



CITY OF MESA, AZ

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

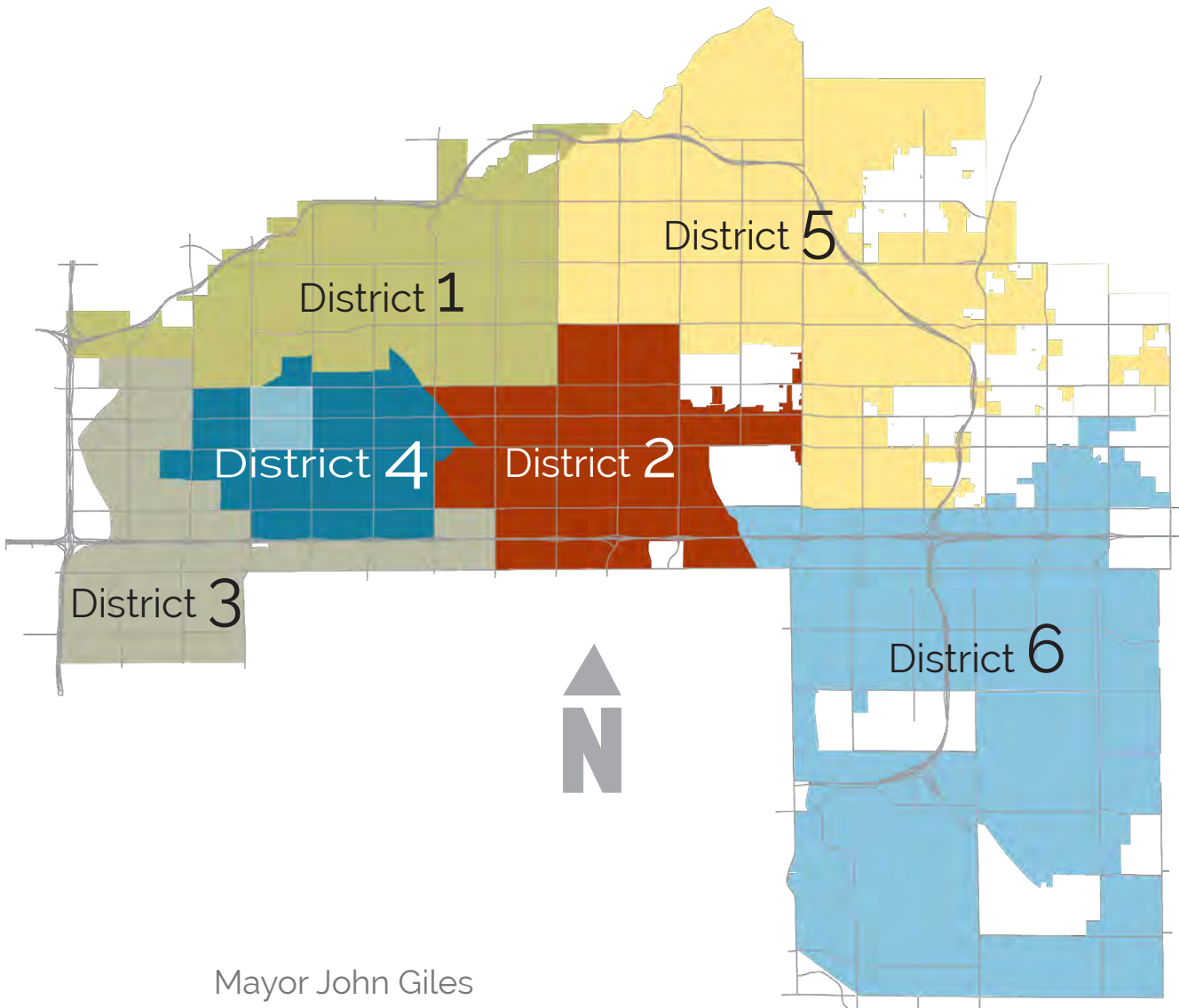


FOR THE FISCAL YEAR ENDED | JUNE 30, 2019



# DISTRICT MAP

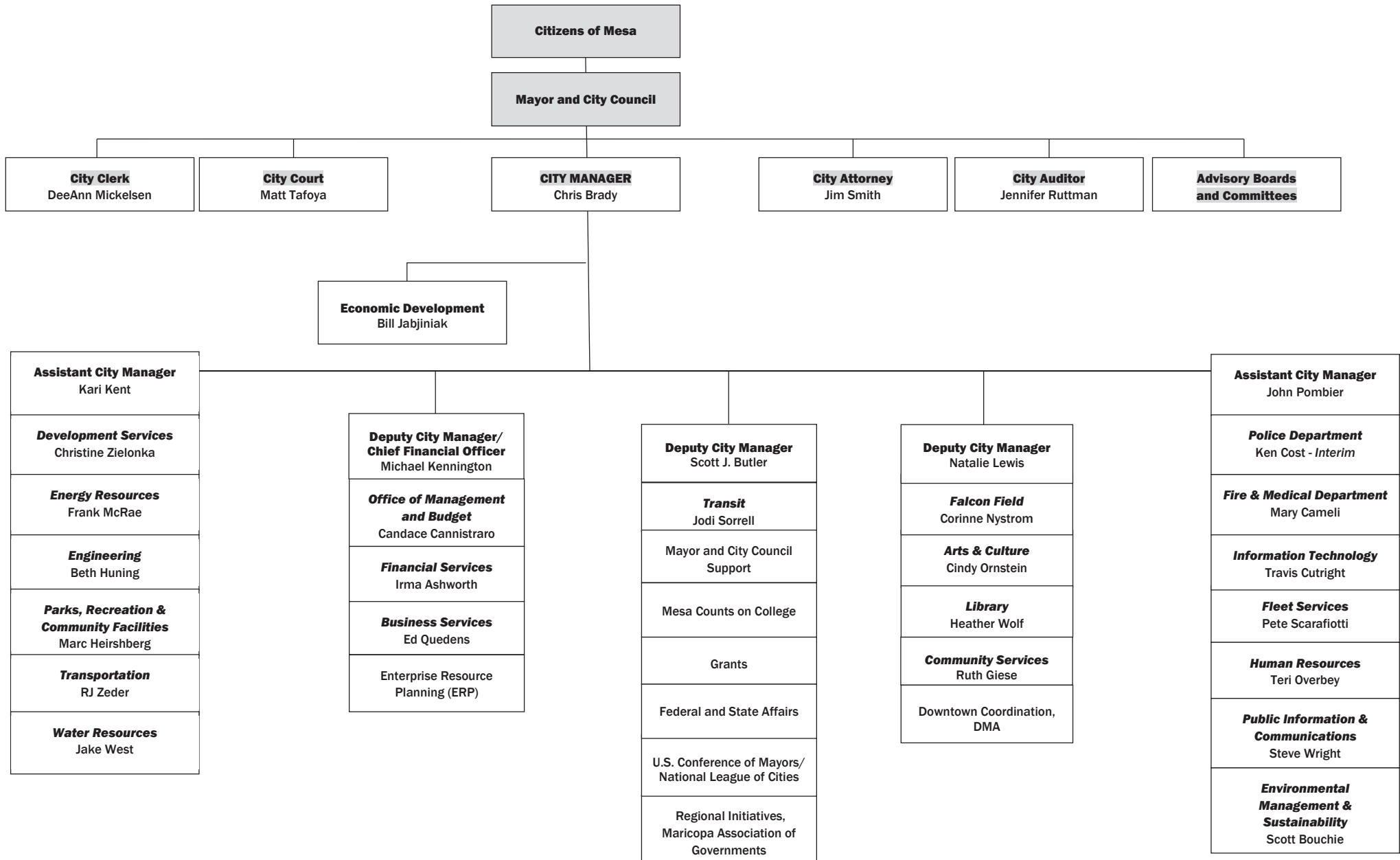
COMPREHENSIVE ANNUAL  
FINANCIAL REPORT 2019



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

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

Prepared by: Financial Services Department  
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**Citizens of Mesa**

**Mayor and City Council**

**City Clerk**  
DeeAnn Mickelsen

**City Court**  
Matt Tafoya

**CITY MANAGER**  
Chris Brady

**City Attorney**  
Jim Smith

**City Auditor**  
Jennifer Ruttman

**Advisory Boards and Committees**

**Economic Development**  
Bill Jabjiniak

**Assistant City Manager**  
Kari Kent

**Development Services**  
Christine Zielonka

**Energy Resources**  
Frank McRae

**Engineering**  
Beth Huning

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

**Transportation**  
RJ Zeder

**Water Resources**  
Jake West

**Deputy City Manager/  
Chief Financial Officer**  
Michael Kennington

**Office of Management and Budget**  
Candace Cannistraro

**Financial Services**  
Irma Ashworth

**Business Services**  
Ed Quedens

Enterprise Resource Planning (ERP)

**Deputy City Manager**  
Scott J. Butler

**Transit**  
Jodi Sorrell

Mayor and City Council Support

Mesa Counts on College

Grants

Federal and State Affairs

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

Regional Initiatives,  
Maricopa Association of Governments

**Deputy City Manager**  
Natalie Lewis

**Falcon Field**  
Corinne Nystrom

**Arts & Culture**  
Cindy Ornstein

**Library**  
Heather Wolf

**Community Services**  
Ruth Giese

Downtown Coordination,  
DMA

**Assistant City Manager**  
John Pombier

**Police Department**  
Ken Cost - Interim

**Fire & Medical Department**  
Mary Cameli

**Information Technology**  
Travis Cutright

**Fleet Services**  
Pete Scarafiotti

**Human Resources**  
Teri Overbey

**Public Information & Communications**  
Steve Wright

**Environmental Management & Sustainability**  
Scott Bouchie



# INTRODUCTORY SECTION

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT 2019



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December 2, 2019

**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, 2019 is hereby submitted.

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

The City’s financial statements have been audited by CliftonLarsonAllen, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City for the fiscal year ended June 30, 2019, 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, 2019, 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 511,334 compared with the 2010 decennial census count of 439,041, within an incorporated area of approximately 141 square miles. Total land area encompasses 138 square miles. The City is the 35th largest city in the United States and is the third largest city in the State of Arizona. Mesa is located 16 miles east of Phoenix, the State Capitol. The City operates under a charter form of government with citizens electing a Mayor and six Councilmembers to set policy for the City. City Councilmembers are elected from districts and serve terms of four years, with three members being elected every two years. The Mayor is elected at-large every four years. The Mayor and Council are elected on a non-partisan basis, and the Vice Mayor is selected by the City Council.

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

An allocated staff of 4,013 full-time (equivalent) City employees working within 27 different City departments undertakes the various functions of Mesa's city government and its operation. The City provides a full range of municipal services, including police and fire protection, parks and recreation, library, transportation, health and certain social services and general administration; and, the City owns and operates enterprises including operations of electric, gas, water, wastewater, solid waste, airport and a golf course. The Mesa Art Center, which includes 212,755 square feet of performing arts, visual arts and art education facilities, is the largest comprehensive arts campus in the Southwest. The Mesa Art Center was awarded the Venue Excellence Award by the International Association of Venue Managers. This prestigious award recognizes venues such as stadiums, convention centers, arenas, performing arts centers, and academic institutions that demonstrate excellence in the following four criteria: service to the community, team building/professional development, safety and security, and operational excellence.

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

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

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

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

The budget 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) 2019 is up 7% from FY 2018 and over 90% from FY 2015. The corresponding increase in dollar valuation associated with the residential construction in FY 2019 over the prior fiscal year was approximately \$60 million. Commercial construction increased 54% from FY 2018. This represents an increase of approximately \$274 million in commercial valuation.

During FY 2019 the City issued 2,155 permits for new residential construction. This is 49% more than the FY 2015 levels. Activity levels for residential constructions continues to be a strength.

The increase in construction activity was accompanied by an increase in sales tax revenues. In November of 2018, a majority of Mesa voters approved an increase to the transaction privilege tax from 1.75% to 2.00% specifically for public safety related use. The increase in tax rate was effective March 1, 2019. For the year ending June 30, 2019, retail sales tax was up 13.3% while overall sales tax revenues were up 12.4%. Tourism also increased as evidenced by a 7.6% increase in the transient lodging ('bed') tax. Other financial resources followed the economy's continuation of a slow and steady recovery. The City incorporated this in the preparation of the FY 2020 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 FY 2020 budget continues the City's fiscally conservative approach and reinforces the City's effort to invest in economic development, improve public safety and attract and retain excellent employees. All fund balances were maintained at or above the levels prescribed by financial policy and prudent practice.

## Major Initiatives

During the year, various major accomplishments were realized. Some of these were:

- Mesa’s strong financial position was recognized as S&P raised its long-term rating to AA with stable outlook from AA- on the City’s general obligation bonds and reaffirmed their AA- rating on the City’s utility revenue bonds. S&P Global states that an issuer with an AA rating has a ‘very strong’ capacity to meet its financial commitments.
- Mesa placed third nationally for Government Experience and was one of four winners of the Government Experience Innovation Award. The Government Experience Award honors U.S. governments that are offering citizens increasingly sophisticated digital user experiences. The award recognized Mesa for its citizen engagement and transparency efforts through the use of various interactive social media platforms, such as: utilizing the Mesa Now Mobile app to deliver City services, providing on-demand streaming of City Council meetings, developing an Open Data Portal to view City expenditures and department datasets, creating Mesa en Español to outreach to our Spanish speaking residents, as well as developing digital communication efforts to seek citizen feedback through Imagine Mesa and other interactive survey instruments. In addition, Mesa was recognized for the development and implementation of the Smart City Master Plan that uses the latest technologies and data-driven insights to improve the quality of life, civic engagement, economic development, service delivery, and community vibrancy for citizens, businesses, and visitors. The Government Experience Innovation Award was awarded to the City for the work of the Chief Digital Officer and his efforts in focusing on the digital behaviors of the City’s followers and in monitoring and responding to communication channels to ensure the followers have a positive interaction with the City.
- The City of Mesa, known for its aerospace industry, tech corridor, and emerging innovation district, was named among the “best run” cities in America, according to an in-depth analysis by online personal finance giant, WalletHub. For the study, WalletHub analyzed data from 150 most populated cities to find the best and worst across six categories: financial stability, education, health, safety, economy, and infrastructure and pollution. Data from two dozen sources was analyzed including the U.S. Census Bureau, Bureau of Labor Statistics, Moody’s Investors Service, County Health Rankings, Centers for Disease Control and Prevention, National Highway Traffic Safety Administration, and the U.S. Environmental Protection Agency.
- Phoenix-Mesa Gateway Airport was named the Arizona Department of Transportation’s Airport of the Year for 2019, winning the award for the third time. The airport is currently the 32<sup>nd</sup> busiest airport in the nation with 288,000 takeoffs and departures a year.
- To help meet the growing demand for IT professionals, the Maricopa County Community College District (MCCCD) IT Institute at Mesa added an AppleCare course, incorporated Amazon cloud computing into the IT Institute’s pre-established blockchain courses and enhanced several Adobe-focused courses. The AppleCare courses for Apple computer

hardware repair will lead to an industry certification. Adobe classes will focus on digital animation and digital imaging. Currently, students may earn industry certifications in Adobe Foundations and app development using Swift and Xcode.

