39,448,196	46,431,179	85,879,375
Cash with Trustee	42,421,795	104,549,306	146,971,101
Accounts Receivable	6,604,214	-	6,604,214
Due from Other Governments	84,915,276	-	84,915,276
Customer Deposits	-	2,731,265	2,731,265
Joint Venture Construction Deposits	-	5,790,610	5,790,610
Unamortized Bond Issue Costs	4,050,720	5,359,964	9,410,684
Investment in Joint Ventures	84,374,441	229,484,598	313,859,039
Capital Assets:			
Non-Depreciable	446,514,958	355,671,508	802,186,466
Depreciable, Net	815,357,673	1,015,690,498	1,831,048,171
Total Assets	1,830,960,316	1,913,386,070	3,744,346,386
LIABILITIES			
Warrants Outstanding	3,132,435	-	3,132,435
Accounts Payable	21,484,428	1,516,150	23,000,578
Other Accrued Expenses	47,796,222	-	47,796,222
Customer and Defendant Deposits	8,495,067	-	8,495,067
Compensated Absences	335,615	-	335,615
Liabilities Payable from Restricted Assets	43,595,257	104,746,341	148,341,598
Noncurrent Liabilities:			
Due Within One Year	29,082,327	23,419,324	52,501,651
Due in More Than One Year	902,277,736	1,127,937,773	2,030,215,509
Total Liabilities	1,056,199,087	1,257,619,588	2,313,818,675
NET POSITION			
Net Investment in Capital Assets	902,397,377	346,352,341	1,248,749,718
Restricted For:			
Convention Center	-	313,103	313,103
Airport	-	6,791,009	6,791,009
Golf Courses	-	9,685	9,685
Hohokam Stadium/Fitch Complex	-	571,381	571,381
Court Projects	957,481	-	957,481
Debt Service	8,282,324	-	8,282,324
Bond Indentures	-	22,567,071	22,567,071
Public Safety	2,158,122	-	2,158,122
Grant Programs	1,361,097	-	1,361,097
Quality of Life Programs	2,236,225	-	2,236,225
Transportation Programs	40,407,853	-	40,407,853
Water, Wastewater & Solid Waste Improvements	-	1,751,928	1,751,928
Miscellaneous Restrictions	1,315,732	5,790,610	7,106,342
Unrestricted	(184,354,982)	271,619,354	87,264,372
Total Net Position	\$ 774,761,229	\$ 655,766,482	\$ 1,430,527,711

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, 2013

<u>Functions/Programs:</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General Government	\$ 105,409,741	\$ 6,505,517	\$ 1,120,659	\$ 278,172
Public Safety	287,451,306	35,039,683	4,476,868	1,178,701
Cultural-Recreational	61,717,223	11,643,613	942,004	359,983
Community Environment	129,164,338	5,009,078	48,772,919	23,231,762
Interest on Long-Term Debt	23,442,680	-	-	-
Total Governmental Activities	<u>607,185,288</u>	<u>58,197,891</u>	<u>55,312,450</u>	<u>25,048,618</u>
Business-type Activities:				
Electric	28,896,937	31,075,113	186,432	202,652
Gas	35,652,803	39,125,019	264,334	24,686
Water	103,431,852	111,933,119	4,689,833	2,690,627
Wastewater	91,738,649	64,413,119	4,050,490	3,226,341
Solid Waste	33,693,521	47,368,556	187,372	-
Airport	4,299,627	3,484,409	-	1,552,881
Golf Course	3,352,623	1,472,177	4,600	-
Convention Center	3,946,298	2,597,298	-	200,000
Hohokam Stadium/Fitch Complex	9,094,227	5,496,066	-	100,000
District Cooling	1,080,813	975,459	-	-
Economic Investment	3,653,007	148,098	18,174	-
Total Business-type Activities	<u>318,840,357</u>	<u>308,088,433</u>	<u>9,401,235</u>	<u>7,997,187</u>
Total Government	<u>\$ 926,025,645</u>	<u>\$ 366,286,324</u>	<u>\$ 64,713,685</u>	<u>\$ 33,045,805</u>

General Revenues:
Sales Taxes
Property Taxes
Occupancy Taxes
Unrestricted State Shared Revenue Grants
Contributions Not Restricted to Specific Programs
Investment Income
Miscellaneous
Transfers In (Out)

Total General Revenues and Transfers

Change in Net Position

Total Net Position - As Reported
Prior Period Adjustment

Total Net Position - As Adjusted

Net Position - ending

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

EXHIBIT A-2
(Continued)

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (97,505,393)	\$ -	\$ (97,505,393)
(246,756,054)	-	(246,756,054)
(48,771,623)	-	(48,771,623)
(52,150,579)	-	(52,150,579)
(23,442,680)	-	(23,442,680)
<u>(468,626,329)</u>	<u>-</u>	<u>(468,626,329)</u>
-	2,567,260	2,567,260
-	3,761,236	3,761,236
-	15,881,727	15,881,727
-	(20,048,699)	(20,048,699)
-	13,862,407	13,862,407
-	737,663	737,663
-	(1,875,846)	(1,875,846)
-	(1,149,000)	(1,149,000)
-	(3,498,161)	(3,498,161)
-	(105,354)	(105,354)
-	(3,486,735)	(3,486,735)
<u>-</u>	<u>6,646,498</u>	<u>6,646,498</u>
<u>(468,626,329)</u>	<u>6,646,498</u>	<u>(461,979,831)</u>
137,280,327	-	137,280,327
14,353,824	-	14,353,824
1,903,029	825,297	2,728,326
104,462,267	-	104,462,267
49,569,427	-	49,569,427
1,692,304	860,473	2,552,777
7,423,709	-	7,423,709
83,615,000	(83,615,000)	-
<u>400,299,887</u>	<u>(81,929,230)</u>	<u>318,370,657</u>
(68,326,442)	(75,282,732)	(143,609,174)
857,973,030	735,944,179	1,593,917,209
(14,885,359)	(4,894,965)	(19,780,324)
<u>843,087,671</u>	<u>731,049,214</u>	<u>1,574,136,885</u>
<u>\$ 774,761,229</u>	<u>\$ 655,766,482</u>	<u>\$ 1,430,527,711</u>

CITY OF MESA, ARIZONA
EXHIBIT A-3
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013

	<u>General Fund</u>	<u>Highway Project Advancement Notes</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Pooled Cash and Investments	\$ 38,515,852	\$ -	\$ 142,190,554	\$ 180,706,406
Accounts Receivable (Net of Allowances)	17,285,466	-	4,872,034	22,157,500
Accrued Interest Receivable	303,776	-	109,154	412,930
Due from Other Governments	10,180,167	-	19,829,175	30,009,342
Due from Other Funds	3,346,597	-	-	3,346,597
Advances to Other Funds	1,176,842	-	-	1,176,842
Prepaid Costs	546,742	-	55,064	601,806
Deposits	249,707	-	1,366,661	1,616,368
Restricted Assets:				
Pooled Cash and Investments	-	-	270,770	270,770
Cash with Fiscal Agent	-	756,250	38,691,946	39,448,196
Cash with Trustee	-	42,421,795	-	42,421,795
Accounts Receivable	-	-	6,604,214	6,604,214
Due from Other Governments	-	84,399,950	515,326	84,915,276
Total Assets	<u>\$ 71,605,149</u>	<u>\$ 127,577,995</u>	<u>\$ 214,504,898</u>	<u>\$ 413,688,042</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants Outstanding	\$ 2,367,745	\$ -	\$ 974	\$ 2,368,719
Accounts Payable	9,205,592	-	10,761,550	19,967,142
Other Accrued Liabilities	2,841,991	-	5,236,663	8,078,654
Due to Other Funds	-	759,213	2,587,384	3,346,597
Advances from Other Funds	-	-	1,176,842	1,176,842
Customer and Defendant Deposits	2,587,432	-	5,907,635	8,495,067
Compensated Absences	335,615	-	-	335,615
Payable From Restricted Assets:				
Accrued Bond Interest Payable	-	-	8,797,049	8,797,049
Accrued Note Interest Payable	-	2,702,125	-	2,702,125
Deferred Revenue	648,252	-	8,345,969	8,994,221
Matured General Obligation Bonds Payable	-	-	23,947,997	23,947,997
Matured Highway User Revenue Bonds Payable	-	-	6,145,000	6,145,000
Total Liabilities	<u>17,986,627</u>	<u>3,461,338</u>	<u>72,907,063</u>	<u>94,355,028</u>
Fund Balances:				
Nonspendable	1,723,584	-	55,064	1,778,648
Restricted	284,449	124,116,657	119,714,233	244,115,339
Committed	1,184,979	-	23,005,073	24,190,052
Unassigned	50,425,510	-	(1,176,535)	49,248,975
Total Fund Balances	<u>53,618,522</u>	<u>124,116,657</u>	<u>141,597,835</u>	<u>319,333,014</u>
Total Liabilities and Fund Balances	<u>\$ 71,605,149</u>	<u>\$ 127,577,995</u>	<u>\$ 214,504,898</u>	<u>\$ 413,688,042</u>

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

CITY OF MESA, ARIZONA

EXHIBIT A-4

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Fund Balances - total governmental funds \$ 319,333,014

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

Capital assets used in governmental activities are not
financial resources and therefore not reported in the
governmental funds. 1,259,948,250

Other assets used in governmental activities are not
financial resources and therefore not reported in the
governmental funds. 88,425,161

Long-term liabilities, including bonds payable are not
due and payable in the current period and therefore not
reported in the governmental funds. (922,902,545)

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 position. 6,991,135

Internal service funds are used by management to charge
the costs of certain activities to individual funds. 22,966,214

Net position of the governmental activities - statement of net position \$ 774,761,229

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, 2013

	<u>General Fund</u>	<u>Highway Project Advancement Notes</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Sales Taxes	\$ 95,278,535	\$ -	\$ 42,001,792	\$ 137,280,327
Property Taxes	-	-	14,403,757	14,403,757
Occupancy Taxes	-	-	1,903,029	1,903,029
Special Assessments	-	-	897,058	897,058
Licenses and Permits	14,054,431	-	3,638,869	17,693,300
Intergovernmental	108,420,138	1,512,501	74,890,696	184,823,335
Charges For Services	16,603,223	-	11,071,667	27,674,890
Fines and Forfeitures	8,501,965	-	1,382,572	9,884,537
Investment Income	1,010,872	75,593	414,400	1,500,865
Contributions	132,479	-	2,131,440	2,263,919
Miscellaneous Revenue	3,035,884	-	2,904,259	5,940,143
Total Revenues	<u>247,037,527</u>	<u>1,588,094</u>	<u>155,639,539</u>	<u>404,265,160</u>
Expenditures:				
Current:				
General Government	68,089,737	-	6,506,132	74,595,869
Public Safety	199,297,876	-	27,379,081	226,676,957
Cultural-Recreational	31,671,056	-	6,115,748	37,786,804
Community Environment	10,387,862	-	44,809,037	55,196,899
Debt Service:				
Principal	-	-	31,518,955	31,518,955
Interest on Bonds	-	-	17,994,747	17,994,747
Interest on Leases	-	-	34,183	34,183
Interest on Notes	-	5,404,250	-	5,404,250
Service Charges	-	-	9,500	9,500
Cost of Issuance	-	-	1,448,095	1,448,095
Capital Outlay	12,960,611	-	78,576,239	91,536,850
Total Expenditures	<u>322,407,142</u>	<u>5,404,250</u>	<u>214,391,717</u>	<u>542,203,109</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(75,369,615)</u>	<u>(3,816,156)</u>	<u>(58,752,178)</u>	<u>(137,937,949)</u>
Other Financing Sources (Uses):				
Transfers In	83,715,021	-	64,102,823	147,817,844
Transfers Out	(36,781,754)	-	(27,421,090)	(64,202,844)
Face Amount of Bonds Issued	-	-	62,672,000	62,672,000
Premium on Issuance of Bonds	-	-	3,681,054	3,681,054
Issuance of Refunding Debt	-	-	17,415,000	17,415,000
Refunding Advance	-	-	(19,889,007)	(19,889,007)
Total Other Financing Sources (Uses)	<u>46,933,267</u>	<u>-</u>	<u>100,560,780</u>	<u>147,494,047</u>
Net Change in Fund Balances	(28,436,348)	(3,816,156)	41,808,602	9,556,098
Fund Balances - As Reported	85,792,127	127,932,813	99,789,233	313,514,173
Prior Period Adjustment	<u>(3,737,257)</u>	<u>-</u>	<u>-</u>	<u>(3,737,257)</u>
Fund Balance- As Adjusted	<u>82,054,870</u>	<u>127,932,813</u>	<u>99,789,233</u>	<u>309,776,916</u>
Fund Balances - Ending	<u>\$ 53,618,522</u>	<u>\$ 124,116,657</u>	<u>\$ 141,597,835</u>	<u>\$ 319,333,014</u>

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

CITY OF MESA, ARIZONA

EXHIBIT A-6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds \$ 9,556,098

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

Revenues in the statement of activities that do not provide current financial
resources are not reported in the governmental funds. 2,112,605

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. (63,489,841)

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 depreciation (\$89,768,112) exceeded capital outlay
(\$71,144,912) in the current period. (18,623,200)

The net effect of miscellaneous transactions involving capital assets
(e.g., donations, transfers and disposals) is to decrease net position. (697,246)

Change in equity in Joint Venture 30,692,806

The issuance of long-term debt (e.g., bonds and capital leases) provides
current financial resources to governmental funds, while the repayment of
principal of long-term debt consumes financial resources of governmental
funds. Neither transaction has any effect on net position. (32,360,092)

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. 2,563,830

Internal service funds are used by management to charge the costs of certain
activities to individual funds. The net revenue (expense) of certain internal
service funds is reported with governmental activities. 1,918,598

Change in net position of the governmental activities - statement of activities \$ (68,326,442)

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

CITY OF MESA, ARIZONA
EXHIBIT A-7
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	<u>Business-type Activities</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>Enterprise Fund</u>	
ASSETS		
Current Assets:		
Pooled Cash and Investments	\$ 33,877,463	\$ 62,749,427
Accounts Receivable (Net of Allowances)	32,327,353	1,893,191
Accrued Interest Receivable	330,557	68,296
Due from Other Governments	5,469,003	5,319
Inventory	-	6,109,311
Prepaid Costs	101,192	672,377
Deposits	45,000	-
Restricted Assets:		
Pooled Cash and Investments	22,684,852	-
Cash with Fiscal Agents	46,431,179	-
Cash with Trustees	104,549,306	-
Customer Deposits	2,731,265	-
Joint Venture Construction Deposits	5,790,610	-
Total Current Assets	<u>254,337,780</u>	<u>71,497,921</u>
Noncurrent Assets:		
Restricted Assets:		
Impact & Development Fees:		
Pooled Cash and Investments	1,751,928	-
Bond Replacement, Extensions and Reserves:		
Pooled Cash and Investments	22,567,071	-
Capital Projects:		
Pooled Cash and Investments	28,522,723	-
Unamortized Bond Issue Costs	5,359,964	-
Total Restricted Assets	<u>58,201,686</u>	<u>-</u>
Capital Assets:		
Land	57,847,214	-
Water Rights	17,560,145	-
Buildings	52,086,065	2,061,431
Other Improvements	94,352,016	426,745
Machinery and Equipment	54,038,780	6,507,271
Intangibles	27,015,992	4,047
Infrastructure	1,508,987,926	12,743
Construction in Progress	280,264,149	265,019
Less Accumulated Depreciation and Amortization	<u>(720,790,281)</u>	<u>(7,352,875)</u>
Total Capital Assets, Net	1,371,362,006	1,924,381
Investment in Joint Ventures	<u>229,484,598</u>	<u>-</u>
Total Noncurrent Assets	<u>1,659,048,290</u>	<u>1,924,381</u>
Total Assets	<u>\$ 1,913,386,070</u>	<u>\$ 73,422,302</u>

(Continued)

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

CITY OF MESA, ARIZONA
EXHIBIT A-7 (Continued)
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	<u>Business-type Activities</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>Enterprise Fund</u>	<u>Funds</u>
LIABILITIES		
Current Liabilities-Payable From Current Assets:		
Warrants Outstanding	\$ -	\$ 763,716
Accounts Payable	1,516,150	1,517,286
Other Accrued Expenses	-	39,717,568
Current Liabilities-Payable From Restricted Assets:		
Impact & Development Fees-Accounts Payable	20,846	-
Bond Replacement, Extensions and Reserves-Accounts Payable	8,081	-
Capital Projects-Accounts Payable	32,747,145	-
Accrued Bond Interest Payable	24,089,176	-
Matured Bonds Payable	22,464,976	-
Customer Deposits and Prepayments	25,416,117	-
Current Portion of Long-Term Liabilities:		
Current Portion of Revenue Bonds Payable	22,550,000	-
Current Portion of General Obligation Bonds Payable	281,637	-
Current Portion of Notes Payable	125,651	-
Current Portion of Compensated Absences	462,036	75,629
	<u>129,681,815</u>	<u>42,074,199</u>
Total Current Liabilities		
Long-Term Liabilities:		
Revenue Bonds Payable, Net of Deferred Amount on Refundings	933,786,082	-
General Obligation Bonds Payable	605,451	-
Excise Tax Obligations	94,060,000	-
Notes Payable	2,244,350	-
Unamortized Bond Premium	28,352,565	-
Compensated Absences	3,394,151	549,784
Post Employment Benefits	65,495,174	7,832,105
	<u>1,127,937,773</u>	<u>8,381,889</u>
Total Long-Term Liabilities		
Total Liabilities		
	<u>1,257,619,588</u>	<u>50,456,088</u>
NET POSITION		
Net Investment in Capital Assets	346,352,341	1,924,381
Restricted For:		
Convention Center	313,103	-
Airport	6,791,009	-
Golf Courses	9,685	-
Hohokam Stadium\Fitch Complex	571,381	-
Capital Projects	-	-
Debt Service	-	-
Bond Indentures	22,567,071	-
Water, Wastewater & Solid Waste Improvements	1,751,928	-
Construction	5,790,610	-
Unrestricted	271,619,354	21,041,833
	<u>271,619,354</u>	<u>21,041,833</u>
Total Net Position		
	<u>\$ 655,766,482</u>	<u>\$ 22,966,214</u>

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

CITY OF MESA, ARIZONA
EXHIBIT A-8
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-type Activities Enterprise Fund	Governmental Activities - Internal Service Funds
Operating Revenues:		
Electric Sales Pledged as Security for Revenue Bonds	\$ 31,075,113	\$ -
Gas Sales Pledged as Security for Revenue Bonds	39,125,019	-
Water Sales Pledged as Security for Revenue Bonds	111,933,119	-
Wastewater Charges Pledged as Security for Revenue Bonds	64,413,119	-
Solid Waste Charges Pledged as Security for Revenue Bonds	47,368,556	-
Airport Fees	3,484,409	-
Golf Course Fees	1,472,177	-
Convention Center Fees	2,597,298	-
Hohokam Stadium/Fitch Complex Fees	5,496,066	-
District Cooling Charges	975,459	-
Economic Investment Charges	148,098	-
Charges For Services	-	25,868,652
Self-Insurance Contributions	-	72,485,563
Other Revenue	-	1,215,229
Total Operating Revenues	308,088,433	99,569,444
Operating Expenses:		
Electric	23,525,469	-
Gas	27,804,313	-
Water	38,969,314	-
Wastewater	21,596,360	-
Solid Waste	31,183,871	-
Airport	2,552,453	-
Golf Course	1,525,959	-
Convention Center	3,350,485	-
Hohokam Stadium/Fitch Complex	7,094,816	-
District Cooling	634,756	-
Economic Investment	3,653,007	-
Warehouse, Maintenance & Services	-	27,115,989
Self-Insurance	-	65,758,094
Total Operating Expenses	161,890,803	92,874,083
Operating Income (Loss) Before Depreciation and Amortization	146,197,630	6,695,361
Depreciation and Amortization	(104,656,599)	(1,593,056)
Operating Income (Loss)	41,541,031	5,102,305

(Continued)

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

CITY OF MESA, ARIZONA
EXHIBIT A-8 (Continued)
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-type Activities Enterprise Fund	Governmental Activities - Internal Service Funds
Nonoperating Revenues (Expenses):		
Investment Income Pledged as Security for Revenue Bonds	771,673	-
Investment Income Unpledged	88,800	191,439
Intergovernmental	3,887,045	-
Interest Expense:		
Bonds	(42,061,117)	-
Notes Payable and Other Long-Term Obligations	(54,692)	-
Bond Administrative Costs	(35,478)	-
Loss on Disposal of Capital Assets	(20,688)	-
Net Loss from Joint Venture	(13,205,465)	-
Utility Development Fees	7,105,710	-
Amortization of Bond Issuance Costs	(372,915)	-
Miscellaneous Revenue	786,658	-
Total Nonoperating Revenues (Expenses)	<u>(43,110,469)</u>	<u>191,439</u>
Income before Transfers and Capital Contributions	(1,569,438)	5,293,744
Capital Contributions	6,444,306	82,252
Transfers Out	<u>(83,615,000)</u>	<u>-</u>
Change in Net Position	(78,740,132)	5,375,996
Total Net Position As Reported	739,401,579	17,590,218
Prior Period Adjustment	<u>(4,894,965)</u>	<u>-</u>
Total Net Position As Adjusted	<u>734,506,614</u>	<u>17,590,218</u>
Total Net Position - Ending	<u>\$ 655,766,482</u>	<u>\$ 22,966,214</u>
Adjustment to reflect the consolidation of the internal service funds related to the enterprise fund.	3,457,400	
Change in net position of the business-type activities	<u>\$ (75,282,732)</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, 2013