- Davcon Aviation, LLC and Mesa Hangar, LLC announced a 23-acre development of large aircraft hangars with office and manufacturing space at Mesa's Falcon Field Airport. The phased project will include more than 340,000 square feet of new large aircraft hangar space in addition to ancillary office space, aircraft staging ramp and vehicle parking areas. Falcon Field is the hub of Mesa's Falcon Business District. It is in an opportunity zone designated by the U.S. Treasury Department to spur investment. The entire project will be designed and phased based on business needs and is expected to be complete by November 2021.
- The Mesa Artspace Lofts celebrated its grand opening on January 23<sup>rd</sup>. This \$15.8M arts development in downtown Mesa includes 50 units of fully leased housing where artists and their families live and work.
- In May, the end of the light rail line extended 1.9 miles further east to Gilbert Road. This increased the light rail length to 28 miles running through Phoenix, Tempe and Mesa. The \$186 million extension took nearly three years of construction which included bus bays and a park-and-ride.
- In May, Commercial Metals Company (CMC) completed construction and commissioning of a 63,000 square foot expansion and manufacturing line to produce spooled rebar at CMC Steel Arizona, an environmentally responsible micro mill in southeast Mesa.
- On July 1<sup>st</sup>, the Mesa City Council approved a development agreement with the multinational technology and Internet services giant, Google. The agreement outlines a potential project which would include a data center and ancillary office facilities.
- In July, Lincoln Property Company-Harvard Investments Development announced a significant Class A office project called Union. It will include four buildings ranging from four to eight stories and from 232,000 to 450,000 square feet per building on 28.2 acres of city-owned land. Union will live in the heart of the Riverview District, just east of Sloan Park, the Chicago Cubs' spring training facility. When completed, the project will total 1.35 million square feet of Class A office space designed to attract and retain premier, market-leading companies and their employees.
- In July, AT&T opened their renovated, 97,000 square foot call center. AT&T invested nearly \$7.6 million into the renovation and hired 500 full time employees for the call center.
- In September, Marwest Enterprises announced a new complex, Landing 202, a 605,000-square-foot Class A industrial product on approximately 45 acres in southeast Mesa. The new industrial development site is located just north of the Phoenix-Mesa Gateway Airport and within one of Mesa's newly announced, federally designated opportunity zones.

- In September, the American Planning Association (APA) named Pioneer Park in Mesa one of six Great Public Spaces on APA's annual Great Places in America list.
- On November 14<sup>th</sup>, Urbix Resources opened its new 31,000-square-foot headquarters in the Falcon District. Urbix is a Mesa home-grown success story that was founded in 2014 and was the first client of the City's LaunchPoint incubator. Currently, the company has over \$10 million in capital funding and expects to create as many as 100 jobs in the science and skilled labor fields. Once the new facility is complete, Urbix Resources will be one of the largest graphite purifiers in North America. The company takes an eco-friendly approach to purify graphite. Urbix is the only company in the world that uses a greentech graphite purification method for lithium batteries used to store energy for electric cars and other uses.


### **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, 2018. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

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

Respectfully submitted,



Michael Kennington,  
Deputy City Manager/Chief Financial Officer



Government Finance Officers Association

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

Presented to

**City of Mesa  
Arizona**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO







# FINANCIAL SECTION

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT 2019





## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mesa, Arizona (City) as of and for the year ended June 30, 2019, 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, 2019, 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.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of the City's Proportionate Share of Net Pension Liability, Schedule of Changes in the City's Net Pension/OPEB Liability and Related Ratios, Schedule of City Pension Contributions, Schedule of Changes in the City's Total OPEB Liability, 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'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 relate 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 Members of City Council  
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 them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City's 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's internal control over financial reporting and compliance.

*CliftonLarsonAllen LLP*

Phoenix, Arizona  
December 2, 2019

## 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, 2019. This discussion and analysis is designed to 1) assist the reader in focusing on significant financial issues, 2) provide an overview of the City's financial activities, 3) identify changes in the City's financial position, 4) identify any material deviations from the financial plan (the approved annual budget), and 5) identify individual fund issues and concerns.

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

### FINANCIAL HIGHLIGHTS

- The City's total revenues increased by \$71.4 million from \$1 billion to \$1.07 billion. The increase is from four primary sources Sales Taxes, Unrestricted Intergovernmental revenues, Gains on Sale of Assets and Investment earnings.
- At June 30, 2019, the City's governmental funds reported a combined ending fund balance of \$354.6 million, a \$50.1 million increase from the previous year. Approximately 54.4 percent of the total governmental fund balance amount, or \$192.8 million, is designated by the City as committed, assigned and unassigned. The remaining 45.6 percent or \$161.8 million is designated as non-spendable or restricted.
- At June 30, 2019, total fund balance for the General Fund was \$135.9 million, which represents an increase of \$5.5 million over prior year. Although general fund expenditures exceeded revenues, the transfer from the Enterprise fund contributed to the overall increase in fund balance.
- At June 30, 2019, the City's enterprise fund reported combined total net position of \$568.3 million, which represents an increase of \$62 million over prior year as revenues continued to exceed expenses. In addition, Gains on Sale of Assets of \$44 million contributed to the current year increase.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### **Government-Wide Financial Statements**

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

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

The *statement of activities*, Exhibit A-2, presents information showing how the City's net position changed over the most recent fiscal year. All changes to net position are reported at the time that the underlying

event giving rise to the change occurs, regardless of the timing of the related cash flows. This is the accrual basis of accounting. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both the 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, community environment and cultural-recreational. Taxes and general revenues generally support these activities.
- The *business-type activities* include private sector type activities such as the City-owned electric, gas, water, wastewater, and solid waste systems, as well as the City-owned airport, golf course, stadiums, convention center, and district cooling. These activities are primarily supported by user charges and fees.

### 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 years ending June 30, 2019 and 2018.

**Net Position** - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's net position, the amounts by which assets plus deferred outflows of resources, exceeded liabilities plus deferred inflows of resources, was \$876.4 million at the end of fiscal year 2019. The following table summarizes Exhibit A-1, the Statement of Net Position.

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

	Governmental Activities		Business-Type Activities		Total Government	
	2019	2018	2019	2018	2019	2018
Cash and Other Assets	\$ 844,824	\$ 736,077	\$ 692,000	\$ 541,346	\$ 1,536,824	\$ 1,277,423
Capital Assets	1,452,714	1,440,294	1,498,916	1,522,043	2,951,630	2,962,337
Total Assets	2,297,538	2,176,371	2,190,916	2,063,389	4,488,454	4,239,760
Deferred Amounts on Refunding	7,964	8,946	34,583	29,430	42,547	38,376
Deferred Outflows on Pensions & OPEB	172,454	162,477	11,064	9,168	183,518	171,645
Total Deferred Amounts	180,418	171,423	45,647	38,598	226,065	210,021
Non-Current Liabilities Outstanding	523,677	513,972	1,419,458	1,336,240	1,943,135	1,850,212
Net Pension & OPEB Liability	1,440,768	1,399,889	143,356	141,767	1,584,124	1,541,656
Other Liabilities	140,505	117,008	95,183	109,471	235,688	226,479
Total Liabilities	2,104,950	2,030,869	1,657,997	1,587,478	3,762,947	3,618,347
Deferred Inflows on Pensions & OPEB	64,930	67,124	10,276	8,526	75,206	75,650
Net Investment in Capital Assets	1,038,928	1,019,888	170,427	266,012	1,209,355	1,285,900
Restricted Net Position	103,164	88,305	47,857	40,440	151,021	128,745
Unrestricted Net Position	(834,016)	(858,392)	350,006	199,531	(484,010)	(658,861)
Total Net Position	\$ 308,076	\$ 249,801	\$ 568,290	\$ 505,983	\$ 876,366	\$ 755,784

The largest portion of net position, \$1.2 billion, 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.

The restricted portion of the City's net position, \$151 million, represents resources that are subject to external restrictions on how they may be used. Such restrictions include debt service payments, transportation programs, other capital projects and required reserves. The unrestricted net position of (\$484.0) million is primarily due to the impact of the long-term liability associated with pensions and OPEB (\$1.6 billion).

**Capital Assets** – The following table provides a breakdown of the City's capital assets at June 30, 2019 and 2018:

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Government</b>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 391,527	\$ 391,527	\$ 32,234	\$ 50,700	\$ 423,761	\$ 442,227
Infrastructure - Nondepr	3,585	3,585	17,666	17,666	21,251	21,251
Buildings	235,341	237,881	87,608	76,139	322,949	314,020
Other Improvements	94,070	85,980	73,335	75,016	167,405	160,996
Machinery & Equipment	62,762	62,444	37,500	38,098	100,262	100,542
Intangibles	177	2,959	4,152	4,800	4,329	7,759
Infrastructure	527,116	537,986	1,100,685	1,031,096	1,627,801	1,569,082
Construction-in-Progress	138,136	117,932	145,736	228,528	283,872	346,460
Total	<u>\$ 1,452,714</u>	<u>\$ 1,440,294</u>	<u>\$ 1,498,916</u>	<u>\$ 1,522,043</u>	<u>\$ 2,951,629</u>	<u>\$ 2,962,337</u>

The City's investment in capital assets for its governmental and business-type activities amounts to \$3.0 billion (net of accumulated depreciation/amortization) as of June 30, 2019. 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.

As noted in the above table, the City's total capital asset balances at June 30, 2019 were overall consistent with prior year balances. Increases in Infrastructure assets (\$58.7 million) were offset by decreases in Construction-in-progress (\$62.6 million). The most significant Infrastructure addition in fiscal year 2019 was the Signal Butte Water Treatment Plant. Additional information on the City's capital assets can be found in Note 7 of the notes to the basic financial statements.

**Debt Administration** – The following schedule shows the outstanding long-term debt of the City as of June 30, 2019 and 2018.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Government</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
General Obligation Bonds	\$ 370,479	\$365,519	\$ 191	\$ 236	\$ 370,670	\$ 365,755
Utility System Revenue Bonds	-	-	1,279,020	1,227,355	1,279,020	1,227,355
Highway User Revenue Fund Bond	67,905	76,620	-	-	67,905	76,620
Excise Tax Obligations	-	-	49,025	49,025	49,025	49,025
Special Assessment Bonds						
with Governmental Commitment	438	1,005	-	-	438	1,005
Community Facility District	40,631	28,813	-	-	40,631	28,813
Notes Payable	-	-	1,574	1,714	1,574	1,714
Total	<u>\$479,453</u>	<u>\$471,957</u>	<u>\$ 1,329,810</u>	<u>\$1,278,330</u>	<u>\$ 1,809,263</u>	<u>\$ 1,750,287</u>

At the end of the current fiscal year, the City had total outstanding debt was \$1.8 billion. Of this amount, \$419.7 million comprises debt backed by the full faith and credit of the City and \$1.3 billion represents bonds secured by specified revenue sources (i.e., Utility System Revenue and Highway User Revenue). The City’s outstanding long-term debt (considering new borrowings, debt retirements, and defeasance) increased \$59 million. The change in debt includes new borrowings during the fiscal year totaling \$274.4 million, refundings of \$144.3 million, defeasance of \$10 million, and principal payments of \$61.1 million.

The City’s total outstanding debt includes \$41.1 million in Special Assessment and Community Facility District bonds. Special Assessment revenues are collected to make the annual Special Assessment and Community Facility District bond debt payments. The City has no liability for the Community Facility District bonds. However, the City is contingently liable in the event that the Special Assessment revenues are insufficient to satisfy the Special Assessment Bond debt payments.

The City’s current bond ratings are as follows:

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

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, sewer, light, parks, open space preserves, playgrounds, recreational facilities, public safety, law enforcement, fire emergency, streets and transportation may not exceed 20% of a City’s full cash net assessed valuation, nor may outstanding general obligation bonded debt for all other purposes exceed 6% of a City’s full cash net assessed valuation.

The City’s total debt margin available at June 30, 2019 was \$196.2 million in the 6% capacity and \$285.4 million in the 20% capacity. Additional information on the City’s long-term obligations can be found in Note 8 of the notes to the basic financial statements and Table X in the Statistical Section.



## Changes in Net Position

The following table shows the revenues and expenses of the City for the fiscal years ended June 30, 2019 and 2018.

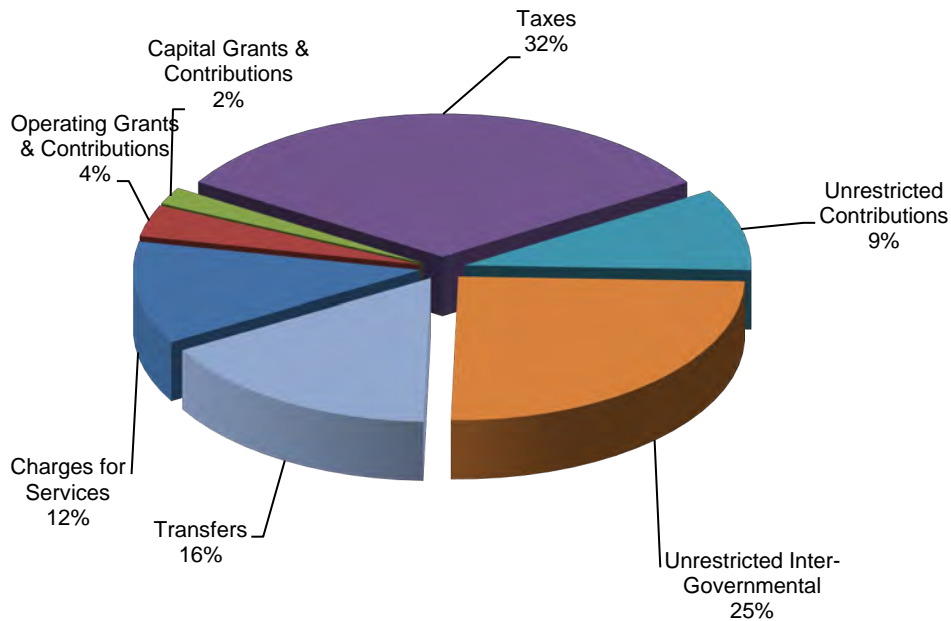
### Changes in Net Position Year Ended June 30 (In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Government	
	2019	2018	2019	2018	2019	2018
Program Revenues:						
Charges for Services	\$ 81,303	\$ 78,756	\$ 375,654	\$ 371,794	\$ 456,957	\$ 450,550
Operating Grants & Contributions	25,326	34,446	2,316	2,406	27,642	36,852
Capital Grants & Contributions	13,780	23,618	19,692	23,474	33,472	47,092
General Revenues:						
Sales Taxes	189,871	169,024	-	-	189,871	169,024
Property Taxes	36,013	35,571	-	-	36,013	35,571
Occupancy Taxes	3,246	2,628	1,602	1,192	4,848	3,820
Unrestricted Intergovernmental Contributions	175,278	167,540	-	-	175,278	167,540
Unrestricted Investment Income	65,189	80,312	-	-	65,189	80,312
Gain on Disposal of Capital Assets	13,729	1,912	8,004	1,691	21,733	3,603
Miscellaneous	(27)	(2,462)	44,056	261	44,029	(2,201)
Total Revenues	11,531	5,418	4,290	1,915	15,821	7,333
	<u>615,239</u>	<u>596,763</u>	<u>455,614</u>	<u>402,733</u>	<u>1,070,853</u>	<u>999,496</u>
Governmental Activities Expenses:						
General Government	119,819	105,140	-	-	119,819	105,140
Public Safety	355,752	334,905	-	-	355,752	334,905
Community Environment	119,506	113,916	-	-	119,506	113,916
Cultural-Recreational	58,345	54,828	-	-	58,345	54,828
Interest on Long-Term Debt	18,078	19,514	-	-	18,078	19,514
Business-Type Activities:						
Electric	-	-	22,475	25,573	22,475	25,573
Gas	-	-	33,124	31,636	33,124	31,636
Water	-	-	103,821	101,005	103,821	101,005
Wastewater	-	-	57,468	74,157	57,468	74,157
Solid Waste	-	-	38,524	37,988	38,524	37,988
Airport	-	-	5,029	5,308	5,029	5,308
Golf Course	-	-	2,117	1,965	2,117	1,965
Convention Center	-	-	4,413	4,481	4,413	4,481
Hohokam Stadium/Fitch Complex	-	-	2,748	3,174	2,748	3,174
Cubs Stadium	-	-	7,867	5,870	7,867	5,870
District Cooling	-	-	1,186	1,181	1,186	1,181
Total Expenses	<u>671,500</u>	<u>628,303</u>	<u>278,772</u>	<u>292,338</u>	<u>950,272</u>	<u>920,641</u>
Increase (Decrease) in Net Position Before Transfers						
	(56,261)	(31,540)	176,842	110,395	120,582	78,855
Transfers	<u>114,535</u>	<u>116,006</u>	<u>(114,535)</u>	<u>(116,006)</u>	<u>-</u>	<u>-</u>
Change in Net Position	58,275	84,466	62,307	(5,611)	120,582	78,855
Net Position - Beginning	<u>249,801</u>	<u>165,335</u>	<u>505,983</u>	<u>511,594</u>	<u>755,784</u>	<u>676,929</u>
Net Position - Ending	<u>\$ 308,076</u>	<u>\$ 249,801</u>	<u>\$ 568,290</u>	<u>\$ 505,983</u>	<u>\$ 876,366</u>	<u>\$ 755,784</u>

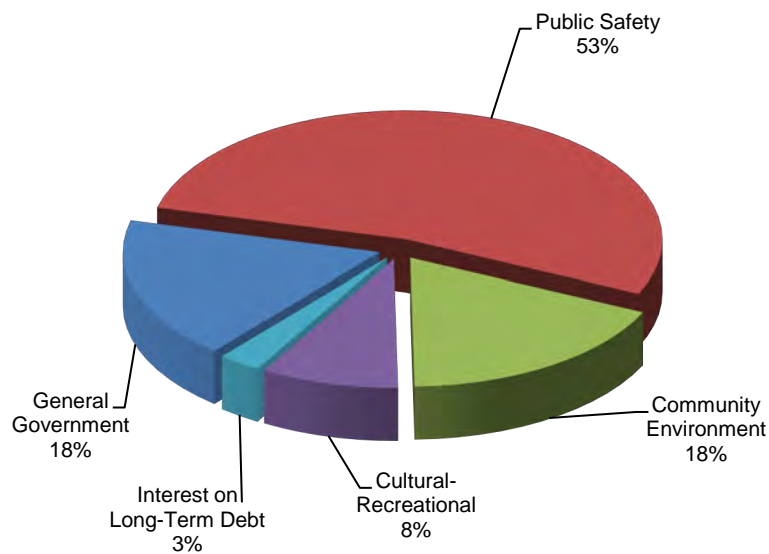
## Governmental Activities

As presented in the following two graphs, the largest funding sources, including transfers, for the governmental activities are taxes (32%), Unrestricted Intergovernmental (25%), Transfers (16%), and Charges for Services (12%). The largest users of resources for the governmental activities are Public Safety (53%), Community Environment (18%), and General Government (18%).

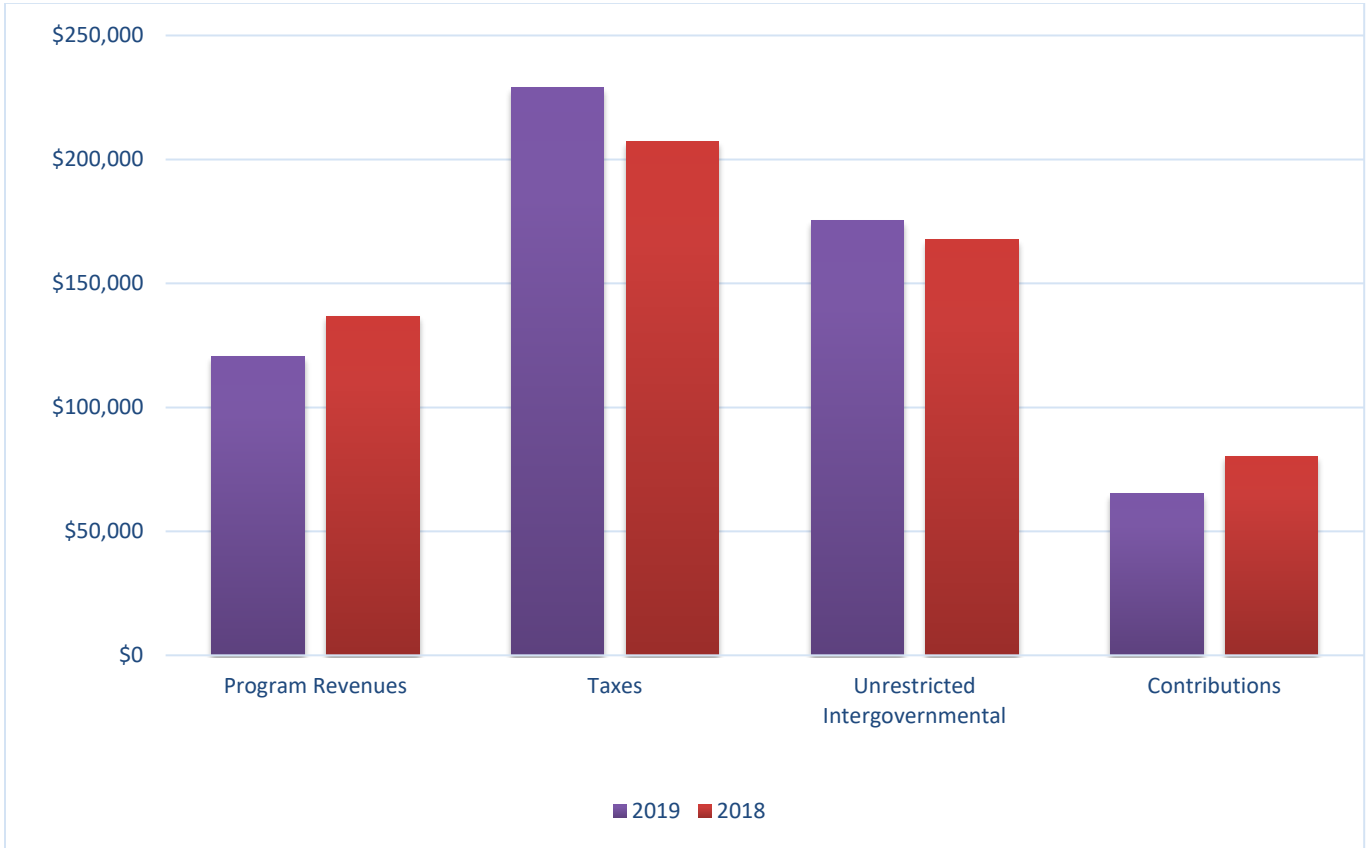
**Revenues by Source Including Transfers – Governmental Activities  
For the Fiscal Year Ended June 30, 2019**



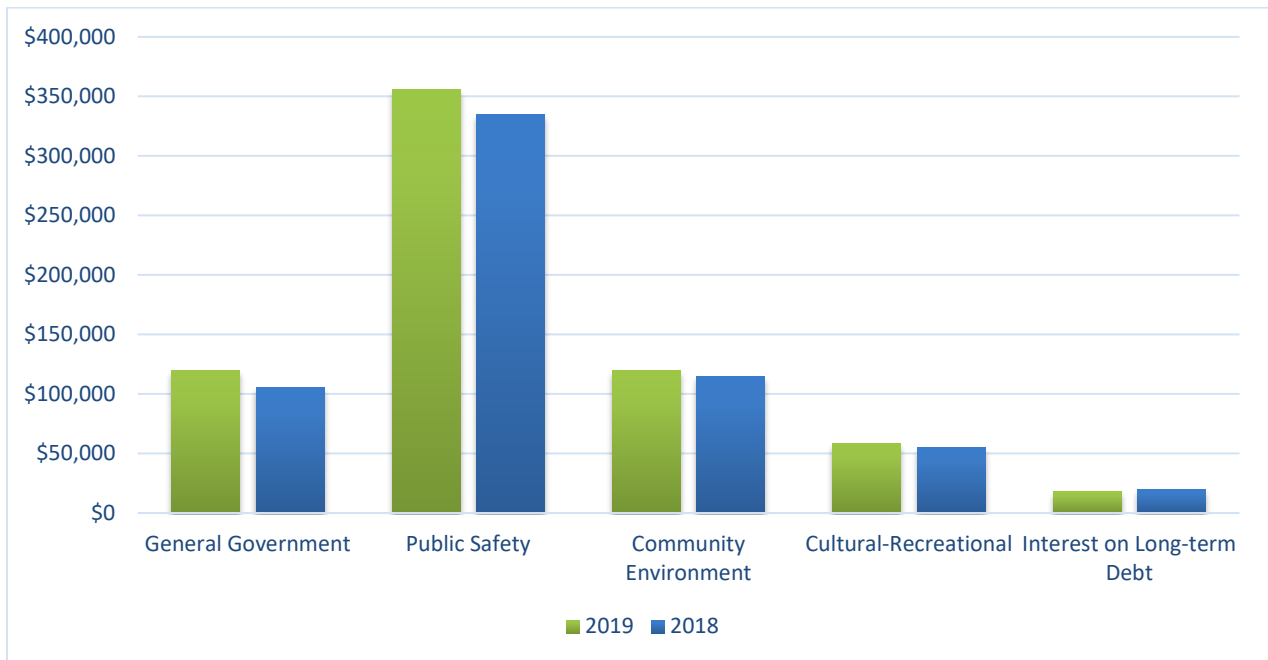
**Functional Expenses – Governmental Activities  
For the Fiscal Year Ended June 30, 2019**



**Governmental Activities Revenues  
For Fiscal Years 2019 and 2018  
(In thousands of dollars)**



**Governmental Activities Functional Expenses  
For Fiscal Years 2019 and 2018  
(In thousands of dollars)**



The graphs on the previous page compare governmental activities revenues and expenses from fiscal year 2019 to fiscal year 2018. Total governmental activities revenues increased \$18.5 million from \$596.8 million to \$615.2 million. Total governmental expenses increased by \$43.2 million from \$628.3 million to \$671.5 million.

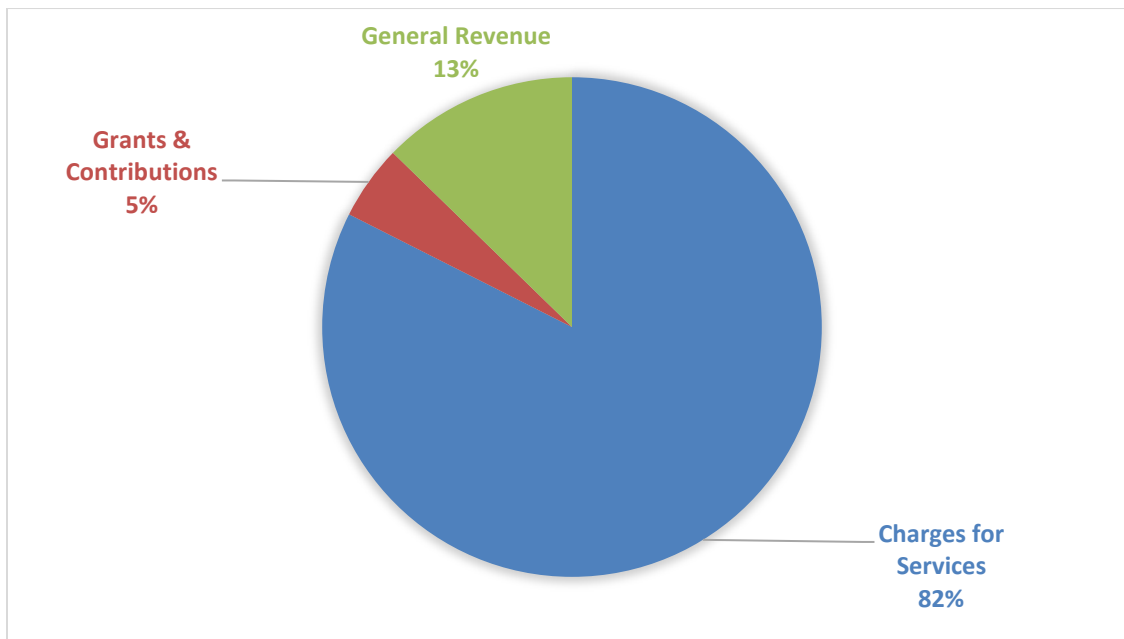
Key factors in this change include:

- Sales Taxes revenues increased in current year by \$20.8 million. Overall sales tax increased by 12.3% primarily due to a new Public Safety Sales Tax of 0.25% effective March 1, 2019 which accounts for \$8.6 million of the current year increase. The remaining increase \$12.2 million (7.4%) is due to the continued strength in sales tax revenue, specifically in retail sales.
- Unrestricted Intergovernmental revenues increased in current year by \$7.7 million. Unrestricted Intergovernmental revenue increases were related to State Shared Sales Tax, and Highway User Tax. Unrestricted intergovernmental revenues have continued to increase at a modest amount (3% - 5%) for the last few years.
- The increase in governmental expenditures is primarily due to an increase in Public Safety and General Government expenditures by \$20.8 million and \$14.7 million, respectively. The increase in expenditures is related to a \$14 million increase in health benefit claims and increases in salary and related benefits.

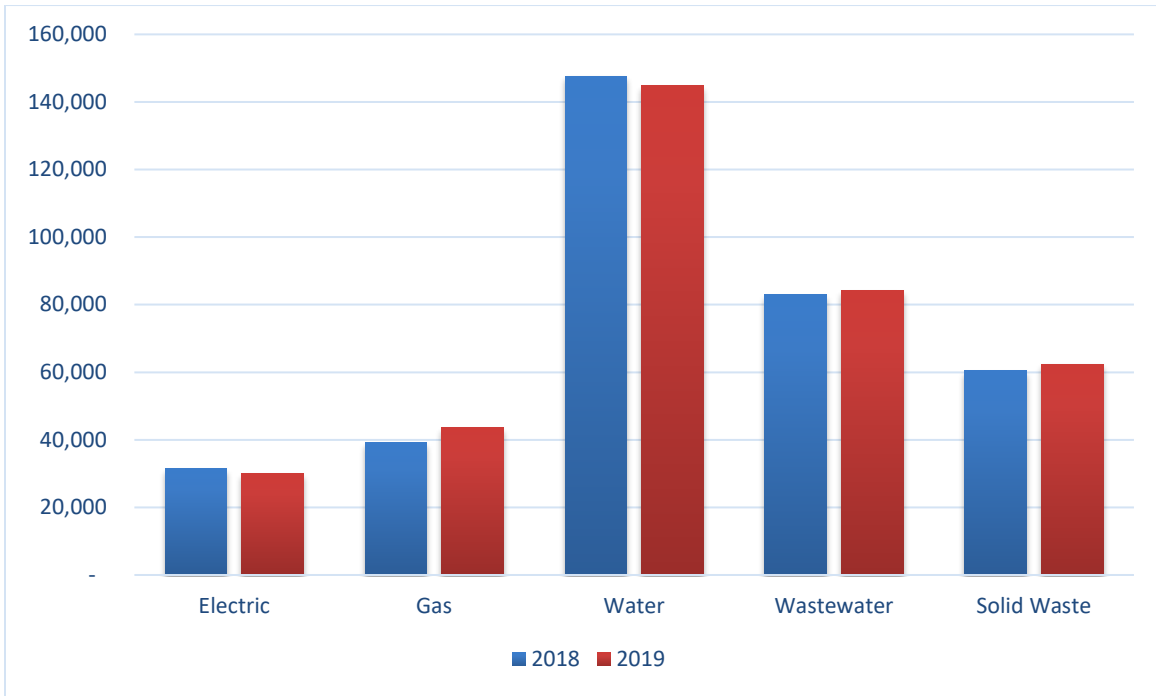
### Business-type Activities

As presented in the following two graphs, the largest revenue source is from Charges for Services from Water, Wastewater, Solid Waste, Gas, and Electric.