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
Cash Flows From Operating Activities:		
Cash Received From Customers	\$ 308,708,162	\$ -
Cash Received From Users	-	99,156,824
Cash Payments to Suppliers	(107,671,221)	(80,981,639)
Cash Payments to Employees	(49,644,284)	(6,919,163)
Net Cash Provided By Operating Activities	<u>151,392,657</u>	<u>11,256,022</u>
Cash Flows From Noncapital Financing Activities:		
Intergovernmental	1,788,863	-
Transient Occupancy Tax	825,297	-
Other Non-Operating Expense	(38,639)	-
Investment in Joint Ventures	(49,735)	-
Transfers Out to Other Funds	(83,615,000)	-
Net Cash Provided By (Used For) Noncapital Financing Activities	<u>(81,089,214)</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities:		
Proceeds From Bond Sales	152,111,009	-
Acquisition and Construction of Capital Assets	(106,758,714)	(271,806)
Principal Paid on Bonds, Leases and Notes Maturities	(22,103,715)	-
Interest Paid on Bonds, Leases and Notes	(39,586,531)	-
Contributions from Other Governments	-	216,292
Contributions from Subdividers	8,418,785	-
Net Cash Used For Capital and Related Financing Activities	<u>(7,919,166)</u>	<u>(55,514)</u>
Cash Flows From Investing Activities:		
Interest Received on Investments	636,796	123,143
Net Cash Provided By Investing Activities	<u>636,796</u>	<u>123,143</u>
Net Increase in Pooled Cash and Investments	63,021,073	11,323,651
Total Cash and Investments at Beginning of Year	<u>197,363,449</u>	<u>51,425,776</u>
Total Cash and Investments at End of Year	<u>\$ 260,384,522</u>	<u>\$ 62,749,427</u>

(Continued)

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

CITY OF MESA, ARIZONA
EXHIBIT A-9 (Continued)
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Business-type Activities Enterprise Fund</u>	<u>Governmental Activities - Internal Service Funds</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:		
Operating Income	<u>\$ 41,541,031</u>	<u>\$ 5,102,305</u>
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:		
Depreciation and Amortization	104,656,599	1,593,056
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	(2,156,607)	(412,619)
Increase in Inventory	-	(47,423)
Increase in Deposits and Prepaid Costs	387,587	(14,664)
Increase in Accounts Payable	(4,782,668)	1,981,634
Increase in Other Accrued Expense	<u>11,746,715</u>	<u>3,053,733</u>
Total Adjustments	<u>109,851,626</u>	<u>6,153,717</u>
Net Cash Provided By Operating Activities	<u><u>\$ 151,392,657</u></u>	<u><u>\$ 11,256,022</u></u>
Noncash Transactions Affecting Financial Position:		
Contributions of Capital Assets	\$ 5,131,231	
Loss on Disposal of Capital Assets	(20,688)	
Amortization of Bond Premium	(2,887,322)	
Amortization of Debt Issuance Costs	2,455,148	
Amortization of Deferred Amounts on Refunding	372,915	

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, 2013

	Payroll Agency
ASSETS	
Pooled Cash and Investments	<u>\$ 13,390,104</u>
Total Assets	<u><u>\$ 13,390,104</u></u>
LIABILITIES	
Accounts Payable	\$ 1,531,849
Accrued Payroll Payable	<u>11,858,255</u>
Total Liabilities	<u><u>\$ 13,390,104</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, 2013

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 444,856 within an area of approximately 141 square miles. The City’s charter was adopted August 18, 1967 providing for a Council-Manager form of government. The City provides a full range of municipal services including police and fire protection, parks and recreation, library, transportation, health and certain social services and general administration. In addition, the City owns and operates an enterprise whose activities include operations of electricity, gas, water, wastewater, 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 units, the City of Mesa Municipal Development Corporation and Community Facilities District, collectively referred to as “the financial reporting entity”. In accordance with GASB No. 14, and as amended by GASB 61, the component units discussed below have been included in the City’s reporting entity because of the significance of their operational or financial relationship with the City.

City of Mesa Municipal Development Corporation (“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 are not prepared.

Community Facilities District (“District”) is a municipal corporation political subdivision of the State of Arizona that is organized to provide a vehicle for financing certain public infrastructure that is necessary for development of the land within the boundaries of the District. The City Council serves as the board of directors of the District and the City Manager of the City currently serves as the District Manager. Although it is legally separate from the City, the District is reported as if it is part of the primary government because the District’s governing body is substantively the same as the governing body of the City and management of the City has operational responsibility for the District. Separate financial statements for the District are not prepared.

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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

respective municipalities and the governor of the tribal community. The City contributed \$1.7 million to the PMGAA operating and capital budget during this fiscal year.

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

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

c. **Basic Financial Statements**

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

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

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

The government-wide statement of activities demonstrates the degree to which the direct expenses of the various functional activities and segments of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific functional activity (General Government, Public Safety, Cultural-Recreational, etc.) or segment. Expenses reported for the various functional activities or segments include indirect expenses, such as overhead costs. Interest on long-term debt is not allocated to the various functions in the governmental activities. Program revenues include charges to customers or applicants who directly benefit from goods, services or privileges provided by a given function or

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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.

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.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

Internal service funds of the City, which provide services primarily to the other funds of the City, are presented in summary form as part of the proprietary fund financial statements. Since the principal users of 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.

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

e. **Fund Accounting**

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

The City reports the following major governmental funds:

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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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:

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

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

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

The City reports the following major proprietary fund:

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

f. **Budgets and Budgetary Accounting**

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

Prior to June 1, the City Manager submits 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.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

On June 3, 1980, the voters of Arizona approved an expenditure limitation for all local governments. This limitation restricts the growth of expenditures to a percentage determined by population and inflation, with certain expenditures excluded from the limitation. The State Economic Estimates Commission determines and publishes, prior to April 1st of each year, the expenditure limitation for the following fiscal year for each governmental unit. Fiscal year 1979-80 is the base year for calculations.

Budgets for all funds are adopted in accordance with the requirements of the Arizona Constitution, Arizona Revised Statutes and the Mesa City Charter. There are certain differences between the basis used for budgetary purposes and that used for reporting in accordance with generally accepted accounting principles. For additional detail, see the note to required supplementary information and the individual budget schedules in the supplemental information exhibits. Budgeted amounts are as originally adopted by the City Council on June 4, 2012.

g. **Use of Estimates**

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

h. **Pooled Cash and Investments**

The City maintains an invested pool that is available for use by all City funds. Each funds portion of this pool is reported on the financial statements as “pooled cash and investments”. A single master custodian holds all assets of the invested pool. In addition, certain cash deposits and investments are also held separately by various City funds in separate accounts.

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

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

i. **Inventory**

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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

j. **Capital Assets**

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

Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Contributions of assets are stated at fair market value based on appraisals or engineering estimates of 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.

The City has made various class changes to both the government-wide and business-type capital asset classifications during fiscal year 2012–2013 as a result of implementing a fully integrated ERP system this 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	5-50 Years
Machinery and Equipment	3-30 Years
Intangibles	6-15 Years
Infrastructure	5-50 Years

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

k. **Compensated Absences**

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

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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

m. **Long Term Obligations**

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

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount and deferred amounts on refundings. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

n. **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 cannot 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.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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.

o. **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.

p. **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, 2013 and are made in accordance with State Statutes.

q. **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 2012-2013, current property tax collections were \$13,854,778 or 97.86% 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 receivable at June 30, 2013 was \$515,326 of which \$251,466 was recorded as revenue and \$263,860 as deferred revenue.

r. **New Accounting Pronouncements**

GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, improves financial reporting by addressing issues related to service concession arrangements (SCAs).

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The requirements of this Statement improve financial reporting by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. The requirements of this Statement are effective for fiscal periods beginning after December 15, 2011. The City has no SCAs for fiscal year 2013 and therefore is not impacted by this Statement.

GASB Statement No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34, improves financial reporting for a governmental financial reporting entity. The requirements of this Statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. This Statement provides amendments to Statement No. 14, The Financial Reporting Entity, and Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. The requirements of this Statement are effective for fiscal periods beginning after June 15, 2012. The City has implemented this Statement in fiscal year 2013 and has recognized the Community Facilities District as a component unit.

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, improves financial reporting by contributing to the GASB’s efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This requirement will bring the authoritative accounting and financial reporting literature together in one place. This Statement will eliminate the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, resulting in more consistent application of applicable guidance. The requirements of this Statement are effective for fiscal periods beginning after December 15, 2011. The City has implemented this Statement in fiscal year 2013.

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The requirements of this Statement are effective for fiscal periods beginning after December 15, 2011. The City has implemented this Statement in fiscal year 2013.

GASB Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions, clarifies the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty’s credit support provider, is replaced. The requirements of this Statement are effective for fiscal periods beginning after June 15, 2011. The City currently has no effective hedging relationships and therefore is not impacted by this Statement.

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. The City will implement this statement in fiscal year 2014.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

GASB Statement No. 69, Government Combinations and Disposals of Government Operations, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The requirements of this Statement are effective for fiscal periods beginning after December 15, 2013. The City will implement this Statement in fiscal year 2015.

GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The requirements of this Statement are effective for fiscal periods beginning after June 15, 2013. The City will implement this Statement in fiscal year 2014.

Although expected to be significant, the City has not fully determined the effects that implementation of Statement No. 68 will have on the City's financial statements. The City has also not fully determined the effects that implementation of Statements No. 69 and 70 will have on the City's financial statements.

2. RECONCILIATION OF GOVERNMENTAL FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

The governmental fund financial statements are presented on a current financial resources measurement focus and modified accrual accounting basis while the government-wide financial statements are prepared on a long-term economic resources measurement focus and accrual accounting basis. Reconciliations briefly explaining the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements immediately follow each governmental fund financial statement.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

	Total Governmental Funds	Long-term Assets/ Liabilities(1)	Internal Service Funds(2)	Reclassifications and Eliminations	Statement of Net Position Total
Assets					
Pooled Cash and Investments	\$ 180,706,406	-	\$ 62,749,427	\$ -	\$ 243,455,833
Account and Misc Receivables, Net	22,157,500	-	1,893,191	-	24,050,691
Accrued Interest Receivable	412,930	-	68,296	-	481,226
Due from Other Governments	30,009,342	-	5,319	-	30,014,661
Due from Other Funds	3,346,597	-	-	(3,346,597)	-
Advances from Other Funds	1,176,842	-	-	(1,176,842)	-
Inventory	-	-	6,109,311	-	6,109,311
Prepaid Costs	601,806	-	672,377	-	1,274,183
Deposits	1,616,368	-	-	-	1,616,368
Restricted Assets:					-
Pooled Cash and Investments	270,770	-	-	-	270,770
Cash with Fiscal Agent	39,448,196	-	-	-	39,448,196
Cash with Trustee	42,421,795	-	-	-	42,421,795
Accounts Receivable	6,604,214	-	-	-	6,604,214
Due from Other Governments	84,915,276	-	-	-	84,915,276
Unamortized Bond Issue Costs	-	4,050,720	-	-	4,050,720
Investment in Joint Ventures	-	84,374,441	-	-	84,374,441
Capital Assets	-	1,259,948,250	1,924,381	-	1,261,872,631
Total Assets	<u>\$ 413,688,042</u>	<u>\$ 1,348,373,411</u>	<u>\$ 73,422,302</u>	<u>\$ (4,523,439)</u>	<u>\$ 1,830,960,316</u>
Liabilities					
Warrants Outstanding	\$ 2,368,719	-	\$ 763,716	-	\$ 3,132,435
Accounts Payable	19,967,142	-	1,517,286	-	21,484,428
Other Accrued Expenses	8,078,654	-	39,717,568	-	47,796,222
Due To Other Funds	3,346,597	-	-	(3,346,597)	-
Advances to Other Funds	1,176,842	-	-	(1,176,842)	-
Customer and Defendant Deposits	8,495,067	-	-	-	8,495,067
Compensated Absences	335,615	-	-	-	335,615
Restricted Bond Interest Payable	8,797,049	-	-	-	8,797,049
Restricted Note Interest Payable	2,702,125	-	-	-	2,702,125
Restricted Deferred Revenue	8,994,221	(6,991,135)	-	-	2,003,086
Matured G.O. Bonds Payable	23,947,997	-	-	-	23,947,997
Matured HURF Bonds Payable	6,145,000	-	-	-	6,145,000
Long-term Liabilities	-	922,902,545	8,457,518	-	931,360,063
Total Liabilities	<u>94,355,028</u>	<u>915,911,410</u>	<u>50,456,088</u>	<u>(4,523,439)</u>	<u>1,056,199,087</u>
Fund Balance/Net Position					
Total Fund Balance/Net Position	<u>319,333,014</u>	<u>432,462,001</u>	<u>22,966,214</u>	<u>-</u>	<u>774,761,229</u>
Total Liabilities and Fund Balance/Net Position	<u>\$ 413,688,042</u>	<u>\$ 1,348,373,411</u>	<u>\$ 73,422,302</u>	<u>\$ (4,523,439)</u>	<u>\$ 1,830,960,316</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(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 position includes those capital assets among the assets of the City as a whole.

Costs of capital assets	\$1,934,403,121
Accumulated depreciation	<u>(674,454,871)</u>
	<u>\$1,259,948,250</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 position for the City as a whole.

Investment in joint ventures	\$ <u>84,374,441</u>
------------------------------	----------------------

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 position.

Unamortized bond issuance costs	\$ <u>4,050,720</u>
---------------------------------	---------------------

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

Bonds payable	\$ 446,362,912
Notes payable	122,835,000
Capital leases	139,592
Compensated absences	22,369,193
Post-employment benefits	315,721,776
Deferred amounts on refunding	(6,208,008)
Unamortized bond premiums	<u>21,682,080</u>
	\$ <u>922,902,545</u>

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

Deferred property tax revenues	\$ 263,860
Deferred special assessment revenue	3,838,573
Deferred CFD special assessment revenue	2,712,000
Deferred rehabilitation loan revenue	53,641
Amounts due from tenants not yet available	<u>123,601</u>
	\$ <u>6,991,135</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 position, but are not included on the governmental funds balance sheet.

Total	\$ <u>22,966,214</u>
-------	----------------------

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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	\$ 137,280,327	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 137,280,327
Property Taxes	14,403,757	(49,933)	-	-	-	-	14,353,824
Occupancy Taxes	1,903,029	-	-	-	-	-	1,903,029
Special Assessments	897,058	2,048,106	-	-	-	-	2,945,164
Licenses and Permits	17,693,300	-	-	-	-	-	17,693,300
Intergovernmental	184,823,335	-	-	-	-	-	184,823,335
Charges for Services	27,674,890	-	-	-	-	-	27,674,890
Fines and Forfeitures	9,884,537	-	-	-	-	-	9,884,537
Investment Income	1,500,865	-	-	191,439	-	-	1,692,304
Contributions	2,263,919	-	30,692,806	16,612,702	-	-	49,569,427
Miscellaneous	5,940,143	114,432	-	1,369,134	-	-	7,423,709
Other Sources:							
Transfers In	147,817,844	-	-	-	-	(76,431,700)	71,386,144
Face Amount of Bonds Issued	62,672,000	-	-	-	(62,672,000)	-	-
Premiums on Issuance of Notes	3,681,054	-	-	-	(3,681,054)	-	-
Issuance of Refunding Debt	17,415,000	-	-	-	(17,415,000)	-	-
Total Revenues and Other Sources	<u>\$ 635,851,058</u>	<u>\$ 2,112,605</u>	<u>\$ 30,692,806</u>	<u>\$ 18,173,275</u>	<u>\$ (83,768,054)</u>	<u>\$ (76,431,700)</u>	<u>\$ 526,629,990</u>
Expenditures/Expenses							
Current:							
General Government	74,595,869	12,012,686	16,375,082	2,600,748	(174,644)	-	105,409,741
Public Safety	226,676,957	36,503,350	15,187,178	9,752,806	(668,985)	-	287,451,306
Cultural-Recreational	37,786,804	6,085,069	16,331,940	1,625,468	(112,058)	-	61,717,223
Community Environment	55,196,899	8,888,736	62,963,096	2,275,655	(160,048)	-	129,164,338
Debt Service:							
Principal Payments	31,518,955	-	-	-	(31,518,955)	-	-
Interest on Bonds	17,994,747	-	-	-	-	-	17,994,747
Interest on Capital Leases	34,183	-	-	-	-	-	34,183
Interest on Notes	5,404,250	-	-	-	-	-	5,404,250
Service Charges	9,500	-	-	-	-	-	9,500
Cost of Issuance	1,448,095	-	-	-	(1,448,095)	-	-
Capital Outlay	91,536,850	-	(91,536,850)	-	-	-	-
Total Expenditures\Expenses	<u>542,203,109</u>	<u>63,489,841</u>	<u>19,320,446</u>	<u>16,254,677</u>	<u>(34,082,785)</u>	<u>-</u>	<u>607,185,288</u>
Other Financing Uses/ Changes in Net Position							
Transfers Out	64,202,844	-	-	-	-	(76,431,700)	(12,228,856)
Refunding Advance	19,889,007	-	-	-	(19,889,007)	-	-
Total Expenditures\Expenses & Other Financing Uses	<u>626,294,960</u>	<u>63,489,841</u>	<u>19,320,446</u>	<u>16,254,677</u>	<u>(53,971,792)</u>	<u>(76,431,700)</u>	<u>594,956,432</u>
Net Change for the Year	<u>\$ 9,556,098</u>	<u>\$ (61,377,236)</u>	<u>\$ 11,372,360</u>	<u>\$ 1,918,598</u>	<u>\$ (29,796,262)</u>	<u>\$ -</u>	<u>\$ (68,326,442)</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	\$ (49,933)
Special assessment revenue	2,048,106
Rehabilitation loan revenue	(9,169)
Tenant Revenue	<u>123,601</u>
Total	<u>\$ 2,112,605</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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	\$ (6,046,051)
Accrual of post-employment benefits	<u>(57,443,790)</u>
Total	<u>\$ (63,489,841)</u>

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

Capital outlay for capital assets	\$ 71,144,912
Depreciation expense	<u>(89,768,112)</u>
Total	<u>\$ (18,623,200)</u>

The net effect of miscellaneous transactions involving capital assets (donations, transfers and disposals) and investment in joint venture activity is to increase net position.

Change in equity interest for joint venture	\$30,692,806
Loss on disposal of capital assets	<u>(697,246)</u>
Total	<u>\$ 29,995,560</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	\$18,173,275
Expenditures and other uses	<u>(16,254,677)</u>
Change in net position	<u>\$ 1,918,598</u>

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

New debt issued (including refunded debt)	
General Obligation bond proceeds	\$ (68,875,000)
Highway User Revenue bond proceeds	(8,500,000)
Community Facility District Bonds	(2,712,000)
Premiums on refunding bonds	(3,681,054)
Principal repayments	31,518,955
Payment to refunded bond escrow agent	<u>19,889,007</u>
Total	<u>\$ (32,360,092)</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.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Current Year bond issue cost	\$ 1,448,095
Amortization of bond issue costs	(341,733)
Amortization of deferred refunding amounts	(1,774,049)
Amortization of bond premiums	<u>3,231,517</u>
Total	<u>\$ 2,563,830</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	\$ (76,431,700)
Transfers in	<u>76,431,700</u>
Total	<u>\$ -</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

3. FUND BALANCE

As of June 30, 2013 the fund balance details by classification are listed below:

Fund Balances:	<u>General Fund</u>	<u>Highway Project Advancement Notes</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Prepaid Costs	\$ 546,742	\$ -	\$ 55,064	\$ 601,806
Advances to Other Funds	1,176,842	-	-	1,176,842
Restricted:				
Debt Service	-	124,116,657	186,234	124,302,891
Capital Projects	-	-	71,553,180	71,553,180
Quality of Life Projects	-	-	2,236,225	2,236,225
Streets Projects	-	-	40,307,853	40,307,853
Public Safety	-	-	2,158,122	2,158,122
Cultural-Recreational	184,449	-	350,776	535,225
Community Environment	100,000	-	1,239,362	1,339,362
Court	-	-	957,481	957,481
Vehicle Replacements	-	-	725,000	725,000
Committed To:				
Debt Service			137,902	137,902
Capital Projects	-	-	7,266,360	7,266,360
Cultural-Recreational	-	-	1,659,224	1,659,224
Public Safety	-	-	2,423,308	2,423,308
Building Safety	985,364	-	-	985,364
Community Environment	199,615	-	6,344,270	6,543,885
Vehicle Replacements	-	-	5,174,009	5,174,009
Unassigned	<u>50,425,510</u>	<u>-</u>	<u>(1,176,535)</u>	<u>49,248,975</u>
Total Fund Balances	<u>\$ 53,618,522</u>	<u>\$ 124,116,657</u>	<u>\$ 141,597,835</u>	<u>\$ 319,333,014</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, 2013 as reported in Exhibit B-3 is 21.8% of General Fund expenditures budgeted for fiscal year 2013-2014.

4. POOLED CASH AND INVESTMENTS

At year-end, City cash totaled \$3,094,379 which included \$260,065 of petty cash. The carrying amount of the City's deposits was \$2,834,314 and the bank balance was \$73,824. The entire balance was covered by federal depository insurance. The difference of \$2,760,490 represents deposits in transit and other reconciling items.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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, 2013, 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's investments at June 30, 2013 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			<u>Concentration of Credit Risk %</u>
		<u>Less Than 1</u>	<u>1-2</u>	<u>More than 2</u>	
U.S. Treasuries	\$ 179,477,574	\$ 18,833,925	\$ 61,313,565	\$ 99,330,083	67.92 %
U.S. Agencies:					
Federal Home Loan Bank	3,670,583	3,670,583	-	-	1.39
Federal Home Loan Mortgage Corp.	60,030,004	-	60,030,004	-	22.72
Federal National Mortgage Assn	18,130,041	-	6,250,688	11,879,354	6.86
City of Mesa Special Improvement District Bonds	2,925,927	335,000	335,000	2,255,927	1.11
JP Morgan MMF	270,712	270,712	-	-	0.00
Total	<u>\$ 264,504,841</u>	<u>\$ 23,110,220</u>	<u>\$ 127,929,257</u>	<u>\$ 113,465,364</u>	<u>100 %</u>

None of these Investments are callable.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

Cash on Hand	\$ 260,065
Carrying Amount of City Deposits	2,834,314
Investments in Local Govt Invest Pool	80,544,774
Repurchase Agreement	18,376,750
Cash with Trustee (1)	146,971,101
Cash with Fiscal Agent (2)	85,879,375
Long-Term Investments	<u>264,504,841</u>
Pooled Cash and Investments	599,371,220
Less: Cash in Agency Fund	<u>(13,390,104)</u>
Total City Pooled Cash and Investments	<u>\$ 585,981,116</u>

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

(2) Represents cash sent by the City to fiscal agents on June 30, 2013 for debt service payments due to bondholders on July 1, 2013.

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 2012- 2013 of \$303,583 This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

5. ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS

Accounts receivable are recorded in the various funds and displayed in the financial statements net of an allowance for uncollectibles as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Allowance</u>	<u>Net</u>
Governmental Activities:			
General Fund:			
Taxes	\$ 11,272,095	\$ (2,454,533)	\$ 8,817,562
Courts	4,455,649	-	4,455,649
Other Customers	5,151,256	(1,139,001)	4,012,255
Due from Other Governments:			
State Shared Revenues	4,053,865	-	4,053,865
Other	6,126,302	-	6,126,302
Highway Project Advancement Notes			
Restricted-Due from Other Governments	84,399,950	-	84,399,950
Non-Major Governmental Funds:			
Taxes	3,527,095	-	3,527,095
Other Customers	1,344,939	-	1,344,939
Restricted-Spec. Assessments	6,550,573	-	6,550,573
Restricted-Other	53,641	-	53,641
Restricted-Property Taxes	515,326	-	515,326
Due from Other Governments	19,829,175	-	19,829,175
Internal Service Funds			
Customers	1,893,191	-	1,893,191
Due from Other Governments	5,319	-	5,319
Total Governmental Activities	<u>\$ 149,178,376</u>	<u>\$ (3,593,534)</u>	<u>\$ 145,584,842</u>
Business-Type Activities:			
Utility Customers	\$ 30,738,247	\$ (1,086,340)	\$ 29,651,907
Other Customers	2,977,695	(302,249)	2,675,446
Due from Other Governments	5,469,003	-	5,469,003
Total Business-type Activities	<u>\$ 39,184,945</u>	<u>\$ (1,388,589)</u>	<u>\$ 37,796,356</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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:

	General Fund	Special Revenue Funds	Debt Service Funds
Mesa Arts Center advanced ticket sales	\$ 522,735	\$ 30,592	\$ -
Rehabilitation Revolving Loans not yet due	-	53,641	-
Amounts due from tenants not yet available	-	123,061	-
Rents paid in advance	125,517	-	-
Grants received prior to meeting all eligibility requirements	-	1,324,242	-
Delinquent Property Taxes	-	-	263,860
Special Assessments not yet due	-	-	6,550,573
	<u>\$ 648,252</u>	<u>\$ 1,531,536</u>	<u>\$ 6,814,433</u>

Unbilled Accounts Receivable

Unbilled utility service receivables are recorded in the year in which the services are provided. At June 30, 2013, unbilled utility service receivables are recorded in the Enterprise Fund as follows:

Electric	\$ 1,568,284
Gas	859,278
Water	5,531,824
Wastewater	2,630,899
Solid Waste	1,931,515
	<u>\$ 12,521,800</u>

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The following interfund activities are included in the fund financial statements at June 30, 2013:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds:		
General Fund	\$ 3,346,597	\$ -
Highway Project Advancement Fund	-	759,213
Non-major Governmental Funds	-	2,587,384
Total Governmental funds	<u>\$ 3,346,597</u>	<u>\$ 3,346,597</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The interfund balances at June 30, 2013 are short-term loans to cover temporary cash deficits in various funds. All interfund balances outstanding at June 30, 2013 are expected to be repaid within one year.

The following advances are included in the fund financial statements at June 30, 2013:

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
Governmental funds:		
General Fund	\$ 1,176,842	\$ -
Non-major Governmental Funds	-	1,176,842
Total Governmental funds	<u>\$ 1,176,842</u>	<u>\$ 1,176,842</u>

The advances at June 30, 2013 are long-term loans to the Development Impact Fees fund to cover expenses which exceeded revenues received. The advances outstanding at June 30, 2013 are not expected to be repaid within one year.

The following interfund transfers are reflected in the fund financial statements for the year ended June 30, 2013:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Governmental funds:		
General Fund	\$ 36,781,754	\$ 83,715,021
Non-major Governmental Funds	27,421,090	64,102,823
Total governmental funds	64,202,844	147,817,844
Proprietary funds:		
Enterprise Fund	83,615,000	-
Total	<u>\$ 147,817,844</u>	<u>\$ 147,817,844</u>

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 remaining interfund transfers generally fall within one of the three following categories: 1) debt service payments made from a debt service fund but funded from an operating fund; 2) subsidy transfers; 3) open new funds and/or close old funds.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

7. CAPITAL ASSETS

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2013 follows:

	*Restated Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013
Governmental Activities:				
Non-depreciable Assets:				
Land	\$ 275,382,962	\$ 3,422,112	\$ (685,397)	\$ 278,119,677
Collections of Art	-	22,510	-	22,510
Construction-in-Progress	111,869,209	66,519,283	(10,015,721)	168,372,771
Total Non-depreciable Assets	<u>387,252,171</u>	<u>69,963,905</u>	<u>(10,701,118)</u>	<u>446,514,958</u>
Depreciable Assets:				
Buildings	289,786,304	7,488	-	289,793,792
Other Improvements	141,681,911	474,101	-	142,156,012
Machinery & Equipment	158,877,964	10,022,510	(4,260,052)	164,640,422
Intangibles	13,546,100	1,288	-	13,547,388
Infrastructure	886,357,823	829,106	(159,124)	887,027,805
Total Depreciable Assets	<u>1,490,250,102</u>	<u>11,334,493</u>	<u>(4,419,176)</u>	<u>1,497,165,419</u>
Less Accumulated Depreciation for:				
Buildings	(68,539,698)	(5,954,618)	-	(74,494,316)
Other Improvements	(59,886,206)	(22,722,177)	-	(82,608,383)
Machinery & Equipment	(107,869,371)	(12,257,013)	4,248,203	(115,878,181)
Intangibles	(276,993)	(584,686)	-	(861,679)
Infrastructure	(358,281,637)	(49,842,674)	159,124	(407,965,187)
Total Accum. Depreciation	<u>(594,853,905)</u>	<u>(91,361,168)</u>	<u>4,407,327</u>	<u>(681,807,746)</u>
Total Depreciable Assets, net	<u>895,396,197</u>	<u>(80,026,675)</u>	<u>(11,849)</u>	<u>815,357,673</u>
Governmental Activities				
Capital Assets, net	<u>\$ 1,282,648,368</u>	<u>\$ (10,062,770)</u>	<u>\$ (10,712,967)</u>	<u>\$ 1,261,872,631</u>

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

General Government	\$ 8,813,574
Public Safety	14,688,272
Cultural - Recreational	17,665,661
Community Environment	48,600,605
Capital assets held by the City's Internal Service funds are charged to the various functions based on their usage of the assets	<u>1,593,056</u>
Total Depreciation	<u>\$ 91,361,168</u>

The City changed the estimated useful lives on several assets during the current year. As a result, current year depreciation expense noted above includes \$31,897,063 of expense that related to this change in useful lives.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	*Restated Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013
Business-type Activities:				
Non-depreciable Assets:				
Land	\$ 57,909,396	-	\$ (62,182)	\$ 57,847,214
Water Rights	17,560,145	-	-	17,560,145
Construction-in-Progress	147,770,907	134,993,517	(2,500,275)	280,264,149
Total Non-depreciable Assets	<u>223,240,448</u>	<u>134,993,517</u>	<u>(2,562,457)</u>	<u>355,671,508</u>
Depreciable Assets:				
Buildings	52,086,065	-	-	52,086,065
Other Improvements	94,352,016	-	-	94,352,016
Machinery & Equipment	51,881,785	2,653,356	(496,361)	54,038,780
Intangibles	27,000,965	15,027	-	27,015,992
Infrastructure	1,503,363,036	5,959,169	(334,279)	1,508,987,926
Total Depreciable Assets	<u>1,728,683,867</u>	<u>8,627,552</u>	<u>(830,640)</u>	<u>1,736,480,779</u>
Less Accumulated Depreciation for:				
Buildings	(21,229,146)	(930,113)	-	(22,159,259)
Other Improvements	(34,196,757)	(8,106,102)	-	(42,302,859)
Machinery & Equipment	(28,364,262)	(8,280,950)	494,861	(36,150,351)
Intangibles	(16,649,272)	(553,436)	-	(17,202,708)
Infrastructure	(516,493,576)	(86,785,998)	304,470	(602,975,104)
Total Accum. Depreciation	<u>(616,933,013)</u>	<u>(104,656,599)</u>	<u>799,331</u>	<u>(720,790,281)</u>
Total Depreciable Assets, net	<u>1,111,750,854</u>	<u>(96,029,047)</u>	<u>(31,309)</u>	<u>1,015,690,498</u>
Business-type Activities				
Capital Assets, net	<u>\$1,334,991,302</u>	<u>\$ 38,964,470</u>	<u>\$ (2,593,766)</u>	<u>\$1,371,362,006</u>

The City changed the estimated useful lives on several assets during the current year. As a result, current year depreciation expense noted below includes \$50,337,613 of expense that related to this change in useful lives.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

Electric	\$ 4,248,860
Gas	4,228,952
Water	41,116,891
Wastewater	43,409,516
Solid Waste	5,044,815
Airport	1,767,903
Golf Course	1,798,381
Convention Center	595,813
Hohokam Stadium/Fitch Complex	1,999,411
District Cooling	446,057
Total Depreciation and Amortization	<u>104,656,599</u>

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	\$ 912,690	\$ 2,628,347
Public Safety	59,860,124	925,867
Cultural-Recreational	8,376,339	128,246
Community Environmental	98,958,599	9,552,441
Warehouse, Maintenance & Services	265,019	-
Total	<u>\$ 168,372,771</u>	<u>\$ 13,234,901</u>

<u>Business-type Activities</u>	<u>Construction in Progress</u>	<u>Commitments</u>
Electric	\$ 25,551,535	\$ 200,358
Gas	24,875,730	1,300,519
Water	99,023,077	2,176,544
Wastewater	42,363,971	2,696,307
Solid Waste	2,869,926	2,540,287
Airport	5,367,329	850,687
Golf Course	469,591	-
Convention Center	880,314	9
Hohokam Stadium/Fitch Complex	24,027	254,997
Cubs Stadium	63,355,999	11,667
Economic Development	15,360,008	-
District Cooling	122,642	-
Total	<u>\$ 280,264,149</u>	<u>\$ 10,031,375</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

For the year ended June 30, 2013, the City capitalized net interest costs of \$4,950,146. Total interest expense in the Business-type Activities Enterprise Fund before capitalization was \$47,065,955.

8. LONG-TERM OBLIGATIONS

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

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

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 288,668,840	\$ 68,875,000	\$ (32,860,928)	\$ 324,682,912	\$ 18,193,363
Highway User Revenue Bonds	121,395,000	8,500,000	(15,245,000)	114,650,000	6,945,000
Special Assessment Bonds with Governmental Commitment	5,062,000	-	(744,000)	4,318,000	744,000
Community Facility District	-	2,712,000	-	2,712,000	62,000
Less Deferred Amounts on Refundings	(6,109,537)	(1,872,520)	1,774,049	(6,208,008)	-
Total Bonds Payable	409,016,303	78,214,480	(47,075,879)	440,154,904	25,944,363
Capital Leases	821,550	-	(681,958)	139,592	67,953
Notes Payable	122,835,000	-	-	122,835,000	-
Unamortized Premiums	21,232,542	3,681,055	(3,231,517)	21,682,080	-
Post Employment Benefits	264,345,479	71,822,208	(12,613,806)	323,553,881	-
Compensated Absences	17,242,617	26,027,898	(20,275,909)	22,994,606	3,070,011
Governmental Activities Total	\$ 835,493,491	\$ 179,745,641	\$ (83,879,069)	\$ 931,360,063	\$ 29,082,327
Business-type Activities:					
Bonds Payable:					
Revenue Bonds	\$ 952,500,000	\$ 47,290,000	\$ (21,630,000)	\$ 978,160,000	\$ 22,550,000
General Obligation Bonds	1,601,160	-	(714,072)	887,088	281,637
Excise Tax Revenue Obligations	-	94,060,000	-	94,060,000	-
Less Deferred Amounts on Refundings	(24,279,066)	-	2,455,149	(21,823,917)	-
Total Bonds Payable	929,822,094	141,350,000	(19,888,923)	1,051,283,171	22,831,637
Notes Payable	2,492,975	-	(122,974)	2,370,001	125,651
Unamortized Bond Premiums	19,238,432	12,001,455	(2,887,321)	28,352,566	-
Post Employment Benefits	55,811,134	11,747,136	(2,063,096)	65,495,174	-
Compensated Absences	4,182,262	2,662,417	(2,988,494)	3,856,185	462,036
Other Long-Term Obligations	116,754	-	(116,754)	-	-
Business-type Activities Total	\$ 1,011,663,651	\$ 167,761,008	\$ (28,067,562)	\$ 1,151,357,097	\$ 23,419,324

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 \$8,457,518 of internal service funds post-employment benefits and compensated absences are included in the above

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

b. **Bonds Payable**

At June 30, 2013, 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.	\$ 2,746,476
\$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.	46,017,342
\$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.	2,000,000
\$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.	9,575,000
\$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.	3,323,143
\$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.	13,450,000
\$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.	47,245,000
\$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, 2013

\$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.	\$ 27,500,000
\$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.	26,450,000
\$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.	30,720,951
\$8,915,000 2013 general obligation refunding serial bonds due in annual installments ranging from \$30,000 to \$3,250,000, plus semi-annual interest ranging from .7 percent to 5 percent through July 1, 2024.	8,915,000
\$59,960,000 2013 general obligation serial bonds due in annual installments ranging from \$1,635,000 to \$12,675,000, plus semi-annual interest ranging from 1.5 percent to 4 percent through July 1, 2023.	<u>59,960,000</u>
Total General Obligation Bonds	\$ 324,682,912

Street and Highway User Revenue Bonds

\$26,805,000 2003 street and highway user revenue bonds, (partially refunded by street and highway user revenue refunding bonds, series 2012) due in annual principal installments ranging from \$500,000 to \$9,750,000, plus semi-annual interest ranging from 4.25 percent to 5.50 percent through July 1, 2018.	\$ 3,700,000
\$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.	1,175,000
\$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.	17,760,000
\$23,800,000 2005 street and highway user revenue refunding bonds, due in annual principal installments ranging from \$25,000 to \$8,000,000, plus semi-annual interest ranging from 2.75 percent to 5.0 percent through July 1, 2023.	23,750,000
\$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.	1,325,000

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

\$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
\$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.	36,090,000
\$8,500,000	2013 street and highway user revenue refunding bonds, due in one installment of \$8,500,000 plus semi-annual interest of 5 percent through July 1, 2024.	<u>8,500,000</u>
Total Street and Highway User Revenue Bonds		\$114,650,000

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.	\$ 2,680,000
\$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.	<u>1,638,000</u>
Total Special Assessment Bonds		\$ 4,318,000

Community Facilities District

\$2,712,000	2013 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 1 Special Assessment Revenue Bonds, due in annual principle installments ranging from \$62,000 to \$95,000, plus semi-annual interest ranging from 2.0 percent to 4.375 percent through July 1, 2025.	<u>\$ 2,712,000</u>
Total bonds payable recorded in governmental activities		<u>\$446,362,912</u>

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.	\$ 13,524
-----------	---	-----------

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

\$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.	\$ 212,658
\$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.	151,857
\$ 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.	<u>509,049</u>
Total General Obligation Bonds	\$ 887,008

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.	\$ 4,000,000
\$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.	38,815,000
\$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.	19,940,000
\$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.	6,000,000
\$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.	40,345,000
\$91,200,000 2005 utility systems revenue serial bonds, (partially refunded by 2006 (and series 2012) utility systems revenue refunding bonds), due in annual	

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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.	58,075,000
\$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.	127,090,000
\$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.	10,125,000
\$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.	31,580,000
\$80,295,000 2012 taxable utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$3,225,000 to \$9,150,000, plus semi-annual interest ranging from 3.269 percent to 5.048 percent through July 1, 2035.	80,295,000

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

\$47,290,000 2013 utility systems revenue bonds, due in one principal installment, plus semi-annual interest of 4.0 percent through July 1, 2037. \$ 47,290,000

Total Utility Systems Revenue Bonds **\$ 978,160,000**

Excise Tax Revenue Obligations

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

Total bonds payable recorded in business-type activities **\$1,073,098,088**

The following tables summarize the City's debt service requirements to maturity for its long term bonds payable at June 30, 2013. The deferred amounts on refundings are not included.

Governmental Activities

General Obligation Bonds				Highway User Revenue Bonds			
Fiscal Year	Principal	Interest	Total	Fiscal Year	Principal	Interest	Total
2014	\$ 18,193,363	\$ 13,095,877	\$ 31,289,240	2014	\$ 6,945,000	\$ 5,471,900	\$ 12,416,900
2015	15,438,606	12,408,662	27,847,268	2015	7,255,000	5,186,200	12,441,200
2016	16,106,179	11,928,503	28,034,682	2016	7,585,000	4,884,250	12,469,250
2017	16,822,596	11,449,432	28,272,028	2017	7,900,000	4,502,850	12,402,850
2018	40,613,733	10,735,656	51,349,389	2018	8,375,000	4,109,850	12,484,850
2019-23	66,283,435	39,526,109	105,809,544	2019-23	47,590,000	13,978,075	61,568,075
2024-28	82,475,000	24,745,994	107,220,994	2024-28	29,000,000	2,649,000	31,649,000
2029-33	68,750,000	7,034,963	75,784,963	2029-33	-	-	-
TOTALS	\$ 324,682,912	\$ 130,925,196	\$ 455,608,108	TOTALS	\$ 114,650,000	\$ 40,782,125	\$ 155,432,125

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Special Assessment Bonds

Community Facilities District

Fiscal Year	Principal	Interest	Total	Fiscal Year	Principal	Interest	Total
2014	\$ 744,000	\$ 217,400	\$ 961,400	2014	\$ 62,000	\$ 129,500	\$ 191,500
2015	744,000	177,520	921,520	2015	70,000	121,444	191,444
2016	744,000	137,615	881,615	2016	70,000	120,044	190,044
2017	744,000	87,970	831,970	2017	70,000	118,644	188,644
2018	335,000	48,575	383,575	2018	75,000	116,544	191,544
2019-23	1,007,000	116,580	1,123,580	2019-23	410,000	545,269	955,269
2024-28	-	-	-	2024-28	500,000	453,075	953,075
2029-33	-	-	-	2029-33	635,000	316,850	951,850
2034-38	-	-	-	2034-38	820,000	133,088	953,088
TOTALS	\$ 4,318,000	\$ 785,660	\$ 5,103,660	TOTALS	\$ 2,712,000	\$ 2,054,458	\$ 4,766,458

Business-type Activities

General Obligation Bonds

Revenue Bonds

Fiscal Year	Principal	Interest	Total	Fiscal Year	Principal	Interest	Total
2014	\$ 281,637	\$ 21,717	\$ 303,354	2014	\$ 22,550,000	\$ 47,224,441	\$ 69,774,441
2015	131,394	12,565	143,959	2015	23,860,000	45,952,113	69,812,113
2016	83,821	18,674	102,495	2016	24,800,000	44,768,408	69,568,408
2017	67,404	15,065	82,469	2017	26,070,000	43,559,958	69,629,958
2018	181,267	19,094	200,361	2018	31,880,000	42,371,533	74,251,533
2019-23	141,565	24,547	166,112	2019-23	164,145,000	188,119,572	352,264,572
2024-28	-	-	-	2024-28	200,075,000	145,642,012	345,717,012
2029-33	-	-	-	2029-33	250,375,000	96,016,223	346,391,223
2034-38	-	-	-	2034-38	234,405,000	25,280,454	259,685,454
TOTALS	\$ 887,088	\$ 111,662	\$ 998,750	TOTALS	\$ 978,160,000	\$ 678,934,714	\$ 1,657,094,714

Excise Tax Revenue Obligations

Fiscal Year	Principal	Interest	Total
2014	\$ -	\$ 4,703,000	\$ 4,703,000
2015	-	4,703,000	4,703,000
2016	-	4,703,000	4,703,000
2017	-	4,703,000	4,703,000
2018	-	4,703,000	4,703,000
2019-23	13,570,000	23,184,000	36,754,000
2024-28	40,340,000	16,285,250	56,625,250
2029-33	40,150,000	5,141,250	45,291,250
TOTALS	\$ 94,060,000	\$ 68,125,500	\$ 162,185,500

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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, 2013, 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, 2013 are \$4,318,000.