**Revenues by Source – Business-type Activities**

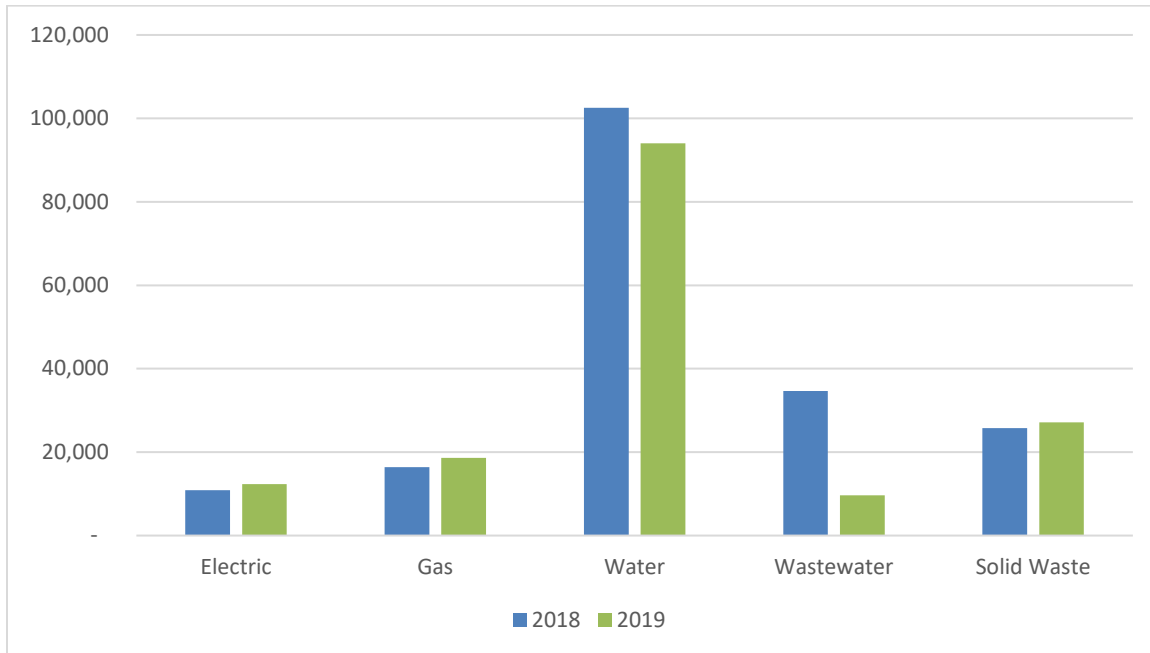


**Revenues by Utility – Business-type Activities**



Total business-type activities program and general revenues increased by \$52.8 million from \$402.8 million to \$455.6 million. Increase is primarily attributed to gain on sale of assets of \$44 million. Charges for Service increased by \$3.9 million due to utility rate increases and investment earnings increased by \$7.7 million.

**Net (Expenses) Revenue – Business-Type Activities**



## **Fund Financial Statements**

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

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

**Proprietary funds** – The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. 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).

**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 on page 104.

## **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 General Fund is the chief operating fund of the City and accounts for many of the major functions of the government including general government, public safety, community environment and cultural-recreational. At the end of the current fiscal year, total fund balance of the General Fund was \$135.9 million, while unassigned fund balance was \$90.2 million.

Total fund balance of the City's General Fund increased by \$5.5 million during the current fiscal year from \$130.4 million to \$135.9 million. This is primarily due to an increase in Sales Taxes and Transfers in from the Enterprise Fund.

**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 increased by \$62.3 million during the current fiscal year from \$506 million to \$568.3 million. The increase in current year is primarily related to Gain on Sale of Assets of \$44 million and Gain on Joint Venture activity of \$51 million.

### **Budgetary Highlights**

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

Amendments to the adopted budget may occur throughout the year in a legally permissible manner (see Note 1.f. of the notes to the financial statements for more information on budget policies). No amendments increasing the City's total adopted budget of \$1.82 billion occurred during fiscal year 2019.

General Fund revenues of \$326.2 million, on a budgetary basis, were more than the budgeted revenues of \$325 million. Increase in revenues, compared to budgeted, was primarily due to the City receiving more sales tax and investment income than budgeted. Expenditures of \$408.5 million were less than the budgeted expenditures of \$451 million. Savings were primarily in general government, followed by capital outlay.

## **ECONOMIC FACTORS**

On May 20, 2019, the City Council approved a \$1.83 billion budget, which is an increase of \$10 million compared to prior year's budget. The fiscal year 2020 budget includes \$1.57 billion for operations and \$264 million for scheduled bond capital improvements.

The adopted fiscal year 2020 budget continues the City's fiscally conservative approach and reinforces the City's effort to invest in economic development, improve public safety and attract and retain excellent employees. Conservative budget practices and willingness to respond to economic indicators continues to allow the City to maintain unrestricted fund balance reserve levels as established in the City's financial policies.

## **REQUESTS FOR INFORMATION**

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







# BASIC FINANCIAL SECTION

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT 2019



CITY OF MESA, ARIZONA  
**EXHIBIT A-1**  
STATEMENT OF NET POSITION  
JUNE 30, 2019  
(in thousands)

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Pooled Cash and Investments	\$ 395,657	\$ 190,247	\$ 585,904
Accounts Receivable, Net	16,617	37,207	53,824
Accrued Interest Receivable	1,413	1,288	2,701
Due from Other Governments	46,841	1,483	48,324
Inventory	6,736	-	6,736
Prepaid and Deposits	2,714	3,870	6,584
Restricted Assets:			
Pooled Cash and Investments	7,746	143,704	151,450
Cash with Fiscal Agent	45,675	46,577	92,252
Cash with Trustee	-	101	101
Accounts Receivable, Net	14,646	-	14,646
Due from Other Governments	913	-	913
Customer Deposits	-	4,269	4,269
Joint Venture Construction Deposits	-	6,421	6,421
Investment in Joint Ventures	305,866	256,833	562,699
Capital Assets, Not Being Depreciated	533,248	195,636	728,884
Capital Assets, Being Depreciated, Net	919,466	1,303,280	2,222,746
Total Assets	<u>2,297,538</u>	<u>2,190,916</u>	<u>4,488,454</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Debt Refunding	7,964	34,583	42,547
Pensions and OPEB	172,454	11,064	183,518
Total Deferred Outflows of Resources	<u>180,418</u>	<u>45,647</u>	<u>226,065</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	34,555	8,072	42,627
Claims Payable	46,022	-	46,022
Customer and Defendant Deposits	7,768	-	7,768
Liabilities Payable from Restricted Assets	52,160	87,111	139,271
Noncurrent Liabilities:			
Due Within One Year	50,068	37,097	87,165
Due in More Than One Year	473,609	1,382,361	1,855,970
Net Pension and OPEB Liability	1,440,768	143,356	1,584,124
Total Liabilities	<u>2,104,950</u>	<u>1,657,997</u>	<u>3,762,947</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions and OPEB	64,930	10,276	75,206
Total Deferred Inflows of Resources	<u>64,930</u>	<u>10,276</u>	<u>75,206</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	1,038,928	170,427	1,209,355
Restricted For:			
Bond Indentures	-	33,588	33,588
Construction	-	6,421	6,421
Debt Service	27,551	7,848	35,399
Public Safety	15,009	-	15,009
Transportation Programs	57,081	-	57,081
Other Programs	3,523	-	3,523
Unrestricted	(834,016)	350,006	(484,010)
Total Net Position	<u>\$ 308,076</u>	<u>\$ 568,290</u>	<u>\$ 876,366</u>

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

CITY OF MESA, ARIZONA

**EXHIBIT A-2**

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(in thousands)

<b>Functions/Programs:</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental Activities:</b>				
General Government	\$ 119,819	\$ 14,661	\$ 539	\$ 11,642
Public Safety	355,752	33,582	6,774	680
Community Environment	119,506	19,106	17,865	1,334
Cultural-Recreational	58,345	13,954	148	124
Interest on Long-Term Debt	18,078	-	-	-
<b>Total Governmental Activities</b>	<b>671,500</b>	<b>81,303</b>	<b>25,326</b>	<b>13,780</b>
<b>Business-type Activities:</b>				
Electric	22,475	29,986	160	315
Gas	33,124	43,547	244	965
Water	103,821	144,896	1,394	8,192
Wastewater	57,468	84,220	518	8,930
Solid Waste	38,524	62,432	-	492
Airport	5,029	4,339	-	773
Golf Course	2,117	1,608	-	-
Convention Center	4,413	3,153	-	17
Hohokam Stadium/Fitch Complex	2,748	75	-	8
Cubs Stadium	7,867	250	-	-
District Cooling	1,186	1,148	-	-
<b>Total Business-type Activities</b>	<b>278,772</b>	<b>375,654</b>	<b>2,316</b>	<b>19,692</b>
<b>Total Government</b>	<b>\$ 950,272</b>	<b>\$ 456,957</b>	<b>\$ 27,642</b>	<b>\$ 33,472</b>

General Revenues:

Sales Taxes

Property Taxes

Occupancy Taxes

Unrestricted Intergovernmental Revenues

Contributions Not Restricted to Specific Programs

Investment Income

Gain (Loss) on Sale of Capital Assets

Miscellaneous Revenues (Expenses)

Transfers

Total General Revenues and Transfers

Change in Net Position

Total Net Position - Beginning

Net Position - Ending

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

**EXHIBIT A-2**  
(Continued)

<b>Net (Expense) Revenue and Changes in Net Position</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (92,977)	\$ -	\$ (92,977)
(314,716)	-	(314,716)
(81,201)	-	(81,201)
(44,119)	-	(44,119)
(18,078)	-	(18,078)
<u>(551,091)</u>	<u>-</u>	<u>(551,091)</u>
-	7,986	7,986
-	11,632	11,632
-	50,661	50,661
-	36,200	36,200
-	24,400	24,400
-	83	83
-	(509)	(509)
-	(1,243)	(1,243)
-	(2,665)	(2,665)
-	(7,617)	(7,617)
-	(38)	(38)
<u>-</u>	<u>118,890</u>	<u>118,890</u>
(551,091)	118,890	(432,201)
189,871	-	189,871
36,013	-	36,013
3,246	1,602	4,848
175,278	-	175,278
65,189	-	65,189
13,729	8,004	21,733
(27)	44,056	44,029
11,531	4,290	15,821
114,535	(114,535)	-
<u>609,365</u>	<u>(56,583)</u>	<u>552,782</u>
58,275	62,307	120,582
<u>249,801</u>	<u>505,983</u>	<u>755,784</u>
<u>\$ 308,076</u>	<u>\$ 568,290</u>	<u>\$ 876,366</u>

CITY OF MESA, ARIZONA  
**EXHIBIT A-3**  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019  
(in thousands)

	<u>General Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Pooled Cash and Investments	\$ 127,107	\$ 200,441	\$ 327,548
Accounts Receivable, Net	3,435	12,375	15,810
Accrued Interest Receivable	452	645	1,097
Due from Other Governments	29,627	17,214	46,841
Due from Other Funds	278	-	278
Prepaid Costs	794	1,196	1,990
Restricted Assets:			
Pooled Cash and Investments	-	7,746	7,746
Cash with Fiscal Agent	-	45,675	45,675
Accounts Receivable	-	14,646	14,646
Due from Other Governments	-	913	913
Total Assets	<u>\$ 161,693</u>	<u>\$ 300,851</u>	<u>\$ 462,544</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 21,980	\$ 9,783	\$ 31,763
Due to Other Funds	-	278	278
Customer and Defendant Deposits	425	7,343	7,768
Payable from Restricted Assets:			
Accrued Interest Payable	-	9,327	9,327
Unearned Revenue	2,755	1,177	3,932
Matured Bonds Payable	-	38,901	38,901
Total Liabilities	<u>25,160</u>	<u>66,809</u>	<u>91,969</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	638	15,344	15,982
Total Deferred Inflows of Resources	<u>638</u>	<u>15,344</u>	<u>15,982</u>
<b>FUND BALANCES</b>			
Nonspendable	794	1,196	1,990
Restricted	26	159,745	159,771
Committed	14,016	57,432	71,448
Assigned	30,869	459	31,328
Unassigned	90,190	(134)	90,056
Total Fund Balances	<u>135,895</u>	<u>218,698</u>	<u>354,593</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 161,693</u>	<u>\$ 300,851</u>	<u>\$ 462,544</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, 2019

(in thousands)

Fund Balances - total governmental funds \$ 354,593

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. 1,450,216

Other assets used in governmental activities are not financial resources and therefore not reported in the governmental funds. 305,866

Deferred outflows related to deferred amounts on refunding and pensions are not financial resources and therefore not reported in the funds. 178,001

Long-term liabilities, including bonds payable and net pension liabilities are not due and payable in the current period and therefore not reported in the governmental funds. (1,932,296)

Deferred inflows relating to pensions represent a future acquisition of net position that is not reported in the funds. Also, because the focus of governmental funds is on short term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by unavailable revenue in the funds. (46,704)

Internal service funds are used by management to charge the costs of certain activities to individual funds. (1,600)

Net position of the governmental activities - statement of net position \$ 308,076

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

CITY OF MESA, ARIZONA

**EXHIBIT A-5**

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(in thousands)

	<u>General Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Sales Taxes	\$ 124,487	\$ 65,384	\$ 189,871
Property Taxes	-	36,005	36,005
Occupancy Taxes	23	3,223	3,246
Special Assessments	-	1,274	1,274
Licenses and Permits	18,690	5,122	23,812
Intergovernmental	138,512	74,539	213,051
Charges for Services	26,207	17,007	43,214
Fines and Forfeitures	8,383	2,455	10,838
Investment Income	3,561	7,279	10,840
Contributions	108	147	255
Miscellaneous Revenue	4,105	2,583	6,688
Total Revenues	<u>324,076</u>	<u>215,018</u>	<u>539,094</u>
<b>EXPENDITURES</b>			
Current:			
General Government	88,060	9,949	98,009
Public Safety	247,848	29,465	277,313
Community Environment	18,715	57,908	76,623
Cultural-Recreational	40,659	7,977	48,636
Debt Service:			
Principal	-	39,511	39,511
Interest on Bonds	-	18,185	18,185
Service Charges	-	19	19
Cost of Issuance	-	874	874
Capital Outlay	12,579	80,058	92,637
Total Expenditures	<u>407,861</u>	<u>243,946</u>	<u>651,807</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(83,785)</u>	<u>(28,928)</u>	<u>(112,713)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	118,448	29,142	147,590
Transfers Out	(29,142)	(3,913)	(33,055)
Face Amount of Bonds Issued	-	47,008	47,008
Premium on Issuance of Bonds (Net)	-	1,305	1,305
Total Other Financing Sources (Uses)	<u>89,306</u>	<u>73,542</u>	<u>162,848</u>
Net Change in Fund Balances	5,521	44,614	50,135
Fund Balance - Beginning	<u>130,374</u>	<u>174,084</u>	<u>304,458</u>
Fund Balances - Ending	<u>\$ 135,895</u>	<u>\$ 218,698</u>	<u>\$ 354,593</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, 2019  
(in thousands)

Net change in fund balances - total governmental funds	\$	50,135
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Amounts reported for governmental activities in the statement of activities are different because (also see Note 2 to the basic financial statements):

Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		1,378
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.		(125,351)
Current-year pension contributions are reclassified to deferred outflows of resources and therefore not reported as expenditures in governmental funds.		77,153
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$78,614 exceeded depreciation (\$65,825) in the current period.		12,789
The net effect of miscellaneous transactions involving capital assets (e.g., donations, transfers and disposals) is to increase net position.		15,804
Change in equity in Joint Venture		43,806
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.		(7,497)
Governmental funds report the effect of premiums and deferred amounts related to refunding when the new debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		(305)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		<u>(9,638)</u>

Change in net position of the governmental activities - statement of activities	\$	<u>58,275</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF MESA, ARIZONA  
**EXHIBIT A-7**  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2019  
(in thousands)