General Obligation Bonds

The general obligation bonds are backed by the ultimate taxing power and general revenues of the City; however, \$887,088 of these bonds at June 30, 2013 is carried as a liability of the Enterprise Fund to reflect the intention of retirement from resources of that fund.

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

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

The total debt margin available July 1, 2013 is:

6% Bonds	\$ 166,050,240
20% Bonds	<u>253,349,502</u>
Total Available	<u>\$ 419,399,742</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, 2013,

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

the amount provided in the Replacement and Extension Funds equaled \$22,567,071 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.

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, 2013:

Fiscal Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest & Fees	Total
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	14,800,000	3,187,500	17,987,500	136,981	40,684	177,665
2019-23	48,950,000	4,975,000	53,925,000	731,225	157,101	888,326
2024-28	-	-	-	815,147	73,179	888,326
2029	-	-	-	167,367	3,698	171,065
TOTALS	\$ 122,835,000	\$ 27,567,000	\$ 150,402,000	\$ 2,370,001	\$ 466,041	\$ 2,836,042

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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, 2013.

Governmental Activities			
Fiscal Year	Principal	Interest	Total
2014	\$ 67,953	\$ 6,581	\$ 74,534
2015	71,639	2,894	74,533
TOTALS	\$ 139,592	\$ 9,475	\$ 149,067

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Machinery & Equipment	\$ 430,375
Infrastructure	3,196,300
Less: Accumulated depreciation	(3,380,746)
Total	\$ 245,929

f. **Short-term Debt**

The City had no short-term debt activity for the fiscal year ended June 30, 2013.

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.

(Continued)

h. **Pledged Revenues**

I. Utility System Revenue Bonds

The City has pledged future utility customer revenues, net of specified operating expenses, to repay approximately \$1.503 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 2037. 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 \$1,657,094,715. Principal and interest paid for the current year and total customer net revenues were \$68,041,686 and \$161,079,371, respectively.

II. Highway User Revenue Bonds

The City has pledged future Highway User Taxes Revenue to repay \$224.4 million in highway user revenue bonds issued since 2002. Proceeds from the bonds provided financing for streets projects. The bonds are payable solely from the state shared Highway User Tax revenues and are payable through 2027. Annual principal and interest payments on the bonds were 32 percent of eligible revenues. The total principal and interest remaining to be paid on the bonds is \$155,432,125. Principal and interest paid for the current year and total highway user tax revenues were \$11,772,349 and \$30,007,015, respectively.

III. Special Assessment Bonds

The special assessment revenues collected by the City are pledged to repay \$9.1 million of special assessment bonds issued since 2005. Proceeds from the bonds are used to finance improvements that property owners have agreed to pay. In the event of default by the property owner, an auction sale may be enforced by the City. If collections and auction proceeds are not sufficient to retire outstanding bonds the City is contingently liable. These bonds are payable through 2021. Annual principal and interest payments on the bonds are expected to be covered 100% with collections from the property owners. The total principal and interest remaining to be paid on the bonds is \$5,103,660. Principal and interest paid for the current year and total assessments collected were \$1,001,280, and \$897,058, respectively

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

On April 16, 2013, the City issued \$8,500,000 of highway user revenue bonds with an original issue premium of \$1,806,845 to advance refund \$9,100,000 of outstanding highway user revenue bonds. The refunding bonds were issued with an average interest rate of 5.0 percent. The net proceeds of \$10,306,845 were provided to a refunding escrow agent to pay issuance costs of \$177,000 for insurance premiums, underwriting fees and other issuance costs with the remaining \$10,129,845 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 \$1,028,356. 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 2025

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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 \$761,706 over the next ten years producing an economic gain (difference between the present value of old and new debt service payments) of \$758,626.

On April 24, 2013, the City issued \$8,915,000 of general obligation bonds with an original issue premium of \$1,006,460 to advance refund \$8,915,000 of outstanding general obligation bonds. The refunding bonds were issued with an average interest rate of 3.73 percent. The net proceeds of \$9,921,460 were provided to a refunding escrow agent to pay issuance costs of \$162,297 for insurance premiums, underwriting fees and other issuance costs with the remaining \$9,759,163 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 \$844,162. This difference, reported in the accompanying financial statements as a deduction from general obligation bonds payable, is being charged to operations through the year 2024 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 \$364,175 over the next ten years producing an economic gain (difference between the present value of old and new debt service payments) of \$363,718.

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, 2013 as reflected below is not included in the City's financial statements.

Utility System Revenue Bond Issue dated March 1, 1998	\$ 10,035,000
Utility System Revenue Refunding Bond Issue dated February 1, 2002	56,430,000
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	18,075,000

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

General Obligation Bond Issue dated June 9, 2005	\$8,705,000
Street and Highway User Revenue Bond Issue dated June 9, 2005	\$ <u>8,500,000</u>
Total Refunded Bonds Outstanding	<u>\$ 188,245,000</u>

10. SELF-INSURANCE INTERNAL SERVICE FUND

The Property and Public Liability, Workers' Compensation and Employee Benefits Internal Service Funds have been established to account for the costs of claims incurred by the City under self-insurance programs. The City is fully self-insured for all public liability risks, up to a maximum of \$3,000,000, per occurrence, for the current policy year under the Property and Public Liability Insurance program. In addition, the City carries full property insurance with a \$50,000 per occurrence deductible. Under the Workers' Compensation Program, the City is subject to a maximum deductible of \$1,000,000 liability per occurrence. In the Employee Benefits Fund, the City has excess insurance coverage when an individual's claims exceed \$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 Workers' Compensation Fund does not have a stop loss receivable at June 30, 2013. Over the past three fiscal years the Fund has received settlements in excess of insurance coverage of \$744,091 with \$325,432 received this current fiscal year. The Property and Public Liability Fund does not have a stop loss receivable at June 30, 2013, 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, 2013. Over the past three fiscal years the Fund has received settlements in excess of insurance coverage of \$3,692,150 with \$682,704 received this current fiscal year.

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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, 6/30/11	\$ 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	\$ 13,030,000	\$ 18,718,196	\$ 5,586,769	\$ 37,334,965
Adjustments to Reserves-FY 12-13	\$ 1,165,015	\$ 6,674,744	\$ 48,061,842	\$ 55,901,601
Claim Payments-FY 12-13	<u>(829,015)</u>	<u>(3,686,440)</u>	<u>(49,802,962)</u>	<u>(54,318,417)</u>
Unpaid Claims, 6/30/13	<u>\$ 13,366,000</u>	<u>\$ 21,706,500</u>	<u>\$ 3,845,649</u>	<u>\$ 38,918,149</u>

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

11. COMMITMENTS AND CONTINGENT LIABILITIES

a. **Pending Litigation**

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

b. **Sick Leave Benefits**

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

The total sick leave balance recorded as a liability at June 30, 2013, is \$7,651,691.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

12. NET POSITION

a. **Restricted Net Position**

The government-wide statement of net position reports \$94,513,621 of restricted net position, of which \$42,544,078 is restricted by enabling legislation.

b. **Designated Net Position**

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

c. **Deficit Net Position**

The deficit in the Property and Public Liability Self-Insurance Fund is the result of the large increases in the estimated liability for claims during prior fiscal years. A decrease in claims incurred but not reported calculated by the actuarial study resulted in a reduction of the deficit net position during the fiscal year.

The deficit in the Workers Compensation Self-Insurance Fund was the result of a \$2.3 million increase in liabilities. The increase in liabilities was the result of increase in claims incurred and pending.

The City's funding plan calls for yearly contributions from various funds to equal the years estimated claims and claim related expenses. Future claim liabilities are not considered in determining fund for each year.

The deficit in the Warehouse, Maintenance and Services fund was a result of other post-employment benefit charges.

13. ENTERPRISE ACTIVITIES OPERATIONS DETAIL

The Enterprise Fund includes operations of electricity, gas, water, wastewater, solid waste, airport, golf course, convention center, stadiums and district cooling. Although the City's Enterprise Fund does not meet the requirements for disclosing segment information, these services provided by the City are of such significance as to warrant certain additional disclosures. Operating revenue, expenses and operating income loss for the year ended June 30, 2013 for these services are as follows:

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Functions	Operating Revenues	Operating Expenses		Operating Income (Loss)
		Depreciation and Amortization	Other	
Electric	\$ 31,075,113	\$ 4,248,860	\$ 23,525,469	\$ 3,300,784
Gas	39,125,019	4,228,952	27,804,313	7,091,754
Water	111,933,119	41,116,891	38,969,314	31,846,914
Wastewater	64,413,119	43,409,516	21,596,360	(592,757)
Solid Waste	47,368,556	5,044,815	31,183,871	11,139,870
Airport	3,484,409	1,767,903	2,552,453	(835,947)
Golf Course	1,472,177	1,798,381	1,525,959	(1,852,163)
Convention Center	2,597,298	595,813	3,350,485	(1,349,000)
Hohokam /Fitch Complex	5,496,066	1,999,411	7,094,816	(3,598,161)
District Cooling	975,459	446,057	634,756	(105,354)
Economic Investment	148,098	-	3,653,007	(3,504,909)
Total	\$ 308,088,433	\$ 104,656,599	\$ 161,890,803	\$ 41,541,031

14. JOINT VENTURES

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

The City's investment in these Joint Ventures as of June 30, 2013 is as follows:

	Governmental Activities	Business-Type Activities	Total
Valley Metro Rail Inc	\$ 82,806,749	\$ -	\$ 82,806,749
TOPAZ Regional Wireless Cooperative	1,567,692	-	1,567,692
Subregional Operating Group	-	98,733,945	98,733,945
Val Vista Water Treatment Plant	-	66,167,404	66,167,404
Greenfield Water Reclamation Plant	-	64,583,249	64,583,249
Joint Ventures Construction Deposits	-	5,790,610	5,790,610
Total Investment in Joint Ventures	\$ 84,374,441	\$ 235,275,208	\$ 319,649,649

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Valley Metro Rail, Inc. “VMRI”

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

A total of \$1,145,423,567 has been spent on this project through the fiscal year ended June 30, 2013, of which the City’s share and equity interest is \$82,806,749. The City has received and accrued \$52.2 million of funding from the Federal Transit Administration (FTA), Congestion Mitigation Air Quality (CMAQ) and Public Transit Funds (PTF) related to this project.

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

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

TOPAZ Regional Wireless Cooperative

The City of Mesa currently participates with the City of Apache Junction, Apache Junction Fire District the Town of Gilbert, the Town of Queen Creek and Rio Verde Fire District (the Parties) in an intergovernmental agreement to plan, design, construct, operate, maintain and finance the TOPAZ Regional Wireless Cooperative Network (Trunked Open Arizona Network) TOPAZ is a 700/800 MHz Network procured and built by the City of Mesa. The City acts as the lead agency and is responsible for the planning, budgeting, construction, operation and maintenance of the network. As lead agent, the City provides all management personnel and financing arrangements. The Parties participate in ownership of the network and are charged for operating and capital expenses based on six month rolling average of airtime. The City’s equity in the joint venture is \$1,567,692 and is reflected in the governmental funds financial statements. Separate financial statements are not prepared.

Total investment in the joint venture as of June 30, 2013 is:

City of Mesa	\$ 1,567,692
Town of Gilbert	408,103
City of Apache Junction	94,406
Apache Junction Fire District	44,781
Town of Queen Creek	21,061
Rio Verde Fire District	<u>7,193</u>
Total Joint Venture	<u>\$ 2,143,236</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Wastewater

Subregional Operating Group

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

The City of Phoenix acts as the lead agency in SROG and is responsible for the planning, budgeting, construction, operation and maintenance of the plant in addition to providing all management personnel and financing arrangements. The various cities participate in ownership of the plant and are charged for operating expenses based on gallons of flow. The different agencies participate in each facility at varying rates depending on their needs at the time each facility was constructed. The City’s equity in the joint venture is \$98,733,945 and is reflected in the proprietary funds financial statements.

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

Water

Val Vista Water Treatment Plant

The City also participates with the City of Phoenix in the Val Vista Water Treatment Plant and Transmission Line. The City of Phoenix is responsible for the planning, budgeting, construction, operation and maintenance of the plant. As lead agency, Phoenix provides all management personnel and financing arrangements. Phoenix and Mesa participate in ownership of the plant and are charged for operating expenses based on gallons of water treated. The City’s investment in the joint venture is \$66,167,404 and is reflected in the proprietary funds financial statements.

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

Greenfield Water Reclamation Project

Construction of a joint water reclamation plant with the Towns of Gilbert and Queen Creek was completed on December 2, 2006. 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, 2013 is:

Mesa’s Share	\$ 64,583,249
Gilbert’s Share	61,311,522
Queen Creek’s Share	<u>26,625,541</u>
Total Joint Venture	<u>\$ 152,520,312</u>

(Continued)

15. RETIREMENT AND PENSION PLANS

All benefitted 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 benefitted City employees, except sworn fire and police personnel, are included in the plan that is a multiple-employer cost-sharing defined benefit pension plan. All sworn fire and police personnel participate in the Public Safety Personnel Retirement System that is an agent multiple-employer plan. 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 benefitted 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, P.O. Box 33910, Phoenix, Arizona, 85067-3910 or by calling 1-800-621-3778.

b. **Funding Policy**

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. Covered employees were required by state statute to contribute for the years ended June 30, 2013, 2012, and 2011, 11.14 percent (10.90 pension plus 0.24 long-term disability), 10.74 percent (10.50 pension plus 0.25 long-term disability), and 9.85 percent (9.60 pension plus 0.25 long-term disability), respectively. The City's covered employee contributions to the System for the years ending June 30, 2013, 2012 and 2011 were \$16,607,775, \$14,563,437, and \$13,347,661, respectively, which were equal to the required contributions for each year. The City contributed equal amounts to the System 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 sworn fire and police agencies within the state. All sworn fire and police personnel are eligible to participate in the plan. The plan provides retirement, disability benefits, and death benefits to plan members and beneficiaries. The PSPRS is jointly administered by the Fund Manager and 234

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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**

Benefit and contribution provisions are established by state law and may be amended only by the State of Arizona Legislature (A.R.S. Section 38-843). PSPRS members are required to contribute 9.55 percent of their annual covered salary. The City is required to contribute an actuarially determined rate expressed as a percent of covered salary and a distribution of the net earnings of the Fund. The City's rates for the fiscal years ending June 30, 2013, 2012, and 2011, were 27.62 percent (25.94 pension plus 1.68 health care), 23.12 percent (21.46 pension plus 1.66 health care), and 20.30 percent (18.77 pension plus 1.53 health care), respectively, for fire personnel and 27.51 percent (25.63 pension plus 1.88 health care), 23.34 percent (21.58 pension plus 1.76 health care), and 21.11 percent (19.52 pension plus 1.59 health care), respectively, for police members.

c. **Annual Pension Cost**

Fire personnel contributed \$2,944,131 and police personnel contributed \$5,799,592 during fiscal year 2012-2013. For 2013, the City's annual pension cost of \$7,657,491 for fire and \$16,691,685 for police 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, 2011 actuarial valuation using an individual entry-age actuarial cost method.

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

Fire

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 5,088,956	100%	\$ -
2012	5,971,897	100	-
2013	7,657,491	100	-

Police

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 10,632,286	100%	\$ -
2012	11,583,072	100	-
2013	16,691,685	100	-

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

e. **Actuarial Methods and Assumptions**

The actuarial assumptions for both fire and police included (a) a rate of return on the investment of present and future assets of 8.25 percent investment rate of return, (b) projected salary increases of 5.0 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 amortization method is a level percent of payroll closed. The actuarial value of PSPRS assets was determined using techniques that smooth the market value of assets over time. PSPRS’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over an closed period of 30 years, 25 years remaining as of June 30, 2011 (if the actuarial value of assets exceeded the actuarial accrued liability, then the excess was amortized over an open period of 20 years).

f. **Funded Status and Funding Progress**

The funded status of the plans (excluding Health Insurance Subsidy) as of June 30, 2013 (Latest actuarial date available) is as follows:

	<u>Fire</u>	<u>Police</u>
Actuarial accrued liability (AAL)	\$ 268,820,604	\$ 472,690,674
Actuarial value of plan assets	170,546,734	283,840,532
Unfunded actuarial accrued liability (UAAL)	<u>\$ 98,273,870</u>	<u>\$ 188,850,142</u>
Funded ratio (actuarial value of plan assets/AAL)	63.4%	60.0%
Covered payroll (active plan members)	\$ 31,008,317	\$ 60,096,603
UAAL as a percentage of covered payroll	316.9%	314.2%

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.

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

For 2013 the City’s annual Other Post-Employment Benefits (OPEB) cost of \$1,105,223 for police and \$490,249 for fire was equal to the City’s required contributions.

Funded Status and Funding Progress

The funded status of the Health Insurance Subsidy plans as of June 30, 2013 (Latest actuarial date available) is as follows:

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Fire</u>	<u>Police</u>
Actuarial accrued liability (AAL)	\$ 7,330,823	\$ 15,822,896
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 7,330,823</u>	<u>\$ 15,822,896</u>
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered payroll (active plan members)	\$ 31,008,317	\$ 60,096,093
UAAL as a percentage of covered payroll	23.64%	26.33%

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 2013 and the two preceding years were as follows:

Police

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2011	\$ 866,052	100%	\$ -
2012	944,681	100	-
2013	1,105,223	100	-

Fire

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2011	\$ 414,816	100%	\$ -
2012	461,945	100	-
2013	490,249	100	-

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 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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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 11.5 percent of their annual covered salary. Incorporated city or town employers are required to contribute an amount sufficient to meet both the normal cost of a level-cost method attributable to the EORP, plus the amount required to amortize the unfunded accrued liability for the employer. Such amounts are to be determined each year by actuarial valuation and paid as a level percent of compensation. The contribution requirements for plan members are established and may be amended by the Fund Manager, a five-member board. The City's rates for fiscal years ended June 30, 2013, 2012, and 2011, were 36.44 percent, 29.79 percent, and 29.79 percent respectively. The City's contributions to EORP for the fiscal years ending June 30, 2013, 2012, and 2011 were \$59,877, \$49,518, and \$44,454 respectively, which were equal to the required contributions for each year. The City's employees contributed \$18,896, \$15,010, and \$10,446, respectively, for the same time period.

16. POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 15, the City provides post-retirement health care benefits to all eligible retirees in accordance with the compensation plan adopted by the City Council each fiscal year. These benefits include medical, dental and vision insurance programs and are the same as those offered to active employees. Retirees may select single or family coverage. As of June 30, 2013, approximately 1,615 former employees were eligible for these benefits, an increase of 40 participants from the prior year or a 2.5% increase.

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

The unfunded actuarial accrued annual required contribution for current retirees as well as current active members for fiscal year 2012-2013 was \$68,892,442. A liability of \$9,684,040 is accrued in the business-type activities financial statements; the remaining \$59,208,402 has been accrued in the governmental activities column in the government-wide financial statements.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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.

For fiscal year ended June 30, 2013, the City contributed \$14,676,902 to the plan (approximately 70.0 percent of total premiums). Plan members receiving benefits contributed \$6,297,198 or approximately 30.0 percent of total premiums.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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, 2013:

Annual Required Contribution	\$	86,593,869
Interest on Net OPEB Obligation		12,447,374
Adjusted to Annual Required Contribution		<u>(15,471,899)</u>
Annual OPEB Cost		83,569,344
Contributions Made		<u>(14,676,902)</u>
Increase in Net OPEB Obligation		68,892,442
Net OPEB Obligation – Beginning of year		<u>320,156,613</u>
Net OPEB Obligation – End of year	\$	<u>389,049,055</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, 2011 through 2013 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2011	\$80,493,139	\$ 13,494,020	16.76%	\$252,021,769
2012	82,462,949	14,328,105	17.38	320,156,613
2013	83,569,344	14,676,902	17.56	389,049,055

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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>992,015,972</u>
Unfunded actuarial accrued liability	<u>\$ 992,015,972</u>
Funded ratio	0%
Covered payroll	\$330,112,710
Unfunded actuarial accrued liability as a percentage of covered payroll	300.5%

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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

17. SUBSEQUENT EVENTS

On August 15, 2013, the City called for the optional redemption of \$20,000,000 of Arizona Highway Projects Anticipation Notes, Series 2009, plus accumulated interest of \$85,556.