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal Service Funds</b>
<b>ASSETS</b>		
Current Assets:		
Pooled Cash and Investments	\$ 190,247	\$ 68,109
Accounts Receivable (Net of Allowances)	37,207	630
Accrued Premiums Receivable	-	177
Accrued Interest Receivable	1,288	316
Due from Other Governments	1,483	-
Inventory	-	6,736
Prepaid Costs	3,825	655
Deposits	45	69
Restricted Assets:		
Pooled Cash and Investments	143,704	-
Cash with Fiscal Agents	46,577	-
Cash with Trustees	101	-
Customer Deposits	4,269	-
Joint Venture Construction Deposits	6,421	-
Total Current Assets	435,167	76,692
Noncurrent Assets:		
Investment in Joint Ventures	256,833	-
Capital Assets, Not Being Depreciated	195,636	329
Capital Assets, Being Depreciated, Net	1,303,280	2,169
Total Noncurrent Assets	1,755,749	2,498
Total Assets	2,190,916	79,190
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Refundings	34,583	-
Pensions and OPEB	11,064	2,417
Total Deferred Outflows of Resources	45,647	2,417
Total Assets and Deferred Outflows of Resources	\$ 2,236,563	\$ 81,607

(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, 2019  
(in thousands)

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal Service Funds</b>
<b>LIABILITIES</b>		
Current Liabilities-Payable From Current Assets:		
Accounts Payable and Accrued Liabilities	\$ 8,072	\$ 2,792
Claims Payable	-	46,022
Current Liabilities-Payable From Restricted Assets:		
Accounts Payable and Accrued Liabilities	6,033	-
Interest Payable	25,081	-
Unearned Revenue	289	-
Matured Bonds Payable	21,496	-
Customer Deposits and Prepayments	34,212	-
Current Portion of Long-Term Liabilities:		
Current Portion of Bonds Payable	36,390	-
Current Portion of Notes Payable	143	-
Current Portion of Compensated Absences	564	114
Total Current Liabilities	<u>132,280</u>	<u>48,928</u>
Long-Term Liabilities:		
Bonds Payable	1,376,997	-
Notes Payable	1,431	-
Compensated Absences	3,933	702
Net Pension and OPEB Liability	143,356	31,333
Total Long-Term Liabilities	<u>1,525,717</u>	<u>32,035</u>
Total Liabilities	<u>1,657,997</u>	<u>80,963</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pensions and OPEB	10,276	2,244
Total Deferred Inflows of Resources	<u>10,276</u>	<u>2,244</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	170,427	2,498
Restricted For:		
Bond Indentures	33,588	-
Construction	6,421	-
Debt Service	7,848	-
Unrestricted	350,006	(4,098)
Total Net Position	<u>\$ 568,290</u>	<u>\$ (1,600)</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, 2019

(in thousands)

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal Service Funds</b>
Operating Revenues:		
Electric Sales Pledged as Security for Revenue Bonds	\$ 29,986	\$ -
Gas Sales Pledged as Security for Revenue Bonds	43,547	-
Water Sales Pledged as Security for Revenue Bonds	144,896	-
Wastewater Charges Pledged as Security for Revenue Bonds	84,220	-
Solid Waste Charges Pledged as Security for Revenue Bonds	62,432	-
Airport Fees	4,339	-
Golf Course Fees	1,608	-
Convention Center Fees	3,153	-
Hohokam Stadium/Fitch Complex Fees	75	-
Cubs Stadium Fees	250	-
District Cooling Charges	1,148	-
Charges For Services	-	28,842
Self-Insurance Contributions	-	90,803
Other Revenue	-	5,638
Total Operating Revenues	375,654	125,283
Operating Expenses:		
Electric	17,678	-
Gas	24,895	-
Water	50,841	-
Wastewater	74,584	-
Solid Waste	35,259	-
Airport	3,403	-
Golf Course	1,978	-
Convention Center	4,120	-
Hohokam Stadium/Fitch Complex	1,055	-
Cubs Stadium	2,150	-
District Cooling	768	-
Warehouse, Maintenance & Services	-	28,004
Self-Insurance	-	109,542
Total Operating Expenses	216,731	137,546
Operating Income (Loss) Before Depreciation and Amortization	158,923	(12,263)
Depreciation and Amortization	(61,918)	(357)
Operating Income (Loss)	97,005	(12,620)

(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, 2019  
(in thousands)

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal Service Funds</b>
Nonoperating Revenues (Expenses):		
Investment Income Pledged as Security for Revenue Bonds	5,427	-
Investment Income Unpledged	2,577	2,889
Intergovernmental	3,090	-
Interest Expense:		
Bonds	(49,916)	-
Notes Payable and Other Long-Term Obligations	(38)	-
Bond Administrative Costs	(13)	-
Gain/(Loss) on Disposal of Capital Assets	44,056	-
Net Gain from Joint Venture	51,033	-
Utility Development Fees	16,416	-
Bond Issuance Costs	(1,189)	-
Occupancy Tax	1,602	-
Miscellaneous Revenue	4,290	-
Total Nonoperating Revenues (Expenses)	<u>77,335</u>	<u>2,889</u>
Income before Transfers and Capital Contributions	174,340	(9,731)
Capital Contributions	2,502	93
Transfers Out	<u>(114,535)</u>	<u>-</u>
Change in Net Position	62,307	(9,638)
Total Net Position - Beginning	<u>505,983</u>	<u>8,038</u>
Total Net Position - Ending	<u>\$ 568,290</u>	<u>\$ (1,600)</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, 2019

(in thousands)

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal Service Funds</u>
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 376,189	\$ -
Cash Received from Users	-	125,241
Cash Payments to Suppliers	(156,660)	(118,508)
Cash Payments to Employees	(61,759)	(10,237)
Other Non-Operating Revenue	4,290	-
Net Cash Provided By (Used For) Operating Activities	<u>162,060</u>	<u>(3,504)</u>
Cash Flows From Noncapital Financing Activities:		
Intergovernmental	4,254	-
Transient Occupancy Tax	1,602	-
Repayments of Advances to Other Funds	876	-
Transfers Out to Other Funds	(114,535)	-
Net Cash Used For Noncapital Financing Activities	<u>(107,803)</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities:		
Proceeds from Bond Sales	266,183	-
Payment to Refunded Bond Escrow Agent	(163,418)	-
Proceeds From Sale of Capital Assets	62,958	-
Acquisition and Construction of Capital Assets	(58,097)	(380)
Principal Paid on Bonds and Notes Maturities	(31,570)	-
Interest Paid on Bonds and Notes	(54,737)	-
Bond Issuance Costs	(1,189)	-
Developer Contributions and Capital Grants	17,274	-
Net Cash Used For Capital and Related Financing Activities	<u>37,404</u>	<u>(380)</u>
Cash Flows From Investing Activities:		
Interest Received on Investments	<u>7,636</u>	<u>2,807</u>
Net Cash Provided By Investing Activities	<u>7,636</u>	<u>2,807</u>
Net Change in Pooled Cash and Investments	99,297	(1,077)
Total Cash and Investments at Beginning of Year	<u>281,332</u>	<u>69,186</u>
Total Cash and Investments at End of Year	<u>\$ 380,629</u>	<u>\$ 68,109</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, 2019  
(in thousands)

	<u>Business-type Activities Enterprise Fund</u>	<u>Governmental Activities Internal Service Funds</u>
Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:		
Operating Income	\$ 97,005	\$ (12,620)
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:		
Depreciation and Amortization	61,918	357
Miscellaneous Revenue	4,290	-
Changes in Assets and Liabilities:		
(Increase)/Decrease in Receivables	(355)	(42)
(Increase)/Decrease in Inventory	-	(657)
(Increase)/Decrease in Deposits and Prepaid Costs	(767)	92
Increase/(Decrease) in Accounts Payable	(1,650)	702
Increase/(Decrease) in Unearned Revenue	4	-
Increase/(Decrease) in Pension and OPEB Liability	1,589	(280)
Increase (Decrease) in Deferred Outflows	(1,896)	(367)
Increase (Decrease) in Deferred Inflows	1,750	342
Increase/(Decrease) in Other Accrued Expenses	172	8,969
Total Adjustments	<u>65,055</u>	<u>9,116</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 162,060</u>	<u>\$ (3,504)</u>
Noncash Transactions Affecting Financial Position:		
Contributions of Capital Assets	\$ 1,644	\$ -
Gain (Loss) on Disposal of Capital Assets	44,056	-
Amortization of Bond Premium	7,232	-
Amortization of Deferred Amounts on Refunding	3,995	-

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, 2019

The City of Mesa, Arizona, (the City) was incorporated July 15, 1883 with an approximate population of 300 and an area of one square mile. Today, the City's estimated population is 511,334 within an area of approximately 141 square miles. The City's charter was adopted August 18, 1967 providing for a Council-Manager form of government. The City provides a full range of municipal services including police and fire protection, parks and recreation, library, transportation, health and certain social services and general administration. In addition, the City owns and operates an enterprise whose activities include operations of electricity, gas, water, wastewater, and solid waste utilities, an airport, golf course, convention center, two stadiums and district cooling.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

a. **Reporting Entity**

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

**Community Facilities District ("Districts")** The City has two municipal corporation political subdivisions of the State of Arizona that are organized to provide a vehicle for financing certain public infrastructure that is necessary for development of the land within the boundaries of the Districts. The City Council serves as the board of directors of the Districts and the City Manager of the City currently serves as the Manager of the Districts. Although they are legally separate from the City, the Districts are reported as if they are part of the primary government because the District's governing body is substantively the same as the governing body of the City and management of the City has operational responsibility for the Districts. Separate financial statements for Eastmark Community Facilities District can be obtained from the City's Finance Department, through Accounting Services at 20 E. Main Street, 3<sup>rd</sup> Floor, Mesa, Arizona 85211. Separate financial statements for Cadence Community Facilities District are not prepared.

b. **Jointly Governed Organizations**

**Phoenix – Mesa Gateway Airport Authority ("PMGAA")** is a Joint-Powers Airport Authority established and funded by the City, the City of Phoenix, the Towns of Gilbert and Queen Creek, and the Gila River Indian Community. The purpose of the entity is the redevelopment of Williams Air Force Base that was closed in September of 1993 to become PMGAA. The Board of Directors consists of the mayors for the respective municipalities and the governor of the tribal community. 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



CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Board of Directors consists of the mayors of those cities and a member of the County Board of Supervisors.

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

c. **Basic Financial Statements**

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

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

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

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

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FOR THE FISCAL YEAR ENDED JUNE 30, 2019

program revenues are reported as general revenues. The general revenues support the net costs of the functions and segments not covered by program revenues.

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

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

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

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

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

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

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

Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting.

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

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

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

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

e. **Fund Accounting**

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

The City reports the following major governmental fund:

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

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

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

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The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

f. **Budgets and Budgetary Accounting**

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

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

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

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

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

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 1<sup>st</sup> of each year, the expenditure limitation for the following fiscal year for each governmental unit. Fiscal year 1979-80 is the base year for calculations.

Budgets for all funds are adopted in accordance with the requirements of the Arizona Constitution, Arizona Revised Statutes and the Mesa City Charter. There are certain differences between the basis used for budgetary purposes and that used for reporting in accordance with generally accepted accounting principles. For additional detail, see the notes to budgetary comparison schedule. Budgeted amounts are as originally adopted by the City Council on May 21, 2018.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
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g. **Use of Estimates**

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

h. **Pooled Cash and Investments**

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

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

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

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

i. **Inventories**

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

j. **Capital Assets**

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

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

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

The estimated useful lives are as follows:

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

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

k. **Compensated Absences**

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

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

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

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

m. **Long-Term Obligations**

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

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

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

CITY OF MESA, ARIZONA  
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n. **Pension and Postemployment Benefits**

For purposes of measuring the net pension and other postemployment benefits (OPEB) liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

o. **Fund Balance Policies**

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

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

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

p. **Statement of Cash Flows**

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

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.

CITY OF MESA, ARIZONA  
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q. **Contingency Services**

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

Any balance of a contingency fund not used during one fiscal year is available to help finance the following year's budget. The contingency applications are reflected in the budget basis financial statements for the fiscal year ended June 30, 2019 and are made in accordance with State Statutes.

r. **Property Taxes**

The City's secondary property tax is levied each year on or before the third Monday in August based on the previous February limited property values as determined by the Maricopa County Assessor. Levies are due and payable in two installments, on October 1 and March 1, and become delinquent after November 1 and after May 1, respectively. A lien attaches to the property on the first day of January preceding the assessment and levy of taxes. Delinquent amounts bear interest at the rate of 16.0%. Maricopa County, at no charge to the taxing entities, bills and collects all property taxes. Public auctions of tax liens on properties which have delinquent real estate taxes are held in February.

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

In fiscal year 2018-2019, current property tax collections were \$32,820,491 or 98.72% of the tax levy, and were recognized as revenue when received. At fiscal year end, the delinquent property tax is recorded as a receivable. Revenue is recognized for those payments expected to be collected within 60 days and the remaining balance is reported as unavailable revenue. The receivable at June 30, 2019 was \$900,016 of which \$455,639 was recorded as revenue and \$444,377 as unavailable revenue.

s. **New Accounting Pronouncements**

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations, or legally enforceable liabilities associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The City has implemented this Statement in fiscal year 2019 with no effect.

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The City has implemented this Statement in fiscal year 2019 with no effect.

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



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GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The City has implemented this Statement in fiscal year 2019 with no effect.

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

Implementation Guide No. 2018-1, *Implementation Guidance Update – 2018*, provides guidance that clarifies, explains or elaborates on GASB Statements and Interpretations and amends, removes, supersedes, or adds questions not originally contained in Implementation Guide No. 2015-1, 2016-1 and 2017-1. The requirements of this Implementation Guide are effective for reporting periods beginning after June 15, 2018. The requirements of this Implementation Guide were implemented by the City in fiscal year 2019 with no effect.

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

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

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

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Reconciliation of the Governmental Funds Balance Sheet to the government-wide Statement of Net Position (in thousands):

	Total Governmental Funds	Long-term Assets/ Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations	Statement of Net Position Total
<b>Assets</b>					
Pooled Cash and Investments	\$ 327,548	\$ -	\$ 68,109	\$ -	\$ 395,657
Account and Misc Receivables, Net	15,810	-	807	-	16,617
Accrued Interest Receivable	1,097	-	316	-	1,413
Due from Other Governments	46,841	-	-	-	46,841
Due from Other Funds	278	-	-	(278)	-
Inventory	-	-	6,736	-	6,736
Prepaid Costs	1,990	-	655	-	2,645
Deposits	-	-	69	-	69
Restricted Assets:					
Pooled Cash and Investments	7,746	-	-	-	7,746
Cash with Fiscal Agent	45,675	-	-	-	45,675
Accounts Receivable	14,646	-	-	-	14,646
Due from Other Governments	913	-	-	-	913
Investment in Joint Ventures	-	305,866	-	-	305,866
Capital Assets	-	1,450,216	2,498	-	1,452,714
Total Assets	<u>462,544</u>	<u>1,756,082</u>	<u>79,190</u>	<u>(278)</u>	<u>2,297,538</u>
<b>Deferred Outflows of Resources</b>					
Deferred Amounts on Refunding	-	7,964	-	-	7,964
Pensions and OPEB	-	170,037	2,417	-	172,454
Total Deferred Outflows of Resources	<u>-</u>	<u>178,001</u>	<u>2,417</u>	<u>-</u>	<u>180,418</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 462,544</u>	<u>\$ 1,934,083</u>	<u>\$ 81,607</u>	<u>\$ (278)</u>	<u>\$ 2,477,956</u>
<b>Liabilities</b>					
Accounts Payable and Accrued Liabilities	\$ 31,763	\$ -	\$ 2,792	\$ -	\$ 34,555
Claims Payable	-	-	46,022	-	46,022
Due To Other Funds	278	-	-	(278)	-
Customer and Defendant Deposits	7,768	-	-	-	7,768
Restricted Bond Interest Payable	9,327	-	-	-	9,327
Restricted Unearned Revenue	3,932	-	-	-	3,932
Matured Bonds Payable	38,901	-	-	-	38,901
Pension and OPEB	-	1,409,435	31,333	-	1,440,768
Long-term Liabilities	-	522,861	816	-	523,677
Total Liabilities	<u>91,969</u>	<u>1,932,296</u>	<u>80,963</u>	<u>(278)</u>	<u>2,104,950</u>
Deferred Inflows of Resources					
Unavailable Revenue	15,982	(15,982)	-	-	-
Pension	-	62,686	2,244	-	64,930
Total Deferred Inflows of Resources	<u>15,982</u>	<u>46,704</u>	<u>2,244</u>	<u>-</u>	<u>64,930</u>
<b>Fund Balance/Net Position</b>					
Total Fund Balance/Net Position	<u>354,593</u>	<u>(44,917)</u>	<u>(1,600)</u>	<u>-</u>	<u>308,076</u>
Total Liabilities and Fund Balance/Net Position	<u>\$ 462,544</u>	<u>\$ 1,934,083</u>	<u>\$ 81,607</u>	<u>\$ (278)</u>	<u>\$ 2,477,956</u>

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- (1) Investment in joint ventures that are to be used in governmental activities are also reported in the governmental funds as expenditures as constructed. These assets are included in the statement of net position for the City as a whole.