18. RESTATEMENT OF BEGINNING FUND BALANCE/NET POSITION

	Governmental Activities	Business-Type Activities	Enterprise Fund	General Fund
Net Position/Fund Balance at 06/30/12, as Previously Reported	\$ 857,973,030	\$ 735,944,179	\$ 739,401,579	\$ 85,792,127
Depreciation Adjustment	(11,148,102)	(4,894,965)	(4,894,965)	-
Account Recievable Adjustment	(3,737,257)	-	-	(3,737,257)
Net Position/Fund Balance at 07/01/12, as Restated	<u>\$ 843,087,671</u>	<u>\$ 731,049,214</u>	<u>\$ 734,506,614</u>	<u>\$ 82,054,870</u>

The City restated the beginning net position for the governmental activities due assets that should have been placed in service in prior years and their associated depreciation expense. Additionally, items were capitalized that were owned by other entities. This resulted in a decrease to beginning net position of \$11.1 million. The City also restated beginning net position for the governmental activities and general fund due to an error in prior years of accruing accounts receivables that should not have been accrued. This resulted in a decrease in beginning net position of \$3.7 million. The City restated the beginning net position for the business-type activities and the enterprise fund due assets that should have been placed in service in prior years and their associated depreciation expense. This resulted in a decrease to beginning net position of \$4.9 million.





Required Supplementary Information



CITY OF MESA, ARIZONA
EXHIBIT B-1
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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
2011	\$ 267,751,509	\$ 394,642,766	67.8%	\$ 126,891,257	\$ 53,322,879	238.0%
2012	277,907,210	436,074,466	63.7%	158,167,256	53,991,203	293.0%
2013	283,840,532	472,690,674	60.0%	188,850,142	60,096,603	314.2%

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
2011	\$ 158,852,143	\$ 226,084,157	70.3%	\$ 67,232,014	\$ 26,468,460	254.0%
2012	166,996,344	252,197,254	66.2%	85,200,910	28,075,010	303.5%
2013	170,546,734	268,820,604	63.4%	98,273,870	31,008,317	316.9%

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)
2011	\$ -	\$ 14,829,939	\$ 14,829,939	0.0%	\$ 53,322,879	27.8%
2012	-	15,221,638	15,221,638	0.0%	53,991,203	28.2%
2013	-	15,822,896	15,822,896	0.0%	60,096,093	26.3%

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)
2011	\$ -	\$ 6,903,647	\$ 6,903,647	0.0%	\$ 26,468,460	26.1%
2012	-	7,129,364	7,129,364	0.0%	28,075,010	25.4%
2013	-	7,330,823	7,330,823	0.0%	31,008,317	23.6%

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, 2013

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	0.0%	\$ 664,071,640	\$ 338,835,124	196.0%
July 1, 2009	-	916,615,559	0.0%	916,615,559	321,012,148	285.5%
July 1, 2011	-	992,015,972	0.0%	992,015,972	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, 2013

	<u>Budgeted Amounts</u>		<u>Actual - Budgetary Basis</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Sales Taxes	\$ 108,100,000	\$ 108,100,000	\$ 95,278,535	\$ (12,821,465)
Licenses and Permits	15,400,000	15,400,000	14,054,431	(1,345,569)
Intergovernmental	97,100,000	97,100,000	104,578,904	7,478,904
Charges For Services	12,000,000	12,000,000	16,603,223	4,603,223
Fines and Forfeitures	10,700,000	10,700,000	8,501,965	(2,198,035)
Investment Income	138,510	138,510	498,032	359,522
Capital Contributions	87,000	87,000	132,479	45,479
Miscellaneous	1,800,000	1,800,000	3,035,884	1,235,884
Total Net Revenues	245,325,510	245,325,510	242,683,453	(2,642,057)
Expenditures:				
Current:				
General Government	71,349,736	76,190,694	68,941,141	7,249,553
Public Safety	202,563,977	213,717,841	199,297,876	14,419,965
Cultural-Recreational	31,952,962	33,593,005	31,671,056	1,921,949
Community Environment	13,382,550	14,119,354	10,387,862	3,731,492
Contingency	42,000,000	14,041,731	-	14,041,731
Capital Outlay	7,458,921	16,432,277	12,960,611	3,471,666
Total Expenditures	368,708,146	368,094,902	323,258,546	44,836,356
Excess (Deficiency) of Revenues Over (Under) Expenditures	(123,382,636)	(122,769,392)	(80,575,093)	42,194,299
Other Financing Sources (Uses):				
Transfers In	83,600,000	83,600,000	83,715,021	115,021
Transfers Out	(40,100,000)	(43,839,142)	(36,781,754)	7,057,388
Total Other Financing Sources (Uses)	43,500,000	39,760,858	46,933,267	7,172,409
Net Change in Fund Balance	(79,882,636)	(83,008,534)	(33,641,826)	49,366,708
Fund Balance - Beginning	79,211,000	79,211,000	80,001,071	790,071
Fund Balance - Ending	\$ (671,636)	\$ (3,797,534)	\$ 46,359,245	\$ 50,156,779

See accompanying note to Required Supplementary Information

CITY OF MESA, ARIZONA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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, 2013 on the “GAAP basis” to the “budget basis” as follows:

Net Change in Fund Balance-Budget Basis - Exhibit B-3	\$ (33,641,826)
Basis Differences:	
Compensated Absences	851,404
Sales Tax Accrual	3,841,234
Unrealized Gain on Investments	<u>512,840</u>
Net Change in Fund Balance-GAAP Basis - Exhibit A-5	<u><u>\$ (28,436,348)</u></u>



Combining Statements



NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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.

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

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

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

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.

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.

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.

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.

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.

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

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

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

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.

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



CITY OF MESA, ARIZONA
EXHIBIT C-1
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013

Special Revenue Funds

	Local Transportation Assistance	Mesa Housing Authority	Grants and Special Programs
ASSETS			
Pooled Cash and Investments	\$ -	\$ 1,676,626	\$ 1,884,677
Accounts Receivable (Net of Allowances)	-	168,949	750,820
Accrued Interest Receivable	-	4,014	-
Due from Other Governments	-	1,620,312	2,275,211
Prepaid Costs	-	-	11,035
Deposits	-	-	-
Restricted Assets:			
Pooled Cash and Investments	-	-	-
Cash with Fiscal Agent	-	-	-
Accounts Receivable	-	53,641	-
Due from Other Governments	-	-	-
Total Assets	\$ -	\$ 3,523,542	\$ 4,921,743
LIABILITIES AND FUND BALANCES			
Liabilities:			
Warrants Outstanding	\$ -	\$ 974	\$ -
Accounts Payable	-	812,884	303,005
Other Accrued Liabilities	-	717,373	687,749
Due To Other Funds	-	-	-
Advances Due to Other Funds	-	-	-
Customer and Defendant Deposits	-	-	-
Payable From Restricted Assets:			
Accrued Bond Interest Payable	-	-	-
Deferred Revenue	-	808,456	692,488
Matured General Obligation Bonds Payable	-	-	-
Matured Highway User Revenue Bonds Payable	-	-	-
Total Liabilities	-	2,339,687	1,683,242
Fund Balances:			
Nonspendable	-	-	11,035
Restricted	-	1,183,855	3,466,379
Committed	-	-	182,683
Unassigned	-	-	(421,596)
Total Fund Balances	-	1,183,855	3,238,501
Total Liabilities and Fund Balances	\$ -	\$ 3,523,542	\$ 4,921,743

Special Revenue Funds

<u>Cemetery</u>	<u>Eastmark Community Facilities District</u>	<u>Development Impact Fees</u>	<u>Mesa Arts Center Restoration</u>	<u>Environmental Compliance</u>	<u>Highway User Revenue Fund</u>	<u>Street Sales Tax</u>
\$ 6,247,315	\$ 101,706	\$ 445,311	\$ 1,434,126	\$ 3,178,903	\$ -	\$ 45,647,416
88,030	-	-	76,089	-	12,953	1,952,973
9,226	-	2,157	1,917	3,594	-	76,324
-	-	-	-	-	2,838,231	-
13	-	720	-	1,773	-	41,523
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 6,344,584</u>	<u>\$ 101,706</u>	<u>\$ 448,188</u>	<u>\$ 1,512,132</u>	<u>\$ 3,184,270</u>	<u>\$ 2,851,184</u>	<u>\$ 47,718,236</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
300	46,200	-	-	394,975	131,598	838,544
-	-	-	-	364,214	157,767	627,681
-	-	-	-	-	2,587,384	-
-	-	1,176,842	-	-	-	-
-	-	-	5,000	-	-	5,902,635
-	-	-	-	-	-	-
-	-	-	30,592	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>300</u>	<u>46,200</u>	<u>1,176,842</u>	<u>35,592</u>	<u>759,189</u>	<u>2,876,749</u>	<u>7,368,860</u>
13	-	720	-	1,773	-	41,523
-	55,506	-	-	-	-	40,307,853
6,344,271	-	-	1,476,540	2,423,308	-	-
-	-	(729,374)	-	-	(25,565)	-
<u>6,344,284</u>	<u>55,506</u>	<u>(728,654)</u>	<u>1,476,540</u>	<u>2,425,081</u>	<u>(25,565)</u>	<u>40,349,376</u>
<u>\$ 6,344,584</u>	<u>\$ 101,706</u>	<u>\$ 448,188</u>	<u>\$ 1,512,132</u>	<u>\$ 3,184,270</u>	<u>\$ 2,851,184</u>	<u>\$ 47,718,236</u>

CITY OF MESA, ARIZONA
EXHIBIT C-1 (Continued)
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>	
	<u>Quality of Life Sales Tax</u>	<u>Total Special Revenue Funds</u>	<u>Fire</u>	<u>Storm Sewer</u>
ASSETS				
Pooled Cash and Investments	\$ 629,757	\$ 61,245,837	\$ -	\$ 391,005
Accounts Receivable (Net of Allowances)	1,606,288	4,656,102	-	-
Accrued Interest Receivable	180	97,412	-	-
Due from Other Governments	-	6,733,754	-	-
Prepaid Costs	-	55,064	-	-
Deposits	-	-	-	-
Restricted Assets:				
Pooled Cash and Investments	-	-	-	-
Cash with Fiscal Agent	-	-	-	-
Accounts Receivable	-	53,641	-	-
Due from Other Governments	-	-	-	-
Total Assets	<u>\$ 2,236,225</u>	<u>\$ 72,841,810</u>	<u>\$ -</u>	<u>\$ 391,005</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants Outstanding	\$ -	\$ 974	\$ -	\$ -
Accounts Payable	-	2,527,506	-	71,202
Other Accrued Liabilities	-	2,554,784	-	86,210
Due To Other Funds	-	2,587,384	-	-
Advances Due to Other Funds	-	1,176,842	-	-
Customer and Defendant Deposits	-	5,907,635	-	-
Payable From Restricted Assets:				
Accrued Bond Interest Payable	-	-	-	-
Deferred Revenue	-	1,531,536	-	-
Matured General Obligation Bonds Payable	-	-	-	-
Matured Highway User Revenue Bonds Payable	-	-	-	-
Total Liabilities	<u>-</u>	<u>16,286,661</u>	<u>-</u>	<u>157,412</u>
Fund Balances:				
Nonspendable	-	55,064	-	-
Restricted	2,236,225	47,249,818	-	233,593
Committed	-	10,426,802	-	-
Unassigned	-	(1,176,535)	-	-
Total Fund Balances	<u>2,236,225</u>	<u>56,555,149</u>	<u>-</u>	<u>233,593</u>
Total Liabilities and Fund Balances	<u>\$ 2,236,225</u>	<u>\$ 72,841,810</u>	<u>\$ -</u>	<u>\$ 391,005</u>

Capital Projects Funds

<u>Streets</u>	<u>Law Enforcement</u>	<u>Vehicle Replacement</u>	<u>Parks Bond Construction</u>	<u>General Capital Projects</u>
\$ 42,060,191	\$ 5,147,822	\$ 5,889,843	\$ 15,587,582	\$ 9,502,018
215,932	-	-	-	-
2,576	-	9,166	-	-
13,095,421	-	-	-	-
-	-	-	-	-
1,366,661	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 56,740,781</u>	<u>\$ 5,147,822</u>	<u>\$ 5,899,009</u>	<u>\$ 15,587,582</u>	<u>\$ 9,502,018</u>
\$ -	\$ -	\$ -	\$ -	\$ -
5,502,753	1,478,342	-	28,741	1,150,823
1,421,104	66,335	-	23,395	1,084,835
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>6,923,857</u>	<u>1,544,677</u>	<u>-</u>	<u>52,136</u>	<u>2,235,658</u>
-	-	-	-	-
49,816,924	3,603,145	725,000	15,535,446	-
-	-	5,174,009	-	7,266,360
-	-	-	-	-
<u>49,816,924</u>	<u>3,603,145</u>	<u>5,899,009</u>	<u>15,535,446</u>	<u>7,266,360</u>
<u>\$ 56,740,781</u>	<u>\$ 5,147,822</u>	<u>\$ 5,899,009</u>	<u>\$ 15,587,582</u>	<u>\$ 9,502,018</u>

CITY OF MESA, ARIZONA
EXHIBIT C-1 (Continued)
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013

	<u>Capital Projects Funds</u>		<u>Debt Service Funds</u>	
	<u>Eastmark Capital Projects</u>	<u>Total Capital Projects Funds</u>	<u>General Obligation Bond Redemption</u>	<u>Special Assessment Bond Redemption</u>
ASSETS				
Pooled Cash and Investments	\$ 2,366,256	\$ 80,944,717	\$ -	\$ -
Accounts Receivable (Net of Allowances)	-	215,932	-	-
Accrued Interest Receivable	-	11,742	-	-
Due from Other Governments	-	13,095,421	-	-
Prepaid Costs	-	-	-	-
Deposits	-	1,366,661	-	-
Restricted Assets:				
Pooled Cash and Investments	-	-	-	77,720
Cash with Fiscal Agent	-	-	29,773,174	40,950
Accounts Receivable	-	-	-	3,838,573
Due from Other Governments	-	-	515,326	-
Total Assets	<u>\$ 2,366,256</u>	<u>\$ 95,634,473</u>	<u>\$30,288,500</u>	<u>\$ 3,957,243</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants Outstanding	\$ -	\$ -	\$ -	\$ -
Accounts Payable	2,183	8,234,044	-	-
Other Accrued Liabilities	-	2,681,879	-	-
Due To Other Funds	-	-	-	-
Advances Due to Other Funds	-	-	-	-
Customer and Defendant Deposits	-	-	-	-
Payable From Restricted Assets:				
Accrued Bond Interest Payable	-	-	5,938,741	118,670
Deferred Revenue	-	-	263,860	3,838,573
Matured General Obligation Bonds Payable	-	-	23,947,997	-
Matured Highway User Revenue Bonds Payable	-	-	-	-
Total Liabilities	<u>2,183</u>	<u>10,915,923</u>	<u>30,150,598</u>	<u>3,957,243</u>
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	2,364,073	72,278,181	-	-
Committed	-	12,440,369	137,902	-
Unassigned	-	-	-	-
Total Fund Balances	<u>2,364,073</u>	<u>84,718,550</u>	<u>137,902</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 2,366,256</u>	<u>\$ 95,634,473</u>	<u>\$30,288,500</u>	<u>\$ 3,957,243</u>

EXHIBIT C-1
(Continued)

Debt Service Funds				
Capital Lease Redemption	Highway User Revenue Bond Redemption	Eastmark Debt Service	Total Debt Service Funds	Total Non- major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 142,190,554
-	-	-	-	4,872,034
-	-	-	-	109,154
-	-	-	-	19,829,175
-	-	-	-	55,064
-	-	-	-	1,366,661
-	-	193,050	270,770	270,770
-	8,877,822	-	38,691,946	38,691,946
-	-	2,712,000	6,550,573	6,604,214
-	-	-	515,326	515,326
<u>\$ -</u>	<u>\$ 8,877,822</u>	<u>\$ 2,905,050</u>	<u>\$ 46,028,615</u>	<u>\$ 214,504,898</u>
\$ -	\$ -	\$ -	\$ -	\$ 974
-	-	-	-	10,761,550
-	-	-	-	5,236,663
-	-	-	-	2,587,384
-	-	-	-	1,176,842
-	-	-	-	5,907,635
-	2,732,822	6,816	8,797,049	8,797,049
-	-	2,712,000	6,814,433	8,345,969
-	-	-	23,947,997	23,947,997
-	6,145,000	-	6,145,000	6,145,000
<u>-</u>	<u>8,877,822</u>	<u>2,718,816</u>	<u>45,704,479</u>	<u>72,907,063</u>
-	-	-	-	55,064
-	-	186,234	186,234	119,714,233
-	-	-	137,902	23,005,073
-	-	-	-	(1,176,535)
<u>-</u>	<u>-</u>	<u>186,234</u>	<u>324,136</u>	<u>141,597,835</u>
<u>\$ -</u>	<u>\$ 8,877,822</u>	<u>\$ 2,905,050</u>	<u>\$ 46,028,615</u>	<u>\$ 214,504,898</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, 2013

Special Revenue Funds

	Local Transportation Assistance	Mesa Housing Authority	Grants and Special Programs	Cemetery	Eastmark Community Facilities District
Revenues:					
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	-	-	-	-
Occupancy Taxes	-	-	1,903,029	-	-
Special Assessments	-	-	-	-	-
Licenses and Permits	-	15	-	-	-
Intergovernmental	-	16,123,342	10,977,177	-	104,303
Charges for Services	-	-	174,644	109,792	-
Fines and Forfeitures	-	-	236,078	-	-
Investment Income	-	32,031	2,609	29,293	-
Contributions	-	-	2,131,440	-	-
Miscellaneous Revenues	-	3,913	2,681,198	9,695	-
Total Revenues	-	16,159,301	18,106,175	148,780	104,303
Expenditures:					
Current:					
General Government	-	-	2,595,526	-	54,494
Public Safety	-	299,207	6,250,097	-	-
Cultural-Recreational	-	-	1,052,930	-	-
Community Environment	-	16,478,770	203,904	-	-
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest on Bonds	-	-	-	-	-
Interest on Leases	-	-	-	-	-
Service Charges	-	-	-	-	-
Cost of Issuance	-	-	-	-	-
Capital Outlay	-	1,764	7,838,960	-	-
Total Expenditures	-	16,779,741	17,941,417	-	54,494
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(620,440)	164,758	148,780	49,809
Other Financing Sources (Uses):					
Transfers In	-	-	3,073,743	-	5,697
Transfers Out	(100,022)	-	-	-	-
Face Amount of Bonds Issued	-	-	-	-	-
Premium on Issuance of Bonds	-	-	-	-	-
Issuance of Refunding Debt	-	-	-	-	-
Refunding Advance	-	-	-	-	-
Total Other Financing Sources (Uses)	(100,022)	-	3,073,743	-	5,697
Net Change in Fund Balances	(100,022)	(620,440)	3,238,501	148,780	55,506
Fund Balances - Beginning	100,022	1,804,295	-	6,195,504	-
Fund Balances - Ending	\$ -	\$ 1,183,855	\$ 3,238,501	\$ 6,344,284	\$ 55,506

Special Revenue Funds

Development Impact Fees	Mesa Arts Center Restoration	Environmental Compliance	Highway User Revenue Funds	Street Sales Tax	Quality of Life Sales Tax	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 24,255,782	\$ 17,746,010	\$ 42,001,792
-	-	-	-	-	-	-
-	-	-	-	-	-	1,903,029
-	-	-	-	-	-	-
3,362,323	-	-	-	185,771	80,430	3,628,539
-	-	31,948	30,007,015	317,955	-	57,561,740
-	600	10,551,439	36,100	184,492	-	11,057,067
-	281,366	-	-	-	-	517,444
7,019	6,329	20,466	3,113	281,673	1,519	384,052
-	-	-	-	-	-	2,131,440
-	-	-	-	-	-	2,694,806
<u>3,369,342</u>	<u>288,295</u>	<u>10,603,853</u>	<u>30,046,228</u>	<u>25,225,673</u>	<u>17,827,959</u>	<u>121,879,909</u>
1,321	-	217,367	-	3,194,271	-	6,062,979
-	-	1,357,442	-	291,889	19,173,974	27,372,609
-	3,820	5,028,644	-	10,670	-	6,096,064
-	-	2,415,493	11,375,711	14,335,159	-	44,809,037
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,039,549	79,439	244,945	1,008	7,020,633	-	17,226,298
<u>2,040,870</u>	<u>83,259</u>	<u>9,263,891</u>	<u>11,376,719</u>	<u>24,852,622</u>	<u>19,173,974</u>	<u>101,566,987</u>
1,328,472	205,036	1,339,962	18,669,509	373,051	(1,346,015)	20,312,922
165,551	-	-	-	6,919,000	-	10,163,991
(4,112,293)	-	-	(18,695,349)	(725,000)	-	(23,632,664)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>(3,946,742)</u>	<u>-</u>	<u>-</u>	<u>(18,695,349)</u>	<u>6,194,000</u>	<u>-</u>	<u>(13,468,673)</u>
(2,618,270)	205,036	1,339,962	(25,840)	6,567,051	(1,346,015)	6,844,249
1,889,616	1,271,504	1,085,119	275	33,782,325	3,582,240	49,710,900
<u>\$ (728,654)</u>	<u>\$ 1,476,540</u>	<u>\$ 2,425,081</u>	<u>\$ (25,565)</u>	<u>\$ 40,349,376</u>	<u>\$ 2,236,225</u>	<u>\$ 56,555,149</u>

CITY OF MESA, ARIZONA
EXHIBIT C-2 (Continued)
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Capital Project Funds

	Fire	Storm Sewer	Streets	Law Enforcement	Vehicle Replacement
Revenues:					
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	-	-	-	-
Occupancy Taxes	-	-	-	-	-
Special Assessments	-	-	-	-	-
Licenses and Permits	-	-	10,330	-	-
Intergovernmental	-	-	17,328,956	-	-
Charges for Services	-	-	14,600	-	-
Fines and Forfeitures	-	-	-	-	-
Investment Income	-	-	4,056	-	26,106
Contributions	-	-	-	-	-
Miscellaneous Revenues	-	-	-	-	209,453
Total Revenues	-	-	17,357,942	-	235,559
Expenditures:					
Current:					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Cultural-Recreational	-	-	-	-	-
Community Environment	-	-	-	-	-
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest on Bonds	-	-	-	-	-
Interest on Leases	-	-	-	-	-
Service Charges	-	-	-	-	-
Cost of Issuance	-	-	580,670	106,457	-
Capital Outlay	-	183,301	36,953,459	13,301,083	984,222
Total Expenditures	-	183,301	37,534,129	13,407,540	984,222
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(183,301)	(20,176,187)	(13,407,540)	(748,663)
Other Financing Sources (Uses):					
Transfers In	-	-	-	3,595,377	725,000
Transfers Out	(3,595,376)	-	-	-	-
Face Amount of Bonds Issued	-	-	35,750,000	6,900,000	-
Premium on Issuance of Bonds	-	-	520,650	95,452	-
Issuance of Refunding Debt	-	-	-	-	-
Refunding Advance	-	-	-	-	-
Total Other Financing Sources (Uses)	(3,595,376)	-	36,270,650	10,590,829	725,000
Net Change in Fund Balances	(3,595,376)	(183,301)	16,094,463	(2,816,711)	(23,663)
Fund Balances - Beginning	3,595,376	416,894	33,722,461	6,419,856	5,922,672
Fund Balances - Ending	\$ -	\$ 233,593	\$ 49,816,924	\$ 3,603,145	\$ 5,899,009

Capital Project Funds				Debt Service Funds		
	General Capital Projects	Eastmark Capital Projects	Total Capital Projects Funds	General Obligation Bond Redemption	Special Assessment Bond Redemption	Capital Lease Redemption
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	14,403,757	-	-
-	-	-	-	-	-	-
-	-	-	-	-	897,058	-
-	-	-	10,330	-	-	-
-	-	-	17,328,956	-	-	-
-	-	-	14,600	-	-	-
-	-	-	-	865,128	-	-
-	-	-	30,162	186	-	-
-	-	-	-	-	-	-
-	-	-	209,453	-	-	-
-	-	-	17,593,501	15,269,071	897,058	-
-	443,153	-	443,153	-	-	-
-	6,472	-	6,472	-	-	-
-	19,684	-	19,684	-	-	-
-	-	-	-	-	-	-
-	-	-	-	23,947,997	744,000	681,958
-	-	13,862	13,862	12,089,440	257,280	-
-	-	-	-	-	-	34,183
-	-	-	-	5,100	400	-
280,656	-	141,015	1,108,798	162,297	-	-
1,745,545	8,182,331	-	61,349,941	-	-	-
2,026,201	8,651,640	154,877	62,941,910	36,204,834	1,001,680	716,141
(2,026,201)	(8,651,640)	(154,877)	(45,348,409)	(20,935,763)	(104,622)	(716,141)
-	15,918,000	-	20,238,377	20,910,293	104,622	716,141
-	-	(193,050)	(3,788,426)	-	-	-
17,310,000	-	2,712,000	62,672,000	-	-	-
251,647	-	-	867,749	1,006,460	-	-
-	-	-	-	8,915,000	-	-
-	-	-	-	(9,759,162)	-	-
17,561,647	15,918,000	2,518,950	79,989,700	21,072,591	104,622	716,141
15,535,446	7,266,360	2,364,073	34,641,291	136,828	-	-
-	-	-	50,077,259	1,074	-	-
\$ 15,535,446	\$ 7,266,360	\$ 2,364,073	\$ 84,718,550	\$ 137,902	\$ -	\$ -

CITY OF MESA, ARIZONA
EXHIBIT C-2 (Continued)
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Debt Service Funds			
	Highway User Revenue Bond Redemption	Eastmark Debt Service	Total Debt Service Funds	Total Nonmajor Governmental Funds
Revenues:				
Sales Taxes	\$ -	\$ -	\$ -	\$ 42,001,792
Property Taxes	-	-	14,403,757	14,403,757
Occupancy Taxes	-	-	-	1,903,029
Special Assessments	-	-	897,058	897,058
Licenses and Permits	-	-	-	3,638,869
Intergovernmental	-	-	-	74,890,696
Charges for Services	-	-	-	11,071,667
Fines and Forfeitures	-	-	865,128	1,382,572
Investment Income	-	-	186	414,400
Contributions	-	-	-	2,131,440
Miscellaneous Revenues	-	-	-	2,904,259
Total Revenues	-	-	16,166,129	155,639,539
Expenditures:				
Current:				
General Government	-	-	-	6,506,132
Public Safety	-	-	-	27,379,081
Cultural-Recreational	-	-	-	6,115,748
Community Environment	-	-	-	44,809,037
Debt Service:				
Principal Retirement	6,145,000	-	31,518,955	31,518,955
Interest on Bonds	5,627,349	6,816	17,980,885	17,994,747
Interest on Leases	-	-	34,183	34,183
Service Charges	4,000	-	9,500	9,500
Cost of Issuance	177,000	-	339,297	1,448,095
Capital Outlay	-	-	-	78,576,239
Total Expenditures	11,953,349	6,816	49,882,820	214,391,717
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,953,349)	(6,816)	(33,716,691)	(58,752,178)
Other Financing Sources (Uses):				
Transfers In	11,776,349	193,050	33,700,455	64,102,823
Transfers Out	-	-	-	(27,421,090)
Face Amount of Bonds Issued	-	-	-	62,672,000
Premium on Issuance of Bonds	1,806,845	-	2,813,305	3,681,054
Issuance of Refunding Debt	8,500,000	-	17,415,000	17,415,000
Refunding Advance	(10,129,845)	-	(19,889,007)	(19,889,007)
Total Other Financing Sources (Uses)	11,953,349	193,050	34,039,753	100,560,780
Net Change in Fund Balances	-	186,234	323,062	41,808,602
Fund Balances - Beginning	-	-	1,074	99,789,233
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 186,234</u>	<u>\$ 324,136</u>	<u>\$ 141,597,835</u>

INTERNAL SERVICE FUNDS

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

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

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

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

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

CITY OF MESA, ARIZONA
EXHIBIT C-3
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2013

	Warehouse, Maintenance and Services	Property and Public Liability Self Insurance
	<u> </u>	<u> </u>
ASSETS		
Current Assets:		
Pooled Cash and Investments	\$ 1,699,573	\$ 11,699,641
Accounts Receivable	-	-
Accrued Interest Receivable	-	11,023
Due from Other Governments	5,319	-
Inventory	6,109,311	-
Prepaid Costs	1,468	413,401
Total Current Assets	<u>7,815,671</u>	<u>12,124,065</u>
Capital Assets:		
Buildings	2,061,431	-
Other Improvements	426,745	-
Machinery and Equipment	6,507,271	-
Intangibles	4,047	-
Infrastructure	12,743	-
Construction in Progress	265,019	-
Less Accumulated Depreciation and Amortization	(7,352,875)	-
Net Capital Assets	<u>1,924,381</u>	<u>-</u>
Total Assets	<u>9,740,052</u>	<u>12,124,065</u>
LIABILITIES AND NET POSITION		
Current Liabilities:		
Warrants Outstanding	-	29,415
Accounts Payable	1,109,978	22
Accrued Expenses	469,865	-
Other Accrued Expenses:		
Estimated Liability For Claims:		
Incurred-Not Reported	-	4,460,000
Incurred and Pending	-	8,906,000
Current Portion of Compensated Absences	75,629	-
Total Current Liabilities	<u>1,655,472</u>	<u>13,395,437</u>
Long-Term Liabilities		
Compensated Absences	549,784	-
Post Employment Benefits	7,832,105	-
Total Long-Term Liabilities	<u>8,381,889</u>	<u>-</u>
Total Liabilities	<u>10,037,361</u>	<u>13,395,437</u>
Net Position:		
Net Investment in Capital Assets	1,924,381	-
Unrestricted	(2,221,690)	(1,271,372)
Total Net Position	<u>\$ (297,309)</u>	<u>\$ (1,271,372)</u>

EXHIBIT C-3
(Continued)

<u>Workers'</u> <u>Compensation</u> <u>Self Insurance</u>	<u>Employee</u> <u>Benefits Self</u> <u>Insurance</u>	<u>Total</u>
\$ 6,462,368	\$ 42,887,845	\$ 62,749,427
-	1,893,191	1,893,191
5,152	52,121	68,296
-	-	5,319
-	-	6,109,311
257,239	269	672,377
<u>6,724,759</u>	<u>44,833,426</u>	<u>71,497,921</u>
-	-	2,061,431
-	-	426,745
-	-	6,507,271
-	-	4,047
-	-	12,743
-	-	265,019
-	-	(7,352,875)
-	-	<u>1,924,381</u>
<u>6,724,759</u>	<u>44,833,426</u>	<u>73,422,302</u>
135,268	599,033	763,716
49,277	358,009	1,517,286
753	328,801	799,419
6,981,500	3,845,649	15,287,149
14,725,000	-	23,631,000
-	-	75,629
<u>21,891,798</u>	<u>5,131,492</u>	<u>42,074,199</u>
-	-	549,784
-	-	7,832,105
-	-	8,381,889
<u>21,891,798</u>	<u>5,131,492</u>	<u>50,456,088</u>
-	-	1,924,381
(15,167,039)	39,701,934	21,041,833
<u>\$ (15,167,039)</u>	<u>\$ 39,701,934</u>	<u>\$ 22,966,214</u>

CITY OF MESA, ARIZONA
EXHIBIT C-4
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Warehouse, Maintenance and Services</u>	<u>Property and Public Liability Self Insurance</u>
Operating Revenues:		
Charges For Services:		
Warehouse	\$ 7,214,920	\$ -
Fleet Support Services	17,709,880	-
Printing and Graphics	943,852	-
Self-Insurance Contributions:		
Employee	-	-
City	-	6,301,000
State Retirement System	-	-
Other	-	-
Total Operating Revenues	<u>25,868,652</u>	<u>6,301,000</u>
Operating Expenses:		
Warehouse	6,848,321	-
Fleet Support Services	19,309,757	-
Printing and Graphics	957,911	-
Administrative Costs	-	929,876
Claims Incurred	-	1,165,015
Premiums to Insurance Carriers	-	1,000,067
Total Operating Expenses	<u>27,115,989</u>	<u>3,094,958</u>
Operating Income (Loss) Before Depreciation	(1,247,337)	3,206,042
Depreciation	<u>(1,593,056)</u>	<u>-</u>
Operating Income (Loss)	<u>(2,840,393)</u>	<u>3,206,042</u>
Nonoperating Revenues (Expense):		
Investment Income	<u>-</u>	<u>30,594</u>
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>30,594</u>
Income (Loss) Before Transfers and Capital Contributions	(2,840,393)	3,236,636
Contributions	<u>88,399</u>	<u>-</u>
Change in Net Position	(2,751,994)	3,236,636
Total Net Position - Beginning	<u>2,454,685</u>	<u>(4,508,008)</u>
Total Net Position - Ending	<u>\$ (297,309)</u>	<u>\$ (1,271,372)</u>

EXHIBIT C-4
(Continued)

<u>Workers'</u> <u>Compensation</u> <u>Self Insurance</u>	<u>Employee</u> <u>Benefits Self</u> <u>Insurance</u>	<u>Total</u>
\$ -	\$ -	\$ 7,214,920
-	-	17,709,880
-	-	943,852
-	13,053,532	13,053,532
6,296,107	43,275,754	55,872,861
-	3,559,170	3,559,170
626,416	588,813	1,215,229
<u>6,922,523</u>	<u>60,477,269</u>	<u>99,569,444</u>
-	-	6,848,321
-	-	19,309,757
-	-	957,911
926,435	3,843,158	5,699,469
6,674,744	48,061,842	55,901,601
554,445	2,602,512	4,157,024
<u>8,155,624</u>	<u>54,507,512</u>	<u>92,874,083</u>
(1,233,101)	5,969,757	6,695,361
-	-	(1,593,056)
<u>(1,233,101)</u>	<u>5,969,757</u>	<u>5,102,305</u>
<u>9,027</u>	<u>151,818</u>	<u>191,439</u>
<u>9,027</u>	<u>151,818</u>	<u>191,439</u>
(1,224,074)	6,121,575	5,293,744
-	(6,147)	82,252
(1,224,074)	6,115,428	5,375,996
<u>(13,942,965)</u>	<u>33,586,506</u>	<u>17,590,218</u>
<u>\$ (15,167,039)</u>	<u>\$ 39,701,934</u>	<u>\$ 22,966,214</u>

CITY OF MESA, ARIZONA
EXHIBIT C-5
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Warehouse, Maintenance and Services</u>	<u>Property and Public Liability Self Insurance</u>
Cash Flows from Operating Activities:		
Cash Received from Users	\$ 25,907,215	\$ 6,301,000
Cash Payments to Suppliers	(19,803,159)	(1,812,886)
Cash Payments to Employees	(4,746,217)	(922,429)
	<u>1,357,839</u>	<u>3,565,685</u>
Net Cash Provided by Operating Activities		
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(203,273)	-
Contributions	153,906	-
	<u>(49,367)</u>	<u>-</u>
Net Cash Used for Capital and Related Financing Activities		
Cash Flows from Investing Activities:		
Interest Received on Investments	-	19,571
	<u>-</u>	<u>19,571</u>
Net Cash Provided by Investing Activities		
Net Increase in Cash and Cash Equivalents	1,308,472	3,585,256
Pooled Cash and Investments at Beginning of Year	<u>391,101</u>	<u>8,114,385</u>
Pooled Cash and Investments at End of Year	<u>\$ 1,699,573</u>	<u>\$ 11,699,641</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ (2,840,393)	\$ 3,206,042
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	1,593,056	-
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	38,563	-
(Increase) Decrease in Inventory	(47,423)	-
(Increase) Decrease in Prepaid Costs	3,447	(4,997)
(Decrease) Increase in Accounts Payable	1,140,040	28,640
(Decrease) Increase in Other Accrued Expenses	1,470,549	336,000
	<u>4,198,232</u>	<u>359,643</u>
Total Adjustments		
Net Cash Provided by Operating Activities	<u>\$ 1,357,839</u>	<u>\$ 3,565,685</u>

EXHIBIT C-5
(Continued)

<u>Workers'</u> <u>Compensation</u> <u>Self Insurance</u>	<u>Employee</u> <u>Benefits Self</u> <u>Insurance</u>	<u>Total</u>
\$ 7,085,362	\$ 59,863,247	\$ 99,156,824
(4,759,939)	(54,605,655)	(80,981,639)
<u>(338,134)</u>	<u>(912,383)</u>	<u>(6,919,163)</u>
<u>1,987,289</u>	<u>4,345,209</u>	<u>11,256,022</u>
-	(68,533)	(271,806)
-	62,386	216,292
<u>-</u>	<u>(6,147)</u>	<u>(55,514)</u>
<u>3,876</u>	<u>99,696</u>	<u>123,143</u>
<u>3,876</u>	<u>99,696</u>	<u>123,143</u>
1,991,165	4,438,758	11,323,651
<u>4,471,203</u>	<u>38,449,087</u>	<u>51,425,776</u>
<u>\$ 6,462,368</u>	<u>\$ 42,887,845</u>	<u>\$ 62,749,427</u>
\$ (1,233,101)	\$ 5,969,757	\$ 5,102,305
-	-	1,593,056
162,840	(614,022)	(412,619)
-	-	(47,423)
(24,794)	11,680	(14,664)
94,040	718,914	1,981,634
<u>2,988,304</u>	<u>(1,741,120)</u>	<u>3,053,733</u>
<u>3,220,390</u>	<u>(1,624,548)</u>	<u>6,153,717</u>
<u>\$ 1,987,289</u>	<u>\$ 4,345,209</u>	<u>\$ 11,256,022</u>

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-6
 AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>
PAYROLL AGENCY FUND				
Assets:				
Pooled Cash and Investments	\$ 12,851,354	\$ 426,291,605	\$ 425,752,855	\$ 13,390,104
Total Assets	<u>\$ 12,851,354</u>	<u>\$ 426,291,605</u>	<u>\$ 425,752,855</u>	<u>\$ 13,390,104</u>
Liabilities:				
Accounts Payable	\$ -	\$ 1,531,849	\$ -	\$ 1,531,849
Accrued Payroll Payable	<u>12,851,354</u>	<u>424,759,756</u>	<u>425,752,855</u>	<u>11,858,255</u>
Total Liabilities	<u>\$ 12,851,354</u>	<u>\$ 426,291,605</u>	<u>\$ 425,752,855</u>	<u>\$ 13,390,104</u>





Supplemental Information



CITY OF MESA, ARIZONA
EXHIBIT D-1
HIGHWAY USER REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 30,844,000	\$ 30,844,000	\$ 30,007,015	\$ (836,985)
Charges For Services	92,000	92,000	36,100	(55,900)
Fines and Forfeitures	200,000	200,000	-	(200,000)
Investment Income	-	-	3,113	3,113
Miscellaneous	1,000	1,000	-	(1,000)
Total Revenues	<u>31,137,000</u>	<u>31,137,000</u>	<u>30,046,228</u>	<u>(1,090,772)</u>
Expenditures:				
Current:				
Community Environment	18,601,837	18,368,676	11,375,711	6,992,965
Capital Outlay	-	295,698	1,008	294,690
Total Expenditures	<u>18,601,837</u>	<u>18,664,374</u>	<u>11,376,719</u>	<u>7,287,655</u>
Excess of Revenues Over Expenditures	12,535,163	12,472,626	18,669,509	6,196,883
Other Financing Sources (Uses):				
Transfer Out	-	-	(18,695,349)	(18,695,349)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(18,695,349)</u>	<u>(18,695,349)</u>
Net Change in Fund Balances	12,535,163	12,472,626	(25,840)	(12,498,466)
Fund Balance - Beginning	275	275	275	-
Fund Balance - Ending	<u><u>\$ 12,535,438</u></u>	<u><u>\$ 12,472,901</u></u>	<u><u>\$ (25,565)</u></u>	<u><u>\$ (12,498,466)</u></u>

CITY OF MESA, ARIZONA

EXHIBIT D-2

QUALITY OF LIFE SALES TAX

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Sales Taxes	\$ 18,112,699	\$ 18,112,699	\$ 17,746,010	\$ (366,689)
Licenses & Permits	-	-	80,430	80,430
Investment Income	-	-	1,519	1,519
Total Revenues	<u>18,112,699</u>	<u>18,112,699</u>	<u>17,827,959</u>	<u>(284,740)</u>
Expenditures:				
Current:				
Public Safety	18,112,699	19,248,499	19,173,974	74,525
Total Expenditures	<u>18,112,699</u>	<u>19,248,499</u>	<u>19,173,974</u>	<u>74,525</u>
Net Change in Fund Balance	-	(1,135,800)	(1,346,015)	(210,215)
Fund Balance - Beginning	<u>3,582,240</u>	<u>3,582,240</u>	<u>3,582,240</u>	-
Fund Balance - Ending	<u>\$ 3,582,240</u>	<u>\$ 2,446,440</u>	<u>\$ 2,236,225</u>	<u>\$ (210,215)</u>

CITY OF MESA, ARIZONA

EXHIBIT D-3

STREET SALES TAX

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Sales Taxes	\$ 22,496,000	\$ 22,496,000	\$ 24,255,782	\$ 1,759,782
Licenses & Permits	175,000	175,000	185,771	10,771
Intergovernmental	-	-	317,955	317,955
Charges For Services	-	-	184,492	184,492
Investment Income	71,000	71,000	281,673	210,673
Miscellaneous	1,000	1,000	-	(1,000)
Total Revenues	<u>22,743,000</u>	<u>22,743,000</u>	<u>25,225,673</u>	<u>2,482,673</u>
Expenditures:				
Current:				
General Government	4,835,979	4,472,009	3,194,271	1,277,738
Public Safety	309,852	309,852	291,889	17,963
Culture-Recreational	10,670	10,670	10,670	-
Community Environment	26,462,002	20,670,291	14,335,159	6,335,132
Capital Outlay	3,397,687	19,186,079	7,020,633	12,165,446
Total Expenditures	<u>35,016,190</u>	<u>44,648,901</u>	<u>24,852,622</u>	<u>19,796,279</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,273,190)	(21,905,901)	373,051	22,278,952
Other Financing Sources:				
Transfers In	-	-	6,919,000	6,919,000
Transfers Out	-	(725,000)	(725,000)	-
Net Change in Fund Balance	(12,273,190)	(22,630,901)	6,567,051	29,197,952
Fund Balance - Beginning	<u>33,782,325</u>	<u>33,782,325</u>	<u>33,782,325</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 21,509,135</u>	<u>\$ 11,151,424</u>	<u>\$ 40,349,376</u>	<u>\$ 29,197,952</u>