Investment in joint ventures	\$ 305,866
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When capital assets (land, buildings, equipment, etc.) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds, and thus a reduction in fund balance. However, the statement of net position includes those capital assets among the assets of the City as a whole.

Costs of capital assets	\$ 2,501,820
Accumulated depreciation	(1,051,604)
Total	<u>\$ 1,450,216</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	\$ 479,453
Compensated absences	29,270
Post-employment benefits	639,875
Unamortized bond premiums	14,138
Pension liability	769,560
Total	<u>\$ 1,932,296</u>

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

Deferred charge on refunding	\$ 7,964
Pensions and OPEB	170,037
Total	<u>\$ 178,001</u>

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

Deferred Inflows – Pensions & OPEB	<u>\$ 62,686</u>
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CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Unavailable property tax revenues	\$ (444)
Unavailable special assessment revenue	(14,702)
Receivables not yet collected	<u>(836)</u>
Total	<u>\$ (15,982)</u>

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

Internal Service Funds total	<u>\$ (1,600)</u>
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CITY OF MESA, ARIZONA  
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Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Government-wide Statement of Activities (in thousands):

	Total Governmental Funds	Long-term Revenues/ Expenses(1)	Capital - Related Items(2)	Internal Service Funds(3)	Long-term Debt (4)	Eliminations (5)	Statement of Activities
<b>Revenues and Other Sources</b>							
Revenues:							
Sales Taxes	\$ 189,871	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 189,871
Property Taxes	36,005	8	-	-	-	-	36,013
Occupancy Taxes	3,246	-	-	-	-	-	3,246
Special Assessments	1,274	2,165	-	-	-	-	3,439
Licenses and Permits	23,812	-	-	-	-	-	23,812
Intergovernmental	213,051	-	-	-	-	-	213,051
Charges for Services	43,214	-	-	-	-	-	43,214
Fines and Forfeitures	10,838	-	-	-	-	-	10,838
Investment Income	10,840	-	-	2,889	-	-	13,729
Contributions	255	-	45,139	21,128	-	-	66,522
Miscellaneous	6,688	(795)	-	5,638	-	-	11,531
Other Sources:							
Transfers In	147,590	-	-	-	-	(33,055)	114,535
Face Amount of Bonds Issued	47,008	-	-	-	(47,008)	-	-
Premiums on Issuance of Bonds	1,305	-	-	-	(1,305)	-	-
<b>Total Revenue and Other Sources</b>	<b>\$ 734,997</b>	<b>\$ 1,378</b>	<b>\$ 45,139</b>	<b>\$ 29,655</b>	<b>\$ (48,313)</b>	<b>\$ (33,055)</b>	<b>\$ 729,801</b>
<b>Expenditures/Expenses and Other Financing Uses</b>							
Expenditures/Expenses:							
Current:							
General Government	\$ 98,009	(1,988)	5,758	18,077	-	\$ -	\$ 119,856
Public Safety	277,313	51,409	12,780	14,273	-	-	355,775
Community Environment	76,623	(509)	38,312	5,047	-	-	119,473
Cultural-Recreational	48,636	(715)	8,527	1,896	-	-	58,345
Debt Service:							
Principal	39,511	-	-	-	(39,511)	-	-
Interest on Bonds	18,185	-	-	-	(1,000)	-	17,185
Service Charge	19	-	-	-	-	-	19
Cost of Issuance	874	-	-	-	-	-	874
Capital Outlay	92,637	-	(92,637)	-	-	-	-
Other Financing Uses:							
Transfers Out	33,055	-	-	-	-	(33,055)	-
Pmt to Ref Bond Escrow Agent	-	-	-	-	-	-	-
<b>Total Expenditures\Expenses &amp; Other Financing Uses</b>	<b>684,862</b>	<b>48,198</b>	<b>(27,260)</b>	<b>39,293</b>	<b>(40,511)</b>	<b>(33,055)</b>	<b>671,527</b>
<b>Net Change for the Year</b>	<b>\$ 50,135</b>	<b>\$ (46,820)</b>	<b>\$ 72,399</b>	<b>\$ (9,638)</b>	<b>\$ (7,802)</b>	<b>\$ -</b>	<b>\$ 58,275</b>

CITY OF MESA, ARIZONA  
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 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Property tax revenue	\$	8
Special assessment revenue		2,165
Unavailable revenue		(795)
Total		<u>\$ 1,378</u>

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

Accrual of long-term compensation absences	\$	(2,913)
OPEB Expense		(32,264)
Pension Expense		(90,174)
Total		<u>\$ (125,351)</u>

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

Deferral of current year pension & OPEB Contributions	\$	<u>77,153</u>
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- (2) When capital assets that are to be used in the governmental activities are purchased or constructed the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of the financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.

Capital outlay for capital assets	\$	78,614
Depreciation expense		(65,825)
Total		<u>\$ 12,789</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	\$	43,806
Donated capital and transfers		15,830
Loss on Disposal		(27)
Total		<u>\$ 59,609</u>

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

Revenue and other sources	\$ 29,655
Expenditures and other uses	(39,293)
Change in net position	<u><u>\$ (9,638)</u></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.

General Obligation bond proceeds	\$ (33,065)
Community Facilities District Bonds	(13,943)
Principal repayments	39,511
Total	<u><u>\$ (7,497)</u></u>

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

Amortization of deferred refunding amounts	\$ (982)
Amortization of bond premiums	1,982
Premiums on bonds	(1,305)
Total	<u><u>\$ (305)</u></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	\$ (33,055)
Transfers in	33,055
Total	<u><u>\$ -</u></u>

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**3. FUND BALANCE**

As of June 30, 2019, the fund balance details by classification are listed below (in thousands):

<b>Fund Balances:</b>	<b>General Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Nonspendable:</b>			
Prepaid Costs	\$ 794	\$ 1,196	\$ 1,990
Nonspendable Sub-total	794	1,196	1,990
<b>Restricted:</b>			
Capital Projects	-	71,842	71,842
Community Facility District	26	79	105
Court	-	1,865	1,865
Debt Service	-	12,405	12,405
Fire	-	6,542	6,542
Housing	-	1,167	1,167
Library	-	385	385
Police	-	8,467	8,467
Transportation Programs	-	56,993	56,993
Restricted Sub-total	26	159,745	159,771
<b>Committed To:</b>			
Arts & Culture	-	1,310	1,310
Capital Projects	-	24,504	24,504
Cemetery	804	7,561	8,365
Economic Development	94	-	94
Environmental Compliance	-	15,745	15,745
Fire	5,959	-	5,959
Parks & Recreation	-	40	40
Police	7,159	-	7,159
Technology	-	1,465	1,465
Vehicle Replacement	-	6,807	6,807
Committed To Sub-total	14,016	57,432	71,448
<b>Assigned To:</b>			
Development Services	187	-	187
Economic Development	2,010	-	2,010
Fire	86	-	86
General Government	27,370	459	27,829
Parks & Recreation	775	-	775
Police	269	-	269
Sustainability	110	-	110
Transit	62	-	62
Assigned To Sub-total	30,869	459	31,328
<b>Unassigned</b>	90,190	(134)	90,056
Total Fund Balances	\$ 135,895	\$ 218,698	\$ 354,593

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, 2019 as reported in Exhibit B-5 is 32.5% of General Fund expenditures budgeted for fiscal year 2018-2019.



CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**4. POOLED CASH AND INVESTMENTS**

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

Cash on Hand	\$	143
Carrying Amount of City Deposits		99,278
Investment in Insured Cash Sweep Accounts		15,588
Investments in Local Govt Invest Pool		162,312
Cash with Trustee (1)		101
Cash with Fiscal Agent (2)		92,252
Long-Term Investments		460,033
Total City Pooled Cash and Investments	\$	<u>829,707</u>

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

(2) Represents cash sent by the City to fiscal agents on June 30, 2019 for debt service payments due to bondholders on July 1, 2019.

**Deposits**

At year-end, the City’s cash totaled \$99,420,974 which included \$143,105 of petty cash. The carrying amount of the City’s deposits was \$99,277,869 and the bank balance was \$101,127,690. The difference of \$1,849,821 represents outstanding checks and deposits in transit.

*Custodial Risk*

Cash deposits are subject to custodial risk. Custodial risk is the risk that in the event of bank failure, the city’s deposits may not be returned. To mitigate this risk, on July 1, 2014 Arizona House Bill 2619 Arizona Revised Statute (§35-1201 et. seq.) went into effect establishing a pooled collateral program for public deposits and creating a Statewide Collateral Pool Administrator (the “Administrator”) in the State Treasurer’s Office. The purpose of this Bill is to ensure that public deposits of governmental entities placed with participating banks are backed with collateral of 102% of the amount on deposit less applicable FDIC Deposit Insurance. The Administrator will monitor, audit and report on each bank’s compliance. Collateral under this program is pledged in the name of the Administrator and the City’s current bank is a participant in this program. The City’s cash balances on deposit as of June 30, 2019 are covered under House Bill 2619.

**Investments**

The City’s Investment Policy is consistent with the City Charter which authorizes the investment of City funds in accordance with Arizona Revised Statute §35-323. These investments include obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, towns or duly organized school districts, improvement districts in this state, State Treasurer’s Investment Pool, and investment grade corporate bonds, debentures, notes and other evidence of indebtedness issued or guaranteed by solvent U.S. corporations which are not in default as to principal or interest.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

*Interest Rate Risk*

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

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City’s investment policy for credit risk complies with Arizona Revised Statute §35-323. The City’s portfolio is primarily invested in securities issued by the U.S. Treasury and by U.S. Government agencies that carry a minimum “A” or better rating, at the time of purchase, from Moody’s or Standard & Poor’s or other nationally recognized rating agency.

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

Associated with credit risk is concentration of credit risk and custodial credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

The City's investments had the following credit risk structure as of June 30, 2019 (in thousands):

Investment Type	S & P Rating	Fair value
U.S. Treasuries	AA+	\$ 301,895
U.S. Agencies	AA+	54,570
Corporate Notes	AA+	4,488
Corporate Notes	A-	13,671
Corporate Notes	A	25,638
Corporate Notes	AA-	11,035
Corporate Notes	A+	12,604
Corporate Notes	AA	5,716
Corporate Notes	BBB+	10,186
Negotiable Certificate of Deposit	A	6,778
Negotiable Certificate of Deposit	A-1	6,084
Negotiable Certificate of Deposit	AA-	1,963
Negotiable Certificate of Deposit	A+	4,477
Money Market Fund	AAAm	475
Total		\$ 459,580

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

*Fair Value of Investments*

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

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

At June 30, 2019, the City had the following recurring fair value measurements (in thousands):

<u>Investment by Fair Value Level</u>	Fair Value			
	6/30/2019	Level 1	Level 2	Level 3
<b><u>Debt Securities</u></b>				
U.S. Treasuries	\$ 301,895	\$ -	\$ 301,895	\$ -
U.S. Agencies:				
Federal Home Loan Bank	35,712	-	35,712	-
Federal National Mortgage Assn	18,858	-	18,858	-
Corporate Notes		-		-
3M	1,267		1,267	
American Express Credit	4,537	-	4,537	-
American Honda Finance Corp.	5,647	-	5,647	-
Apple, Inc.	2,975	-	2,975	-
Bank of New York Mellon Inc.	1,005	-	1,005	-
Bank of America	2,222	-	2,222	-
BB&T	2,600	-	2,600	-
Blackrock	2,373		2,373	
Boeing	2,260		2,260	
Caterpillar Financial	3,710	-	3,710	-
Charles Schwab Corp	1,259	-	1,259	-
Chevron Corp	1,136	-	1,136	-
Cisco Systems Inc.	1,988	-	1,988	-
Citigroup	1,137		1,137	
Walt Disney	3,387	-	3,387	-
Exxon Mobil	1,512	-	1,512	-
Goldman Sachs	1,262	-	1,262	-
Home Depot Inc.	2,265	-	2,265	-
HSBC USA	1,000	-	1,000	-
Intel	1,719	-	1,719	-
John Deere	3,099	-	3,099	-
JP Morgan Chase & Co	5,458	-	5,458	-
Merck & Co. Inc	1,008	-	1,008	-
Morgan Stanley	3,250	-	3,250	-
National Rural Utility Coop.	729	-	729	-
Paccar Financial	5,048	-	5,048	-
Pfizer Inc.	1,993	-	1,993	-
Proctor & Gamble	1,156		1,156	
Target	1,278		1,278	
Toyota Motor Credit	3,399	-	3,399	-

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<u>Investment by Fair Value Level</u>	Fair Value 6/30/2019	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
<b><u>Debt Securities (continued)</u></b>				
Corporate Notes (continued)				
Unilever	1,176		1,176	
United Parcel Service	2,283	-	2,283	-
US Bancorp	2,377		2,377	
Visa Inc	851	-	851	-
Wal-Mart Stores Inc.	1,579	-	1,579	-
Wells Fargo	3,391		3,391	
Negotiable Certificates of Deposit				
Bank of Montreal Chicago	2,240	-	2,240	-
Bank of Nova Scotia Houston	2,622	-	2,622	-
Credit Agricole SA	2,237		2,237	
Credit Suisse NY	1,730	-	1,730	-
MUFG Bank Ltd	2,259		2,259	
Royal Bank of Canada NY	1,963	-	1,963	-
Sumitomo Mitsui Bank	4,519	-	4,519	-
UBS AG Stamford CT	1,733	-	1,733	-
City of Mesa Special Improvement				
District Bonds	454	-	454	-
Total Debt Securities at Fair Value	<u>\$ 459,558</u>	<u>\$ -</u>	<u>\$ 459,558</u>	<u>\$ -</u>
<u>Investments Measured at Fair Value</u>				
Arizona State Treasurers Investment Pool 7	162,312			
Wells Fargo MMF	454			
Total Investments Measured At Fair Value	<u>\$ 622,324</u>			
<u>Amortized Cost Securities</u>				
FDIC Insured Cash Sweep Money Market Funds	<u>\$ 15,588</u>			

Debt securities classified in Level 2 are valued using quoted prices for similar securities in active markets.

Investments valued using the net asset value (NAV) per share (or its equivalent) are City investments in Arizona State Treasurers Investment Pool (LGIP) and unlike more traditional investments, generally do not have readily obtainable market values. Investments valued at NAV utilized Net Asset Values as provided by State of Arizona Treasurer's Office at June 30, 2019.