CITY OF MESA, ARIZONA
EXHIBIT D-4
MESA HOUSING AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 31,484,698	\$ 31,484,698	\$ 16,123,342	\$ (15,361,356)
Charges For Services	1,000	1,000	-	(1,000)
Licenses and Permits	-	-	15	15
Investment Income	1,490	1,490	32,031	30,541
Miscellaneous	-	-	3,913	3,913
Total Revenues	<u>31,487,188</u>	<u>31,487,188</u>	<u>16,159,301</u>	<u>(15,327,887)</u>
Expenditures:				
Current:				
Public Safety	296,303	385,000	299,207	85,793
Community Environment	32,910,885	32,820,188	16,478,770	16,341,418
Capital Outlay	-	2,000	1,764	236
Total Expenditures	<u>33,207,188</u>	<u>33,207,188</u>	<u>16,779,741</u>	<u>16,427,447</u>
Net Change in Fund Balance	<u>(1,720,000)</u>	<u>(1,720,000)</u>	<u>(620,440)</u>	<u>1,099,560</u>
Fund Balance - Beginning	<u>1,804,295</u>	<u>1,804,295</u>	<u>1,804,295</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 84,295</u>	<u>\$ 84,295</u>	<u>\$ 1,183,855</u>	<u>\$ 1,099,560</u>

CITY OF MESA, ARIZONA

EXHIBIT D-5

GRANTS AND SPECIAL PROGRAMS

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Sales Tax	\$ 69,000	\$ 69,000	\$ -	\$ (69,000)
Property Tax	68,000	68,000	-	(68,000)
Occupancy Tax	1,616,000	1,616,000	1,903,029	287,029
Licenses and Permits	64,000	64,000	-	(64,000)
Intergovernmental	31,263,135	31,263,135	10,977,177	(20,285,958)
Charges For Services	279,708	279,708	174,644	(105,064)
Fines and Forfeitures	262,000	262,000	236,078	(25,922)
Investment Income	-	-	2,609	2,609
Contributions	1,418,996	1,418,996	2,131,440	712,444
Miscellaneous	2,802,004	2,802,004	2,681,198	(120,806)
Total Revenues	<u>37,842,843</u>	<u>37,842,843</u>	<u>18,106,175</u>	<u>(19,736,668)</u>
Expenditures:				
Current:				
General Government	1,181,473	1,193,551	2,595,526	(1,401,975)
Public Safety	11,008,525	11,445,858	6,250,097	5,195,761
Cultural-Recreational	1,556,168	1,522,640	1,052,930	469,710
Community Environment	-	203,904	203,904	-
Miscellaneous Expense	1,585,000	1,921,600	-	1,921,600
Capital Outlay	27,661,094	29,726,510	7,838,960	21,887,550
Total Expenditures	<u>42,992,260</u>	<u>46,014,063</u>	<u>17,941,417</u>	<u>28,072,646</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,149,417)	(8,171,220)	164,758	8,335,978
Other Financing Sources:				
Transfers In	-	-	3,073,743	3,073,743
Net Change in Fund Balance	(5,149,417)	(8,171,220)	3,238,501	11,409,721
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ (5,149,417)</u>	<u>\$ (8,171,220)</u>	<u>\$ 3,238,501</u>	<u>\$ 11,409,721</u>





Statistical Section



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.	110
Revenue Capacity These schedules contain information to help readers assess the City’s most significant local revenue source, the sales tax.	122
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.	125
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.	133
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.	135

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

CITY OF MESA, ARIZONA

TABLE I

NET POSITION BY COMPONENTS

LAST TEN FISCAL YEARS

(accrual basis of accounting)

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
GOVERNMENTAL ACTIVITIES				
Net Investment in Capital Assets	\$ 781,518,870	\$ 769,923,509	\$ 765,874,830	\$ 791,591,633
Restricted	61,749,912	68,486,614	84,386,395	95,107,036
Unrestricted	<u>43,964,946</u>	<u>62,539,346</u>	<u>85,734,791</u>	<u>128,548,213</u>
 Total Governmental Activities Net Position	 <u>\$ 887,233,728</u>	 <u>\$ 900,949,469</u>	 <u>\$ 935,996,016</u>	 <u>\$ 1,015,246,882</u>
 BUSINESS-TYPE ACTIVITIES				
Net Investment in Capital Assets	\$ 451,550,515	\$ 424,820,602	\$ 390,100,160	\$ 366,497,841
Restricted	62,692,972	101,565,804	89,383,126	96,756,386
Unrestricted	<u>218,266,775</u>	<u>219,103,522</u>	<u>268,388,224</u>	<u>308,374,940</u>
 Total Business-type Activities	 <u>\$ 732,510,262</u>	 <u>\$ 745,489,928</u>	 <u>\$ 747,871,510</u>	 <u>\$ 771,629,167</u>
 PRIMARY GOVERNMENT				
Net Investment in Capital Assets	\$ 1,233,069,385	\$ 1,194,744,111	\$ 1,155,974,990	\$ 1,158,089,474
Restricted	124,442,884	170,052,418	173,769,521	191,863,422
Unrestricted	<u>262,231,721</u>	<u>281,642,868</u>	<u>354,123,015</u>	<u>436,923,153</u>
 Total Primary Government	 <u>\$ 1,619,743,990</u>	 <u>\$ 1,646,439,397</u>	 <u>\$ 1,683,867,526</u>	 <u>\$ 1,786,876,049</u>

TABLE I
(Continued)

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
\$	794,720,403	\$ 791,523,460	\$ 844,777,095	\$ 872,302,182	\$ 913,701,563	\$ 902,397,377
	86,252,122	92,532,141	86,954,514	39,295,786	41,257,218	56,718,834
	<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>(184,354,982)</u>
\$	<u><u>1,006,100,558</u></u>	<u><u>975,418,995</u></u>	<u><u>935,383,146</u></u>	<u><u>905,222,233</u></u>	<u><u>857,973,030</u></u>	<u><u>774,761,229</u></u>
\$	410,073,719	\$ 413,943,796	\$ 434,813,786	\$ 430,435,538	\$ 412,016,435	\$ 346,352,341
	94,133,333	82,697,422	47,011,208	55,873,506	69,738,803	37,794,787
	<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>271,619,354</u>
\$	<u><u>812,423,011</u></u>	<u><u>775,532,786</u></u>	<u><u>753,530,517</u></u>	<u><u>744,439,833</u></u>	<u><u>735,944,179</u></u>	<u><u>655,766,482</u></u>
\$	1,204,794,122	\$ 1,205,467,256	\$ 1,279,590,881	\$ 1,302,737,720	\$ 1,325,717,998	\$ 1,248,749,718
	180,385,455	175,229,563	133,965,722	95,169,292	110,996,021	94,513,621
	<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>87,264,372</u>
\$	<u><u>1,818,523,569</u></u>	<u><u>1,750,951,781</u></u>	<u><u>1,688,913,663</u></u>	<u><u>1,649,662,066</u></u>	<u><u>1,593,917,209</u></u>	<u><u>1,430,527,711</u></u>

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

EXPENSES	2003-04	2004-05	2005-06	2006-07
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 44,012,723	\$ 48,722,316	\$ 44,568,148	\$ 48,200,767
Public Safety	181,856,295	204,366,091	212,010,952	232,099,968
Cultural-Recreational	53,201,350	62,870,201	65,389,229	64,591,583
Community Environment	72,984,342	86,363,321	97,613,466	91,664,096
Interest in Long-term Debt	14,490,474	15,503,667	16,061,123	18,037,348
Total Governmental Activities Expenses	366,545,184	417,825,596	435,642,918	454,593,762
BUSINESS-TYPE ACTIVITIES:				
Electric	24,390,551	27,118,590	26,817,051	26,280,947
Gas	25,990,497	33,829,631	38,743,370	37,825,634
Water	49,542,568	54,247,920	54,110,525	59,964,524
Wastewater	39,673,430	47,799,248	67,180,688	60,603,399
Solid Waste	21,826,949	23,863,908	25,070,150	27,891,495
Airport	2,087,395	2,119,795	4,194,272	2,720,953
Golf Course	2,781,273	2,966,147	2,524,364	2,601,521
Convention Center	4,224,151	4,260,510	4,822,347	5,666,507
Hohokam Stadium/Fitch Complex	-	-	-	-
Cubs Stadium	-	-	-	-
District Cooling	-	-	67,274	1,090,931
Economic Investment	-	-	-	-
Total Business-type Activities Expenses	170,516,814	196,205,749	223,530,041	224,645,911
Total Primary Government Expenses	\$ 537,061,998	\$ 614,031,345	\$ 659,172,959	\$ 679,239,673

TABLE II
(Continued)

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
\$	63,633,405	\$ 54,225,566	\$ 54,862,584	\$ 59,551,669	\$ 57,472,328	\$ 105,409,741
	292,395,865	290,927,716	288,928,693	273,320,156	287,918,202	287,451,306
	72,999,346	67,039,000	54,010,115	54,549,751	57,170,754	61,717,223
	99,414,870	121,735,796	104,096,133	106,434,114	97,592,690	129,164,338
	19,082,936	18,658,530	20,013,068	21,078,138	21,631,042	23,442,680
	<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>	<u>607,185,288</u>
	31,612,431	27,633,642	27,106,177	26,816,560	29,751,312	28,896,937
	43,246,724	35,991,817	35,466,448	36,020,012	34,275,119	35,652,803
	59,224,757	68,955,827	80,915,190	82,377,888	74,161,665	103,431,852
	61,293,453	80,349,057	70,227,712	63,613,492	68,540,140	91,738,649
	32,877,483	31,953,188	31,503,513	31,462,070	32,485,233	33,693,521
	3,316,536	3,703,129	3,943,651	3,971,648	3,737,409	4,299,627
	3,011,883	3,082,522	2,714,896	2,679,327	2,588,958	3,352,623
	5,447,050	4,558,208	4,158,023	3,849,444	3,486,069	3,946,298
	-	-	7,407,501	8,323,724	8,525,374	9,094,227
	-	-	-	14,990	53,747	-
	768,873	975,687	1,000,347	964,585	973,595	1,080,813
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,653,007</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>318,840,357</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>	<u><u>926,025,645</u></u>

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

PROGRAM REVENUES	2003-04	2004-05	2005-06	2006-07
GOVERNMENTAL ACTIVITIES:				
Charges for services:				
Licenses and Permits	\$ 19,819,170	\$ 18,817,521	\$ 23,145,062	\$ 20,127,674
Charges for Services	11,152,669	13,047,596	17,649,718	22,039,055
Fines and Forfeitures	8,536,253	9,247,469	9,049,107	10,276,600
Other activities	52,970	116,882	282,129	433,359
Operating Grants and Contributions	60,346,450	60,813,367	68,784,384	74,498,258
Capital Grants and Contributions	48,400,338	25,513,149	16,777,436	44,858,222
Total Governmental Activities Program Revenues	148,307,850	127,555,984	135,687,836	172,233,168
BUSINESS-TYPE ACTIVITIES:				
Charges for services:				
Electric	33,694,077	30,983,581	36,112,821	34,518,898
Gas	29,941,402	35,131,012	44,088,814	45,250,476
Water	80,036,607	79,724,508	88,497,653	92,007,207
Wastewater	43,643,144	46,024,679	49,618,163	55,398,349
Solid Waste	34,460,114	36,638,993	38,898,904	42,894,663
Airport	1,873,185	1,941,001	2,086,753	2,953,825
Golf Course	2,298,163	2,327,788	2,522,464	2,456,596
Convention Center	2,686,799	2,570,569	3,727,573	4,745,578
Hohokam Stadium/Fitch Complex	-	-	-	-
Cubs Stadium	-	-	-	-
District Cooling	-	-	54,678	192,972
Economic Investment	-	-	-	-
Operating Grants and Contributions	248,295	275,024	141,207	146,614
Capital Grants and Contributions	35,374,484	15,585,679	27,692,246	20,724,241
Total Business-type Activities Program Revenues	264,256,270	251,202,834	293,441,276	301,289,419
Total Primary Government Program Revenues	\$ 412,564,120	\$ 378,758,818	\$ 429,129,112	473,522,587
NET (EXPENSE)/REVENUE				
Governmental Activities	\$ (218,237,334)	\$ (290,269,612)	\$ (299,955,082)	\$ (282,360,594)
Business-type Activities	93,739,456	54,997,085	69,911,235	76,643,508
Total Primary Government Net Expense	\$ (124,497,878)	\$ (235,272,527)	\$ (230,043,847)	\$ (205,717,086)

TABLE II
(Continued)

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
\$	23,342,116	\$ 13,426,408	\$ 11,823,758	\$ 12,577,426	\$ 13,358,859	\$ 17,693,300
	23,702,601	24,739,517	20,419,291	20,303,514	25,779,212	27,674,890
	10,761,086	10,215,428	10,134,507	11,820,028	11,294,065	9,884,537
	323,970	78,021	8,709	8,490	18,237	2,945,164
	63,787,258	63,054,542	72,811,744	65,283,992	60,354,574	55,312,450
	21,916,433	35,436,059	30,343,087	31,461,449	23,502,772	25,048,618
	<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>	<u>138,558,959</u>
	34,148,281	35,312,658	33,078,601	33,138,456	34,624,920	31,075,113
	46,539,692	41,707,578	38,923,919	41,369,805	39,139,278	39,125,019
	97,558,682	95,994,839	98,806,049	102,215,430	113,417,881	111,933,119
	53,950,994	54,719,926	57,698,904	59,659,464	64,543,503	64,413,119
	46,167,910	46,762,035	46,685,307	47,537,833	47,630,828	47,368,556
	3,192,347	2,958,955	3,124,886	3,317,542	3,270,632	3,484,409
	2,448,313	2,309,899	2,265,452	2,250,256	2,168,575	1,472,177
	3,658,449	2,686,663	1,970,891	2,825,693	2,122,304	2,597,298
	-	-	5,836,650	6,161,320	6,073,590	5,496,066
	-	-	-	51,614	824,556	-
	229,168	834,376	983,592	945,434	1,091,665	975,459
	-	-	-	-	-	148,099
	10,545	100,797	210,074	25,463	2,125,501	9,401,235
	<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>7,997,187</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>325,486,856</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>	<u>464,045,815</u>
\$	(403,692,958)	\$ (405,636,633)	\$ (376,369,497)	\$ (373,478,929)	\$ (387,477,297)	\$ (468,626,329)
	<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>6,646,499</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>	<u>(461,979,830)</u>

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

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

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
GOVERNMENTAL ACTIVITIES:				
Sales Taxes	\$ 105,096,378	\$ 112,528,968	\$ 128,372,155	\$ 155,817,051
Property Taxes	-	-	-	-
Occupancy Taxes	1,320,706	1,856,955	2,189,830	2,389,528
Unrestricted State Shared Revenues	85,469,452	90,867,567	103,848,818	113,048,782
Contributions Not Restricted to Specific Programs	8,202,920	10,725,969	12,205,647	14,037,707
Unrestricted Investment Income	1,202,348	1,905,411	5,430,860	7,824,612
Miscellaneous	5,461,757	9,740,646	10,052,208	7,053,840
Transfers	<u>67,772,618</u>	<u>76,359,837</u>	<u>72,902,111</u>	<u>61,439,940</u>
Total Governmental Activities	<u>274,526,179</u>	<u>303,985,353</u>	<u>335,001,629</u>	<u>361,611,460</u>
BUSINESS-TYPE ACTIVITIES:				
Unrestricted Investment Income	947,498	1,579,215	4,818,652	8,125,127
Miscellaneous	925,291	84,910	553,806	428,962
Special Item - Gain on Sale of Land	-	32,678,293	-	-
Transfers	<u>(67,772,618)</u>	<u>(76,359,837)</u>	<u>(72,902,111)</u>	<u>(61,439,940)</u>
Total Business-type Activities	<u>(65,899,829)</u>	<u>(42,017,419)</u>	<u>(67,529,653)</u>	<u>(52,885,851)</u>
Total Primary Government	<u>\$ 208,626,350</u>	<u>\$ 261,967,934</u>	<u>\$ 267,471,976</u>	<u>\$ 308,725,609</u>
Change in Net Position				
Governmental Activities	\$ 56,288,845	\$ 13,715,741	\$ 35,046,547	\$ 79,250,866
Business-type Activities	<u>27,839,627</u>	<u>12,979,666</u>	<u>2,381,582</u>	<u>23,757,657</u>
Total Primary Government	<u>\$ 84,128,472</u>	<u>\$ 26,695,407</u>	<u>\$ 37,428,129</u>	<u>\$ 103,008,523</u>

TABLE II
(Concluded)

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
\$	147,762,866	\$ 126,519,701	\$ 121,556,751	\$ 121,046,053	\$ 126,644,151	\$ 137,280,327
	-	-	14,318,257	14,243,721	14,234,285	14,353,824
	2,394,765	1,807,601	1,580,533	2,148,216	2,018,764	1,903,029
	122,560,731	117,542,894	104,580,393	92,612,858	86,103,399	104,462,267
	14,745,722	14,740,889	14,757,171	15,610,470	17,170,502	49,569,427
	6,282,425	1,895,561	260,939	617,419	1,502,659	1,692,304
	6,678,633	15,849,424	13,846,390	7,060,132	8,939,334	7,423,709
	<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>83,615,000</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>	<u>400,299,887</u>
	6,546,254	1,894,369	507,752	839,348	850,454	860,473
	693,962	407,356	-	-	-	825,297
	-	-	-	-	-	-
	<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>(83,615,000)</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>(81,929,230)</u>
\$	<u>307,665,358</u>	<u>280,657,795</u>	<u>271,408,186</u>	<u>254,178,217</u>	<u>257,463,548</u>	<u>318,370,657</u>
\$	(9,146,324)	(30,681,563)	(40,035,849)	(36,805,757)	(47,249,203)	(68,326,442)
	<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>(75,282,731)</u>
\$	<u>31,647,520</u>	<u>(67,571,788)</u>	<u>(62,038,118)</u>	<u>(69,122,154)</u>	<u>(55,744,857)</u>	<u>(143,609,173)</u>

CITY OF MESA, ARIZONA

TABLE III

FUND BALANCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
GENERAL FUND				
Reserved (1)(2)	\$ 30,195,115	\$ 37,871,632	\$ 61,257,305	\$ 77,177,037
Unreserved	25,844,445	19,310,081	27,993,782	57,029,523
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 56,039,560</u>	<u>\$ 57,181,713</u>	<u>\$ 89,251,087</u>	<u>\$ 134,206,560</u>
ALL OTHER GOVERNMENTAL FUNDS				
Reserved	\$ 8,542,839	\$ 10,335,341	\$ 8,391,978	\$ 5,885,100
Unreserved, Reported in:				
Special Revenue Funds	20,215,242	23,498,926	21,745,990	24,627,227
Capital Project Funds	13,773,686	15,681,069	18,611,420	17,567,790
Nonspendable	-	-	-	-
Restricted (3)(4)	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total All Other Governmental Funds	<u>\$ 42,531,767</u>	<u>\$ 49,515,336</u>	<u>\$ 48,749,388</u>	<u>\$ 48,080,117</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>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
\$ 84,886,350	\$ 51,862,378	\$ 40,748,236	\$ -	\$ -	\$ -
50,283,211	74,711,328	92,186,747	-	-	-
-	-	-	404,506	753,701	1,723,584
-	-	-	1,991,911	2,011,527	284,449
-	-	-	4,897,687	4,992,039	1,184,979
-	-	-	93,874,956	78,034,860	50,425,510
<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>	<u>\$ 53,618,522</u>
\$ 8,643,272	\$ 17,012,682	\$ 53,674,468	\$ -	\$ -	\$ -
24,921,672	24,815,604	31,870,664	-	-	-
11,142,826	28,442,378	15,724,086	-	-	-
-	-	-	2,905,610	83,502	55,064
-	-	-	112,537,801	211,279,003	243,830,890
-	-	-	19,165,631	16,360,478	23,005,073
-	-	-	-	(937)	(1,176,535)
<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>	<u>\$ 265,714,492</u>

CITY OF MESA, ARIZONA

TABLE IV

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
REVENUES				
Sales Taxes (1)(2)	\$ 105,096,378	\$ 112,258,968	\$ 128,372,155	\$ 155,817,051
Property Taxes	-	-	-	-
Occupancy Taxes	1,320,706	1,856,955	2,189,830	2,389,528
Special Assessments	57,567	4,770	4,770	416,906
Licenses and Permits	19,819,170	18,817,521	23,145,062	20,127,674
Intergovernmental	149,036,481	153,369,074	178,553,235	190,825,624
Charges for Services	11,152,669	13,047,596	17,649,718	22,039,055
Fines and Forfeitures	8,536,253	9,247,469	9,049,107	10,276,600
Investment Income	885,188	1,353,224	4,376,010	6,463,111
Capital Contributions	-	-	-	-
Miscellaneous	5,268,925	9,562,131	9,632,863	6,365,625
Total Revenues	<u>301,173,337</u>	<u>319,517,708</u>	<u>372,972,750</u>	<u>414,721,174</u>
EXPENDITURES				
General Government	36,328,122	38,364,301	36,730,857	40,661,807
Public Safety	166,576,022	182,224,448	190,761,508	210,541,969
Cultural-Recreational	47,366,458	54,761,753	56,187,938	54,711,334
Community Environment	51,520,603	56,953,311	60,079,827	65,314,260
Miscellaneous Expenditures	-	-	-	-
Debt Service				
Principal	7,145,591	7,692,222	8,857,085	8,357,577
Interest	14,081,131	15,369,204	16,181,484	18,150,710
Issuance Cost on Refunding Bonds	-	-	234,487	-
Service Charges	62,131	61,994	55,510	56,768
Cost of Issuance	-	-	-	-
Capital Outlay	81,823,895	62,392,135	79,316,975	77,474,595
Total Expenditures	<u>404,903,953</u>	<u>417,819,368</u>	<u>448,405,671</u>	<u>475,269,020</u>
Excess of Revenues Under Expenditures	<u>(103,730,616)</u>	<u>(98,301,660)</u>	<u>(75,432,921)</u>	<u>(60,547,846)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	98,213,698	104,642,640	106,253,593	99,900,805
Transfers Out	(27,993,698)	(28,065,640)	(32,339,810)	(33,233,233)
Face Amount of Bonds Issued	9,585,000	21,930,000	26,410,000	30,681,840
Face Amount of Notes Issued	-	-	-	-
Premium on Issuance of Bonds	-	640,258	2,003,565	573,254
Premium on Issuance of Notes	-	-	-	-
Proceeds from Obligations of				
Capital Leases	9,322,015	6,746,097	6,401,832	6,911,382
Proceeds From Refunding Issue	139,441,539	26,420,341	25,482,000	-
Refunding Advance	-	-	-	-
Payment to Refunded Bond Escrow Agent	(138,661,071)	(26,156,314)	(27,474,833)	-
Total Other Financing Sources (Uses)	<u>89,907,483</u>	<u>106,157,382</u>	<u>106,736,347</u>	<u>104,834,048</u>
Net Change in Fund Balances	<u>\$ (13,823,133)</u>	<u>\$ 7,855,722</u>	<u>\$ 31,303,426</u>	<u>\$ 44,286,202</u>

Debt Service as a percentage of Noncapital

	6.59%	6.51%	6.86%	6.68%
Expenditures				

(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>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
\$	147,762,866	\$ 126,519,701	\$ 121,556,751	\$ 121,046,053	\$ 126,644,151	\$ 137,280,327
	-	-	13,885,749	14,273,796	14,322,925	14,403,757
	2,394,765	1,807,601	1,580,533	2,148,216	2,018,764	1,903,029
	1,218,100	806,151	922,651	1,069,363	995,897	897,058
	23,342,116	13,426,408	11,823,758	12,577,426	13,358,859	17,693,300
	193,585,472	191,084,600	190,731,282	174,781,231	168,433,432	184,823,335
	23,702,601	24,343,284	20,419,291	20,303,514	25,779,212	27,674,890
	10,761,086	10,215,428	10,134,507	11,820,028	11,294,065	9,884,537
	5,177,695	2,017,949	190,716	586,799	1,283,881	1,500,865
	-	-	-	-	-	2,263,919
	6,421,576	14,754,573	13,675,435	7,416,679	7,572,501	5,940,143
	<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>	<u>404,265,160</u>
	48,111,893	36,506,727	40,112,552	38,843,180	41,083,321	74,595,869
	233,506,939	230,863,556	216,025,864	215,165,541	226,428,861	226,676,957
	57,765,169	53,171,005	40,150,034	42,191,344	43,903,634	37,786,804
	66,615,531	72,646,647	72,081,273	68,462,936	64,403,759	55,196,899
	-	-	-	-	-	-
	25,870,624	36,905,901	34,845,924	31,689,926	25,513,155	31,518,955
	19,229,682	18,845,224	21,185,810	21,211,173	22,643,300	23,433,180
	-	-	-	-	-	-
	58,196	27,738	9,397	9,546	7,864	9,500
	-	-	538,824	29,100	869,882	1,448,095
	<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>91,536,850</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>542,203,109</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>	<u>(137,937,949)</u>
	147,477,785	155,696,867	149,437,331	128,064,505	121,459,483	147,817,844
	(53,960,459)	(59,105,867)	(66,653,904)	(44,418,305)	(38,135,583)	(64,202,844)
	15,450,000	61,830,000	30,865,000	29,320,000	27,290,000	62,672,000
	-	-	45,000,000	-	77,835,000	-
	195,209	436,509	401,850	359,932	8,027,060	3,681,054
	-	-	869,000	-	8,250,081	-
	2,528,683	-	-	-	-	-
	-	-	-	-	67,238,160	17,415,000
	-	-	-	-	-	(19,889,007)
	-	-	-	-	(74,127,409)	-
	<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>147,494,047</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>	<u>9,556,098</u>

10.01%

12.42%

13.19%

12.67%

11.34%

12.20%

CITY OF MESA, ARIZONA

TABLE VSALES TAX COLLECTIONS BY CATEGORY
LAST TEN FISCAL YEARS

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07 (3)</u>
Utilities	\$ 6,762,032	\$ 6,692,042	\$ 7,539,420	\$ 9,116,291
Communications	3,164,951	3,241,465	2,839,438	3,939,497
Publishing	1,470,008	1,564,309	1,792,345	1,963,330
Printing & Advertising	378,322	367,306	453,958	477,939
Contracting	12,454,780	12,073,940	14,580,722	21,424,371
Retail Sales	58,588,455	64,266,464	74,420,542	85,014,600
Restaurants & Bars	7,749,295	8,483,650	9,417,798	11,725,779
Amusements	1,029,101	1,071,285	1,210,343	1,456,808
Rentals	13,399,200	14,380,416	15,786,032	20,533,854
Miscellaneous	<u>100,234</u>	<u>118,091</u>	<u>331,557</u>	<u>164,582</u>
Total	<u>\$ 105,096,378</u>	<u>\$ 112,258,968</u>	<u>\$ 128,372,155</u>	<u>\$ 155,817,051</u>
City Direct Tax Rate	1.50%	1.50%	1.50%	1.75%

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>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
\$	9,667,778	\$ 9,654,488	\$ 9,756,726	\$ 11,103,931	\$ 11,877,683	\$ 12,549,149
	4,312,054	3,748,960	3,808,798	4,455,855	4,482,950	4,650,995
	1,922,909	1,402,465	1,102,145	999,010	934,312	866,441
	374,839	280,350	175,207	342,381	336,188	434,160
	19,300,601	15,263,241	10,913,417	8,387,647	9,961,599	12,402,429
	77,307,911	63,230,186	63,468,754	60,265,881	62,190,619	66,789,303
	12,038,983	10,956,021	10,948,158	11,164,824	11,863,562	12,577,199
	1,348,973	1,362,931	1,176,440	1,433,369	1,433,595	1,431,527
	21,369,386	20,514,008	20,122,775	22,218,976	22,968,362	24,846,815
	<u>119,432</u>	<u>107,051</u>	<u>84,330</u>	<u>674,180</u>	<u>595,281</u>	<u>732,309</u>
\$	<u>147,762,866</u>	<u>126,519,701</u>	<u>121,556,750</u>	<u>121,046,054</u>	<u>126,644,151</u>	<u>137,280,327</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>	
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	
2012-13	1.75		0.70		5.60	

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



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	Community Facility District	Capital Leases	Notes Payable
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
2013	327,265,337	-	120,941,583	4,318,000	2,712,000	139,592	129,435,064

(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	Excise Tax Revenue Obligation Bonds	Municipal Development Corporation Bonds	Notes Payable	Capital Leases	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
\$ 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
973,669,880	887,088	105,078,769	-	2,370,001	-	1,666,817,314	16.09	3,747

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>
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
2013	2,770,422,084	328,152,425	137,902	328,014,523	11.84	737.35

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, 2013

<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	\$ 766,085,000	8.04 %	\$ 61,593,234
Mesa Unified School District No. 4	256,315,000	86.24	221,046,056
Gilbert Unified School District No. 41	153,565,000	25.52	39,189,788
Queen Creek Unified School District No. 95	40,575,000	30.27	12,282,053
Higley Unified School District No. 60	63,475,000	1.31	831,523
Tempe Union High School District No. 213	85,945,000	0.22	189,079
Tempe Elementary School District No. 3	114,010,000	0.45	513,045
Other Debt:			
Maricopa County	148,595,000	8.04	<u>11,947,038</u>
Subtotal, overlapping debt			347,591,816
City direct debt (3)			<u>584,811,576</u>
Total Direct and Overlapping Debt			<u><u>\$ 932,403,392</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 2012/13 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, Community Facility District 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>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
6% Limitation				
Legal Debt Limitation Equal to 6% of Assessed Valuation	\$ 147,832,694	\$ 158,889,797	\$ 175,319,935	\$ 184,984,217
Total Net Debt Applicable to 6% Limit	<u>102,715,000</u>	<u>110,085,000</u>	<u>115,400,000</u>	<u>22,453,366</u>
Margin Available for Future General Obligation Bond Issues for 6% Bonds	<u>\$ 45,117,694</u>	<u>\$ 48,804,797</u>	<u>\$ 59,919,935</u>	<u>\$ 162,530,851</u>
Total Net Debt Applicable to the 6% Limit as a Percentage of the 6% Legal Debt Limitation	69.48%	69.28%	65.82%	12.14%
20% Limitation				
Legal Debt Limitation Equal to 20% of Assessed Valuation	\$ 492,775,647	\$ 529,632,657	\$ 584,399,783	\$ 616,614,058
Total Net Debt Applicable to 20% Limit	<u>88,220,000</u>	<u>91,975,000</u>	<u>95,750,000</u>	<u>203,951,634</u>
Margin Available for Future General Obligation Bond Issues for 20% Bonds	<u>\$ 404,555,647</u>	<u>\$ 437,657,657</u>	<u>\$ 488,649,783</u>	<u>\$ 412,662,424</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of the 20% Legal Debt Limitation	17.90%	17.37%	16.38%	33.08%
Total Margin Available	<u>\$ 449,673,341</u>	<u>\$ 486,462,454</u>	<u>\$ 548,569,718</u>	<u>\$ 575,193,275</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 2012-13

	Secondary Assessed Value					\$ 2,770,422,084
				6% Bonds (1)		20% Bonds (2)
				\$ 166,225,325		\$ 554,084,417
	Debt Applicable to Limit:					
				887,088		324,682,912
				(712,003)		(23,947,997)
				<u>175,085</u>		<u>300,734,915</u>
	Total Net Debt Applicable to Limit					
				<u>166,050,240</u>		<u>253,349,502</u>
	Margin Available for Future General Obligation Bond Issues					
				<u>\$ 166,050,240</u>		<u>\$ 253,349,502</u>
	Total Margin Available					
						<u>\$ 419,399,742</u>
	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
\$	246,871,639	\$ 287,584,908	\$ 284,977,016	\$ 245,642,220	\$ 189,856,639	\$ 166,225,325
	<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>175,085</u>
\$	<u>229,184,023</u>	<u>274,015,586</u>	<u>278,912,694</u>	<u>240,316,703</u>	<u>188,486,601</u>	<u>166,050,240</u>
	7.16%	4.72%	2.13%	2.17%	0.72%	0.11%
\$	822,905,463	\$ 958,616,359	\$ 949,923,388	\$ 818,807,400	\$ 632,855,462	\$ 554,084,417
	<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>300,734,915</u>
\$	<u>615,678,079</u>	<u>712,290,681</u>	<u>679,427,710</u>	<u>540,397,917</u>	<u>343,955,500</u>	<u>253,349,502</u>
	25.18%	25.70%	28.48%	34.00%	45.65%	54.28%
\$	<u>844,862,103</u>	<u>986,306,267</u>	<u>958,340,404</u>	<u>780,714,621</u>	<u>532,442,102</u>	<u>419,399,742</u>

TABLE XI

PLEDGED-REVENUE COVERAGE

LAST TEN FISCAL YEARS

Utility System Revenue Bonds						
	Operating Revenues (1)	Operating Expenses	Net Revenue Available for Debt Service	Debt Service		Coverage Ratio
				Principal	Interest	
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
2012-13	293,914,926	241,128,361	52,786,565	21,630,000	46,411,686	0.78

Highway User Revenue Fund Revenue Bonds

	Highway User Fund Revenues	Debt Service		Coverage Ratio
		Principal	Interest	
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
2012-13	30,046,228	6,145,000	5,627,349	2.55

(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				Community Facility District Bonds			
Special Assessment Collections	Debt Service		Coverage Ratio	Community Facility District Collections	Debt Service		Coverage Ratio
	Principal	Interest			Principal	Interest	
\$ 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	-	-	-	0.00
1,088,465	744,000	337,040	1.01	-	-	-	0.00
996,359	744,000	297,160	0.96	-	-	-	0.00
897,058	744,000	257,280	0.90	-	-	6,816	0.00

Municipal Development Corporation Bonds				Highway Project Advancement Notes			
Excise Tax Revenues (2)	Debt Service		Coverage Ratio	Excise Tax Revenues (2)	Debt Service		Coverage Ratio
	Principal	Interest			Principal	Interest	
\$ 153,456,415	\$ 3,900,000	\$ 796,250	32.68	\$ -	\$ -	\$ -	0.00
162,555,789	3,400,000	625,250	40.38	-	-	-	0.00
187,580,165	3,900,000	479,250	42.83	-	-	-	0.00
216,896,723	4,500,000	309,000	45.10	-	-	-	0.00
226,909,733	5,100,000	108,375	43.57	-	-	-	0.00
203,197,847	9,970,000	16,643	20.35	-	-	-	0.00
-	-	-	-	208,547,166	-	449,167	464.30
-	-	-	-	200,873,397	-	1,575,694	127.48
-	-	-	-	199,948,711	-	4,312,398	46.37
-	-	-	-	213,308,532	-	5,404,250	39.47

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>
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
2013	444,856	10,361,141,096	23,291	34.4	64,892	7.2

Sources:

- (1) City of Mesa Development Services Estimate
- (2) 2004 Census Bureau (estimate), 2005-2010 Claritas (estimate), 2011-2013 SitesUSA (estimate)
- (3) 2004 Census Bureau, 2005-2010 Claritas, 2011-2013 SitesUSA
- (4) Mesa Public Schools
- (5) AZ Dept of Economic Security. Data is Phoenix - Mesa Metropolitan Area. Beginning in 2011 unemployment rate is not seasonally adjusted.

CITY OF MESA, ARIZONA

TABLE XIII

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

Employer	2013			2004		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Banner Health System	9,573	1	4.87 %	6,700	2	3.31 %
Mesa Public Schools	8,770	2	4.46	10,000	1	4.94
Boeing	4,086	3	2.08	4,100	4	2.03
City of Mesa	3,485	4	1.77	4,479	3	2.21
Maricopa County Government	2,644	5	1.34			0.00
Wal-Mart	2,533	6	1.29	1,775	7	0.88
Maricopa Community College	1,951	7	0.99	2,140	6	1.06
The Kroger Company (Fry's)	1,210	8	0.62			0.00
Gilbert Unified School District	1,087	9	0.55			0.00
Aviall Inc	842	10	0.43			0.00
TRW/Vehicle Safety Systems, Inc.	-		0.00	1,396	8	0.69
AT&T	-		0.00	2,600	5	1.29
Empire Southwest Machinery	-		0.00	1,020	9	0.50
Bashas'	-		0.00	860	10	0.43
Total	<u>36,181</u>		<u>18.40 %</u>	<u>35,070</u>		<u>17.33 %</u>

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	2003-04	2004-05	2005-06	2006-07
General Government	988	1,005	934	979
Police	1,286	1,325	1,311	1,332
Fire	440	446	454	468
Cultural-Recreational	499	511	462	445
Community Environment	164	170	161	183
Energy Resources	128	129	115	125
Water Resources	144	148	156	177
Solid Waste	135	135	138	132
Airport	10	9	11	10
Total	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>	<u>2012-13</u>
966	838	835	824	870	864
1,306	1,282	1,240	1,163	1,158	1,163
472	470	455	457	473	479
417	335	329	334	332	313
181	189	184	189	184	183
132	140	122	116	115	117
166	213	232	230	233	229
136	126	124	120	117	127
9	10	10	9	9	10
<u>3,785</u>	<u>3,603</u>	<u>3,531</u>	<u>3,442</u>	<u>3,491</u>	<u>3,485</u>

CITY OF MESA, ARIZONA

TABLE XVOPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2003-04	2004-05	2005-06	2006-07
Police				
Major Crimes	27,933	25,853	24,904	22,437
Traffic Accidents	9,562	10,121	9,205	12,184
Fire				
Fires	1,332	1,386	1,605	1,428
Rescue or Emergency	39,489	41,689	43,073	38,003
False Alarms	1,999	2,021	2,595	2,875
Hazardous Conditions	653	591	676	608
Other Calls	7,439	7,738	7,820	11,792
Libraries				
Number of Registered Borrowers	200,461	193,722	233,836	266,839
Total Attendance	1,183,794	1,208,594	1,195,075	1,161,887
Access to Electronic Resources	1,365,863	1,835,867	2,307,051	3,029,001
Electric Connections	17,945	15,652	15,806	15,723
Gas Connections	42,241	45,435	48,622	50,478
Water				
Connections	129,477	131,141	133,105	133,249
Average Daily Consumption (mgd)*	105.3	93.6	94.5	89.6
Peak Daily Consumption (mg)**	132.15	137.95	131.28	128.83
Wastewater				
Connections	112,497	114,500	116,282	116,190
Average Daily Sewage Treatment (mgd)*	39.3	38.9	41.8	38.1
Solid Waste				
Customers Served	109,960	114,112	113,146	115,305
Refuse Collected (tons)	254,688	248,255	261,369	266,817
Recyclables Collected (tons)	34,141	36,264	32,869	38,660
Green Waste Collected (tons)	16,384	16,983	17,500	18,215
Falcon Field				
Average Number of Aircraft Based	934	922	924	901
Aircraft Operations (annual)	277,088	255,069	271,295	261,623

* mgd - millions of gallons per day

** mg - millions of gallons

TABLE XV
(Continued)

<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
21,388	18,482	17,345	16,623	16,740	16,149
7,578	6,256	5,890	5,952	6,047	6,186
1,200	1,165	1,048	981	1,012	929
34,207	32,478	34,079	38,788	42,925	43,416
2,456	2,125	1,478	1,478	1,292	1,255
567	663	701	478	446	454
12,976	11,923	12,819	11,840	11,192	11,803
275,449	306,427	352,607	220,812	142,943	166,492
1,165,451	1,348,555	1,367,667	1,095,196	1,143,718	1,178,137
2,910,088	3,661,261	2,542,927	1,691,966	1,566,775	1,515,299
15,215	14,546	14,738	15,064	15,841	13,815
51,454	51,911	52,832	53,434	55,828	55,544
133,086	132,771	133,701	134,072	135,138	136,640
85.8	79.7	72.7	76.2	81.6	78.2
125.72	108.68	111.14	114.30	122.30	115.68
116,465	116,721	117,831	118,413	119,615	120,953
38.0	36.0	33.6	33.7	33.4	33.8
112,632	112,832	113,079	115,811	118,949	119,142
243,208	234,709	217,295	223,217	209,116	215,463
39,296	37,841	36,490	35,486	34,443	34,616
17,601	18,936	18,588	19,149	17,882	19,878
934	873	841	789	749	700
337,178	283,336	248,381	221,910	222,650	190,605

CITY OF MESA, ARIZONA

TABLE XVI

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	2003-04	2004-05	2005-06	2006-07
Police Stations				
Stations	4	4	4	4
Vehicular Patrol Units	306	321	285	351
Fire Stations	17	17	17	17
Libraries	3	3	3	3
Parks and Recreation				
Developed Parks (acres)	1,198	1,149	1,184	1,184
Undeveloped Acres	1,228	1,230	1,251	1,251
Swimming Pools	13	12	12	12
Recreation Facilities	6	6	6	6
Community Environment				
Streets (miles)				
Paved	1,152	1,160	1,162	1,169
Unpaved	12	12	12	12
Storm Sewers (miles)	290	296	298	303
Gas Mains (miles)	998	1,037	1,121	1,147
Water				
Mains (miles)	1,978	2,004	2,022	2,008
Storage Capacity (millions of gallons)	97	97	117	117
Wastewater				
Mains (miles)	1,496	1,512	1,522	1,544
Treatment Capacity (millions of gallons per day)	56	56	56	60
Solid Waste				
Collection Trucks (1)	-	69	78	68
Golf Courses	2	2	2	2

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

TABLE XVI
(Continued)

<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
4	4	4	4	5	6
368	330	289	290	267	267
17	17	18	18	19	20
3	3	3	4	4	4
1,180	1,180	1,154	1,154	1,553	1,177
1,251	1,251	1,078	1,074	705	1,104
12	12	12	13	9	9
6	6	6	6	6	6
1,178	1,182	1,184	1,190	1,303	1,307
12	12	12	12	1	1
308	316	321	329	438	432
1,202	1,223	1,243	1,247	1,240	1,256
2,068	2,104	2,127	2,136	2,270	2,284
117	125	125	125	125	125
1,577	1,598	1,606	1,613	1,652	1,677
60	60	60	60	60	60
70	69	69	69	70	72
2	2	2	2	1	1





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