The City's investments at June 30, 2019 are as follows (in thousands):

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Investment Type	Investment Maturities (in Years)					Concentration of Credit Risk %
	Fair Value	Less Than 1	1-2	2-3	More than 3	
U.S. Treasuries	\$ 301,895	\$ 16,852	\$ 182,681	\$ 81,494	\$ 20,868	65.62%
U.S. Agencies:						
Federal Home Loan Bank	35,712			35,712	-	7.76%
Federal National Mortgage Assn	18,858		9,671	9,187	-	4.10%
Corporate Notes						
3M	1,267			1,267		0.28%
American Express Credit	4,537		2,285	2,252	-	0.99%
American Honda Finance Corp.	5,647			5,647	-	1.23%
Apple, Inc.	2,975			2,975	-	0.65%
Bank of America	2,222			2,222		0.48%
Bank of New York Mellon Inc.	1,005		1,005		-	0.22%
BB&T	2,600	-		2,600	-	0.57%
Blackrock	2,373			2,373		0.52%
Boeing	2,260			2,260		0.49%
Caterpillar	3,710		2,551	1,159		0.81%
Charles Schwab	1,259		1,259			0.27%
Chevron Corp	1,136			1,136	-	0.25%
Cisco Systems Inc.	1,988			1,988	-	0.43%
Citigroup	1,137			1,137		0.25%
Walt Disney	3,387	3,387			-	0.74%
Exxon Mobil	1,512			1,512		0.33%
Goldman Sachs	1,262			1,262	-	0.27%
Home Depot Inc.	2,265	1,594		671	-	0.49%
HSBC	1,000	1,000				0.22%
Intel	1,719	1,719			-	0.37%
John Deere	3,099	679	278	2,142	-	0.67%
JP Morgan Chase & Co	5,458			2,299	3,159	1.19%
Merck	1,008	-		1,008	-	0.22%
Morgan Stanley	3,250	-	1,002	2,248	-	0.71%
National Rural Utility Coop.	729		729			0.16%
Paccar Financial	5,048		890	4,158		1.10%
Pfizer Inc.	1,993	-		1,993	-	0.43%
Proctor & Gamble	1,156				1,156	0.25%
Target	1,278			1,278		0.28%
Toyota Motor Credit Corp	3,399		968	2,431	-	0.74%
Unilever	1,176			1,176		0.26%
United Parcel Service	2,283		1,378	905		0.50%
US Bancorp	2,377			2,377		0.52%
Visa Inc.	851		851			0.18%
Wal-Mart Stores Inc	1,579		1,579			0.34%
Wells Fargo & Co	3,391		3,391			0.74%
Negotiable Certificates of Deposit						
Bank of Montreal Chicago	2,240		2,240	-	-	0.49%
Bank of Nova Scotia Houston	2,622	2,622		-	-	0.57%
Credit Agricole SA	2,237		2,237			0.49%
Credit Suisse NY	1,730	1,730				0.38%
MUFG Bank Ltd	2,259		2,259			0.49%
Royal Bank of Canada NY	1,963		1,963			0.43%
Sumitomo Mitsui Bank	4,519		4,519	-	-	0.98%
UBS AG Stamford CT	1,733	1,733				0.38%
City of Mesa Special Imp District Bonds	454	223	231	-	-	0.10%
Wells Fargo MMF	475	475	-	-	-	0.10%
<b>Total</b>	<b>\$ 460,033</b>	<b>\$ 32,014</b>	<b>\$ 223,967</b>	<b>\$ 178,869</b>	<b>\$ 25,183</b>	<b>100.00%</b>

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

At June 30, 2019 the following investments had callable dates:

<u>Corporate Notes</u>	<u>Date</u>	<u>Market Value</u>
3M	2/1/2022	\$ 717
American Express Credit	4/20/2022	2,252
Bank of America	10/1/2020	2,222
Bank of New York Mellon	7/17/2020	1,005
Chevron	2/3/2022	1,136
Cisco Systems	8/20/2021	1,988
Citigroup	11/8/2021	1,137
Exxon Mobil	1/6/2022	1,512
Goldman Sachs	4/26/2021	1,262
US Bancorp	2/15/2022	2,377
United Parcel Service	4/16/2022	905
Visa Inc.	11/14/2020	851

**5. ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS**

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

<u>Fund</u>	<u>Receivables</u>	<u>Allowance</u>	<u>Net</u>
<b>Governmental Activities:</b>			
General Fund:			
Courts	1,179	-	1,179
Other Customers	6,218	(3,962)	2,256
Due from Other Governments:			
State Shared Revenues	8,623	-	8,623
Other	22,352	(1,348)	21,004
Non-Major Governmental Funds:			
Taxes	2,071	-	2,071
Other Customers	10,304	-	10,304
Restricted-Spec. Assessments	14,645	-	14,645
Restricted-Other	1	-	1
Restricted-Due from Other Governments	913	-	913
Due from Other Governments	17,214	-	17,214
Internal Service Funds:			
Premiums	177	-	177
Other Customers	630	-	630
Total Governmental Activities	<u>\$ 84,327</u>	<u>\$ (5,310)</u>	<u>\$79,017</u>
<b>Business-Type Activities:</b>			
Utility Customers	\$ 29,457	\$ (850)	\$28,607
Other Customers	8,767	(167)	8,600
Due from Other Governments	1,483	-	1,483
Total Business-type Activities	<u>\$ 39,707</u>	<u>\$ (1,017)</u>	<u>\$38,690</u>

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**Unbilled Accounts Receivable**

Unbilled utility service receivables are recorded in the year in which the services are provided. At June 30, 2019, unbilled utility service receivables are recorded in the Enterprise Fund as follows (in thousands):

Electric	\$ 2,358
Gas	1,208
Water	9,062
Wastewater	4,281
Solid Waste	<u>2,968</u>
	<u>\$19,877</u>

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

	<u>Governmental Activities</u>		<u>Business Type</u>
	<u>General</u>	<u>Non-Major</u>	<u>Enterprise</u>
<b><u>Unearned Revenue</u></b>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Advance ticket sales	\$1,015	\$ 61	\$ 128
Grants received prior to meeting all eligibility requirements	-	1,042	40
Amounts paid in advance	<u>1,740</u>	<u>74</u>	<u>121</u>
	<u>\$2,755</u>	<u>\$ 1,177</u>	<u>\$ 289</u>

	<u>General</u>	<u>Non-Major</u>
<b><u>Unavailable Revenue</u></b>	<u>Fund</u>	<u>Funds</u>
Receivables not yet collected	\$ 638	\$ 198
Delinquent Property Taxes	-	444
Special Assessments not yet due	-	14,702
	<u>\$ 638</u>	<u>\$ 15,344</u>

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The following interfund activities are included in the fund financial statements at June 30, 2019 (in thousands):

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 278	\$ -
Non-major Governmental Funds	-	278
Total Governmental Funds	\$ 278	\$ 278

Interfund balances at June 30, 2019 are short-term loans used to cover temporary cash deficits in various funds and are expected to be repaid within one year.

The following interfund transfers are reflected in the fund financial statements for the year ended June 30, 2019 (in thousands):

		Transfers Out			Total
		General Fund	Non-major Governmental Funds	Enterprise Fund	
Transfers In	Fund				
	General Fund	\$ -	\$ 3,913	\$ 114,535	\$ 118,448
	Non-major Governmental Funds	29,142	-	-	29,142
	Enterprise Fund	-	-	-	-
	Total	\$ 29,142	\$ 3,913	\$ 114,535	\$ 147,590

The transfer from business-type activities to governmental activities on the government-wide statement of activities is a \$114,535,000 operational subsidy from the Enterprise Fund to the General Fund. The remaining interfund transfers generally fall within one of the two following categories: 1) debt service payments made from a debt service fund but funded from an operating fund; and 2) subsidy transfers.



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**7. CAPITAL ASSETS**

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2019 follows (in thousands):

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019
<b>Governmental Activities:</b>				
Non-depreciable Assets:				
Land	\$ 391,527	\$ -	\$ -	\$ 391,527
Infrastructure	3,585	-	-	3,585
Construction-in-Progress	117,932	72,373	(52,169)	138,136
Total Non-depreciable Assets	<u>513,044</u>	<u>72,373</u>	<u>(52,169)</u>	<u>533,248</u>
Depreciable Assets:				
Buildings	347,032	4,717	-	351,749
Other Improvements	196,772	14,680	(856)	210,596
Machinery & Equipment	208,348	12,373	(2,625)	218,096
Intangibles	23,251	146	-	23,397
Infrastructure	1,150,156	26,966	(823)	1,176,299
Total Depreciable Assets	<u>1,925,559</u>	<u>58,882</u>	<u>(4,304)</u>	<u>1,980,137</u>
Less Accumulated Depreciation for:				
Buildings	(109,151)	(7,257)	-	(116,408)
Other Improvements	(110,792)	(6,587)	853	(116,526)
Machinery & Equipment	(145,904)	(11,916)	2,486	(155,334)
Intangibles	(20,292)	(2,928)	-	(23,220)
Infrastructure	(612,170)	(37,494)	481	(649,183)
Total Accum. Depreciation	<u>(998,309)</u>	<u>(66,182)</u>	<u>3,820</u>	<u>(1,060,671)</u>
Total Depreciable Assets, net	<u>927,250</u>	<u>(7,300)</u>	<u>(484)</u>	<u>919,466</u>
Governmental Activities				
Capital Assets, net	<u>\$1,440,294</u>	<u>\$ 65,073</u>	<u>\$ (52,653)</u>	<u>\$ 1,452,714</u>

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

General Government	\$ 5,721
Public Safety	12,757
Community Environment	38,820
Cultural-Recreational	8,527
Capital assets held by the City's Internal Service funds are charged to the various functions based on their usage of assets	357
	<u>\$66,182</u>

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	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019
<b>Business-type Activities:</b>				
Non-depreciable Assets:				
Land	\$ 50,700	\$ -	\$ (18,466)	\$ 32,234
Water Rights	17,560	-	-	17,560
Collections of Art	106	-	-	106
Construction-in-Progress	228,528	56,918	(139,710)	145,736
Total Non-depreciable Assets	<u>296,894</u>	<u>56,918</u>	<u>(158,176)</u>	<u>195,636</u>
Depreciable Assets:				
Buildings	108,144	13,663	-	121,807
Other Improvements	133,893	2,714	-	136,607
Machinery & Equipment	96,950	5,993	(1,519)	101,424
Intangibles	27,549	-	-	27,549
Infrastructure	1,885,860	118,328	(2,855)	2,001,333
Total Depreciable Assets	<u>2,252,396</u>	<u>140,698</u>	<u>(4,374)</u>	<u>2,388,720</u>
Less Accumulated Depreciation for:				
Buildings	(32,005)	(2,194)	-	(34,199)
Other Improvements	(58,877)	(4,395)	-	(63,272)
Machinery & Equipment	(58,852)	(6,569)	1,497	(63,924)
Intangibles	(22,749)	(648)	-	(23,397)
Infrastructure	(854,764)	(48,112)	2,227	(900,649)
Total Accum. Depreciation	<u>(1,027,247)</u>	<u>(61,918)</u>	<u>3,724</u>	<u>(1,085,441)</u>
Total Depreciable Assets, net	<u>1,225,149</u>	<u>78,780</u>	<u>(650)</u>	<u>1,303,280</u>
Business-type Activities				
Capital Assets, net	<u>\$1,522,043</u>	<u>\$135,698</u>	<u>\$ (158,826)</u>	<u>\$ 1,498,916</u>

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

Electric	\$ 3,521
Gas	4,304
Water	24,574
Wastewater	18,530
Solid Waste	2,980
Airport	1,626
Golf Course	134
Convention Center	293
Hohokam Stadium/Fitch Complex	1,693
Cubs Stadium	3,845
District Cooling	418
	<u>\$ 61,918</u>

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

<u>Governmental Activities</u>	<u>Construction in Progress</u>	<u>Commitments</u>
General Government	\$ 78,602	\$ 34,157
Public Safety	7,872	245
Community Environment	46,628	36
Cultural-Recreational	4,704	818
Warehouse, Maintenance & Services	329	-
Total	<u>\$ 138,136</u>	<u>\$ 35,256</u>
<u>Business-type Activities</u>	<u>Construction in Progress</u>	<u>Commitments</u>
Electric	\$ 4,387	\$ 2,188
Gas	20,687	6,422
Water	50,404	11,078
Wastewater	56,622	6,648
Solid Waste	3,857	6,383
Airport	8,838	358
Golf Course	-	235
Convention Center	494	31
Spring Training	447	4
Total	<u>\$ 145,736</u>	<u>\$ 33,348</u>

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**8. LONG-TERM OBLIGATIONS**

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

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

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Bonds Payable:					
General Obligation Bonds	\$ 365,519	\$ 33,065	\$ (28,105)	\$ 370,479	\$ 35,870
Highway User Revenue Bonds	76,620	-	(8,715)	67,905	9,155
Special Assessment Bonds with Governmental Commitment	1,005	-	(567)	438	219
Community Facility District	28,813	13,943	(2,125)	40,631	1,158
Total Bonds Payable	<u>471,957</u>	<u>47,008</u>	<u>(39,512)</u>	<u>479,453</u>	<u>46,402</u>
Unamortized Premiums	14,815	1,304	(1,981)	14,138	-
Compensated Absences	27,200	28,839	(25,953)	30,086	3,666
Governmental Activities Total	<u>\$ 513,972</u>	<u>\$ 77,151</u>	<u>\$ (67,446)</u>	<u>\$ 523,677</u>	<u>\$ 50,068</u>
<b>Business-type Activities:</b>					
Bonds Payable:					
Revenue Bonds	\$ 1,227,355	\$ 227,385	\$ (175,720)	\$ 1,279,020	\$ 36,350
General Obligation Bonds	236	-	(45)	191	40
Excise Tax Revenue Obligations	49,025	-	-	49,025	-
Total Bonds Payable	<u>1,276,616</u>	<u>227,385</u>	<u>(175,765)</u>	<u>1,328,236</u>	<u>36,390</u>
Notes Payable	1,714		(140)	1,574	143
Unamortized Bond Premiums	53,585	38,798	(7,232)	85,151	-
Compensated Absences	4,325	4,375	(4,203)	4,497	564
Business-type Activities Total	<u>\$ 1,336,240</u>	<u>\$ 270,558</u>	<u>\$ (187,340)</u>	<u>\$ 1,419,458</u>	<u>\$ 37,097</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for internal service funds are included as part of the above totals for governmental activities. At year-end, \$816,000 of internal service funds compensated absences are included in the above amounts.

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

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**b. Bonds Payable**

At June 30, 2019, long-term bonds payable consisted of:

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

<b><u>General Obligation Bonds</u></b>	<b><u>Bonds Outstanding (In Thousands)</u></b>
\$9,710,000 2006 general obligation serial bonds, (partially refunded by 2016 general obligation refunding 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, 2020.	\$ 700
\$15,915,000 2007 general obligation serial bonds, (partially refunded by 2016 general obligation refunding bonds), due in annual installments ranging from \$615,000 to \$5,500,000, plus semi-annual interest ranging from 4.125 percent to 6.0 percent through July 1, 2022.	2,200
\$15,450,000 2008 general obligation serial bonds, (partially refunded by 2017 general obligation refunding bonds), due in annual installments ranging from \$375,000 to \$6,675,000, plus semi-annual interest ranging from 4.25 percent to 5.0 percent through July 1, 2021.	1,250
\$30,865,000 2010 general obligation bonds due in annual installments ranging from \$1,115,000 to \$13,225,000, plus semi-annual interest ranging from 4.75 percent to 5.85 percent through July 1, 2030.	30,865
\$29,320,000 2011 general obligation serial bonds due in annual installments ranging from \$800,000 to \$6,825,000, plus semi-annual interest ranging from 2 percent to 4.25 percent through July 1, 2031.	18,575
\$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.	21,100
\$31,665,000 2012 general obligation refunding serial bonds due in annual installments ranging from \$270,000 to \$7,620,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2022.	6,507
\$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.	8,180
\$59,960,000 2013 general obligation serial bonds due in annual installments ranging from \$1,635,000 to \$12,675,000, plus semi-annual interest ranging from 1.5 percent to 4 percent through July 1, 2033.	48,025
\$37,550,000 2014 general obligation serial bonds due in annual installments ranging from \$1,050,000 to \$5,575,000, plus semi-annual interest ranging from 2 percent to 3.6 percent through July 1, 2034.	27,450

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\$13,690,000	2015 general obligation serial bonds due in annual installments ranging from \$250,000 to \$6,700,000, plus semi-annual interest ranging from 2 percent to 5 percent through July 1, 2035.	\$ 6,190
\$37,700,000	2016 general obligation serial bonds due in annual installments ranging from \$825,000 to \$2,775,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2036.	34,050
\$20,475,000	2016 general obligation refunding serial bonds due in annual installments ranging from \$60,000 to \$5,300,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2027.	20,295
\$22,935,000	2016 taxable general obligation refunding serial bonds due in annual installments ranging from \$1,000,000 to \$3,565,000, plus semi-annual interest ranging from 0.85 percent to 3 percent through July 1, 2029.	17,962
\$47,180,000	2017 general obligation serial bonds due in annual installments ranging from \$1,500,000 to \$5,725,000, plus semi-annual interest ranging from 3 percent to 3.25 percent through July 1, 2037.	39,955
\$47,450,000	2017 general obligation refunding serial bonds due in annual installments ranging from \$50,000 to \$9,920,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2029.	46,785
\$16,120,000	2018 general obligation serial bonds due in annual installments ranging from \$275,000 to \$8,795,000, plus semi-annual interest ranging from 3 percent to 4 percent through July 1, 2038.	7,325
\$33,065,000	2019 general obligation serial bonds due in annual installments ranging from \$640,000 to \$16,700,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2039.	<u>\$ 33,065</u>
<b>Total General Obligation Bonds</b>		<b>\$ 370,479</b>

**Street and Highway User Revenue Bonds**

\$9,585,000	2004 street and highway user revenue bonds (partially refunded by street and highway user revenue refunding bonds, series 2005), due in annual principal installments ranging from \$100,000 to \$225,000, plus semi-annual interest ranging from 4.00 percent to 5.00 percent through July 1, 2022.	\$ 525
\$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.	16,000

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\$10,225,000 2005 street and highway user revenue bonds, partially refunded by street and highway users revenue refunding bond series 2013, due in annual principal installments ranging from \$50,000 to \$8,500,000, plus semi-annual interest ranging from 4.0 percent to 5.0 percent through July 1, 2023.	\$ 500
\$11,675,000 2006 street and highway user revenue bonds, partially refunded by street and highway users revenue refunding bond series 2015, due in annual installments ranging from \$850,000 to \$9,850,000, plus semi-annual interest ranging from 4.50 percent to 5.25 percent through July 1, 2024.	1,825
\$10,675,000 2007 street and highway user revenue bonds, partially refunded by street and highway users revenue refunding bond series 2015, due in annual principal installments ranging from \$1,000,000 to \$3,900,000, plus semi-annual interest ranging from 4.25 percent to 5.0 percent through July 1, 2025.	3,000
\$36,090,000 2012 street and highway user revenue refunding bonds, due in annual installments ranging from \$665,000 to \$9,700,000, plus semi-annual interest ranging from 3.0 percent to 5.0 percent through July 1, 2022.	20,000
\$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.	8,500
\$17,555,000 2015 street and highway user revenue refunding bonds, due in annual installments ranging from \$15,000 to \$9,880,000 plus semi-annual interest of 3 to 5 percent through July 1, 2027.	<u>\$ 17,555</u>
<b>Total Street and Highway User Revenue Bonds</b>	<b>\$ 67,905</b>

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

\$5,025,000 2005 special assessment district bonds, due in annual principal installments of \$219,000, plus semi-annual interest of 5.80 percent, through January 1, 2021.	<u>\$ 438</u>
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**Community Facilities District**

\$2,712,000 2013 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 1 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$62,000 to \$180,000, plus semi-annual interest ranging from 2 percent to 5.25 percent through July 1, 2038.	\$ 2,165
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<p>\$3,250,000 2014 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$65,000 to \$225,000, plus semi-annual interest ranging from 3 percent to 5 percent through July 15, 2038.</p>	<p>\$ 2,845</p>
<p>\$3,367,000 2014 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 2 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$85,000 to \$225,000, plus semi-annual interest ranging from 2 percent to 5.375 percent through July 1, 2039.</p>	<p>2,846</p>
<p>\$1,942,000 2015 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 3 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$52,000 to \$135,000, plus semi-annual interest ranging from 2.3 percent to 5.2 percent through July 1, 2039.</p>	<p>1,765</p>
<p>\$6,800,000 2015 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$165,000 to \$680,000, plus semi-annual interest ranging from 4 percent to 5 percent through July 15, 2039.</p>	<p>6,075</p>
<p>\$970,000 2015 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 4 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$15,000 to \$65,000, plus semi-annual interest ranging from 2 percent to 5 percent through July 1, 2040.</p>	<p>788</p>
<p>\$1,060,000 2016 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 5 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$30,000 to \$70,000, plus semi-annual interest ranging from 1.85 percent to 4.75 percent through July 1, 2040.</p>	<p>958</p>
<p>\$502,000 2017 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 6 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$7,000 to \$35,000, plus semi-annual interest ranging from 3.5 percent to 5.25 percent through July 1, 2041.</p>	<p>479</p>
<p>\$8,160,000 2017 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$215,000 to \$510,000, plus semi-annual interest ranging from 2 percent to 5 percent through July 15, 2042.</p>	<p>7,635</p>
<p>\$1,326,500 2017 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 7 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$36,500 to \$85,000, plus semi-annual interest ranging from 2 percent to 4.5 percent through July 1, 2042.</p>	<p>1,290</p>



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\$770,000 2018 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 8 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$21,000 to \$49,000, plus semi-annual interest ranging from 2.5 percent to 4.5 percent through July 1, 2042.	\$ 738
\$368,000 2018 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 9 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$8,000 to \$24,000, plus semi-annual interest ranging from 2.85 percent to 4.75 percent through July 1, 2042.	360
\$10,830,000 2018 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$240,000 to \$1,240,000, plus semi-annual interest ranging from 3.75 percent to 5.0 percent through July 15, 2043.	9,590
\$969,000 2018 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 11 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$24,000 to \$65,000, plus semi-annual interest ranging from 3.00 percent to 5.00 percent through July 1, 2043.	969
\$1,883,000 2019 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 10 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$48,000 to \$130,000, plus semi-annual interest ranging from 2.75 percent to 5.20 percent through July 1, 2043.	1,883
\$261,000 2019 Cadence Community Facilities District (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$5,000 to \$16,000, plus semi-annual interest ranging from 2.00 percent to 5.00 percent through July 15, 2043.	\$ <u>245</u>
<b>Total Community Facilities District Bonds</b>	<b>\$ <u>40,631</u></b>
<b>Total bonds payable recorded in governmental activities</b>	<b>\$ <u>479,453</u></b>
<b>Classified in Business-type Activities on the government-wide financial statements:</b>	
<b><u>General Obligation Bonds</u></b>	
\$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.	\$ 108
\$105,501 2016 general obligation refunding serial bonds, due in annual principal installments ranging from \$4,600 to \$16,399, plus semi-annual interest ranging from .85 percent to 3 percent through July 1, 2029.	<u>83</u>
<b>Total General Obligation Bonds</b>	<b>\$ 191</b>

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**Utility Systems Revenue Bonds**

\$64,625,000 2004 utility systems revenue serial bonds, (partially refunded by 2006 (Series 2) and 2016 utility systems revenue refunding bonds), due in annual principal installments ranging from \$1,125,000 to \$11,000,000, plus semi-annual interest ranging from 5.00 percent to 6.00 percent through July 1, 2022.	\$ 2,250
\$91,200,000 2005 utility systems revenue serial bonds, (partially refunded by 2006, 2012 & 2016 utility systems revenue refunding bonds), due in annual principal installments ranging from \$750,000 to \$24,000,000, plus semi-annual interest ranging from 4.125 percent to 5.0 percent through July 1, 2023.	10,750
\$105,400,000 2006 utility systems revenue serial bonds, (partially refunded by 2006 (Series 2), 2014, 2016, 2017 and 2018 utility systems revenue refunding bonds), due in annual principal installments ranging from \$8,650,000 to \$36,750,000, plus semi-annual interest ranging from 4.375 percent to 5.0 percent through July 1, 2024.	7,595
\$61,300,000 2006 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$2,075,000 to \$18,000,000, plus semi-annual interest ranging from 4.0 percent to 5.0 percent through July 1, 2021.	35,000
\$127,260,000 2006 (Series 2) utility systems revenue refunding serial and term bonds, (partially refunded by 2017 utility systems revenue refunding bonds), due in annual principal installments ranging from \$50,000 to \$25,845,000, plus semi-annual interest ranging from 4.0 percent to 5.25 percent through July 1, 2024.	53,840
\$65,550,000 2007 utility systems revenue serial bonds, (partially refunded by 2016 and 2017 utility systems revenue refunding bonds), due in annual principal installments ranging from \$2,500,000 to \$41,800,000, plus semi-annual interest ranging from 4.25 percent to 6.25 percent through July 1, 2025.	6,315
\$52,875,000 2008 utility systems revenue serial bonds, (partially refunded by 2016 and 2018 utility systems revenue refunding bonds), due in annual principal installments ranging from \$700,000 to \$44,675,000, plus semi-annual interest ranging from 4.875 percent to 5.25 percent through July 1, 2029.	2,125
\$50,380,000 2010 utility systems revenue serial bonds, due in one principal installment, plus semi-annual interest of 6.10 percent through July 1, 2034.	50,380
\$53,950,000 2011 utility systems revenue serial bonds, due in one principal installment, plus semi-annual interest of 5.0 percent through July 1, 2035.	53,950

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\$67,300,000 2012 utility systems revenue serial bonds, due in one principal installment, plus semi-annual interest of 4.0 percent through July 1, 2036.	\$ 67,300
\$31,580,000 2012 utility systems revenue refunding serial bonds, (partially refunded by 2017 utility systems revenue refunding bonds), due in annual principal installments ranging from \$7,440,000 to \$9,150,000, plus semi-annual interest ranging from 4.0 percent to 5 percent through July 1, 2021.	14,905
\$47,290,000 2013 utility systems revenue bonds, due in one principal installment plus semi-annual interest of 4.0 percent through July 1, 2037.	47,290
\$36,385,000 2014 utility systems revenue bonds, due in two principal installments of \$20,000,000 and \$16,385,000, plus semi-annual interest of 4.0 percent through July 1, 2038.	36,385
\$102,945,000 2014 utility systems revenue refunding serial bonds, (partially refunded by 2018 utility systems revenue refunding bonds) due in annual principal installments ranging from \$475,000 to \$31,345,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2030.	96,365
\$30,220,000 2015 utility systems revenue bonds, due in principal installments ranging from \$1,000,000 to \$2,375,000, plus semi-annual interest of 2 percent to 5 percent through July 1, 2039.	30,220
\$90,500,000 2016 utility systems revenue serial bonds, due in annual principal installments ranging from \$1,000,000 to \$22,550,000, plus semi-annual interest ranging from 3 percent to 5 percent through July 1, 2040.	90,500
\$138,035,000 2016 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$3,375,000 to \$44,890,000, plus semi-annual interest ranging from 4 percent to 5 percent through July 1, 2032.	138,035
\$123,875,000 2017 utility systems revenue serial bonds, due in annual principal installments ranging from \$2,000,000 to \$18,900,000, plus semi-annual interest ranging from 3 percent to 5 percent through July 1, 2041.	123,875
\$75,435,000 2017 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$885,000 to \$26,565,000, plus semi-annual interest of 4 percent through July 1, 2028.	75,435
\$112,120,000 2018 utility systems revenue serial and term bonds, due in annual principal installments ranging from \$3,000,000 to \$12,825,000, plus semi-annual interest ranging from 3 percent to 5 percent through July 1, 2042.	109,120

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\$93,825,000 2019A utility systems revenue serial and term bonds, due in annual principal installments ranging from \$850,000 to \$13,455,000, plus semi-annual interest of 5 percent through July 1, 2043.	\$ 93,825
\$54,225,000 2019B utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$200,000 to \$42,420,000, plus semi-annual interest 3 percent to 5 percent through July 1, 2033.	54,225
\$79,335,000 2019C utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$2,950,000 to \$7,800,000 plus semi-annual interest of 5 percent through July 1, 2035.	\$ <u>79,335</u>
<b>Total Utility Systems Revenue Bonds</b>	<b>\$ 1,279,020</b>
 <b><u>Excise Tax Revenue Obligations</u></b>	
\$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.	\$ <u>49,025</u>
<b>Total bonds payable recorded in business-type activities</b>	<b>\$ <u>1,328,236</u></b>

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The following tables summarize the City's debt service requirements to maturity for its long-term bonds payable at June 30, 2019 (in thousands). The deferred amounts on refundings are not included.

**Governmental Activities**

<u>General Obligation Bonds</u>				<u>Highway User Revenue Bonds</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 35,870	\$ 12,717	\$ 48,587	2020	\$ 9,155	\$ 3,243	\$ 12,398
2021	20,407	11,634	32,041	2021	9,645	2,796	12,441
2022	21,121	10,953	32,074	2022	10,075	2,315	12,390
2023	21,820	10,257	32,077	2023	10,000	1,812	11,812
2024	22,654	9,511	32,165	2024	10,490	1,312	11,802
2025-2029	131,972	34,647	166,619	2025-2029	18,540	1,285	19,825
2030-2034	94,575	11,921	106,496	2030-2034	-	-	-
2035-2039	22,060	1,519	23,579	2035-2039	-	-	-
<b>TOTALS</b>	<b>\$ 370,479</b>	<b>\$ 103,159</b>	<b>\$ 473,638</b>	<b>TOTALS</b>	<b>\$ 67,905</b>	<b>\$ 12,763</b>	<b>\$ 80,668</b>

<u>Special Assessment Bonds</u>				<u>Community Facilities District</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 219	\$ 19	\$ 238	2020	\$ 1,158	\$ 1,831	\$ 2,989
2021	219	6	225	2021	1,203	1,792	2,995
2022	-	-	-	2022	1,241	1,751	2,992
2023	-	-	-	2023	1,296	1,704	3,000
2024	-	-	-	2024	1,357	1,655	3,012
2025-2029	-	-	-	2025-2029	7,679	7,392	15,071
2030-2034	-	-	-	2030-2034	9,560	5,524	15,084
2035-2039	-	-	-	2035-2039	11,886	3,025	14,911
2040-2044	-	-	-	2040-2044	5,251	568	5,819
<b>TOTALS</b>	<b>\$ 438</b>	<b>\$ 25</b>	<b>\$ 463</b>	<b>TOTALS</b>	<b>\$ 40,631</b>	<b>\$ 25,242</b>	<b>\$ 65,873</b>

**Business-type Activities**

<u>General Obligation Bonds</u>				<u>Revenue Bonds</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 40	\$ 6	\$ 46	2020	\$ 36,350	\$ 55,061	\$ 91,411
2021	43	5	48	2021	39,680	53,312	92,992
2022	44	3	47	2022	44,200	51,355	95,555
2023	5	2	7	2023	44,735	49,135	93,870
2024	5	2	7	2024	42,990	46,909	89,899
2025-2029	54	4	58	2025-2029	261,670	202,250	463,920
2030-2034	-	-	-	2030-2034	321,985	143,419	465,404
2035-2039	-	-	-	2035-2039	348,130	68,294	416,424
2040-2044	-	-	-	2040-2044	139,280	12,408	151,688
<b>TOTALS</b>	<b>\$ 191</b>	<b>\$ 22</b>	<b>\$ 213</b>	<b>TOTALS</b>	<b>\$ 1,279,020</b>	<b>\$ 682,143</b>	<b>\$ 1,961,163</b>

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<u>Excise Tax Revenue Obligations</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 2,451	\$ 2,451
2021	-	2,451	2,451
2022	-	2,451	2,451
2023	-	2,451	2,451
2024	-	2,451	2,451
2025-2029	18,190	11,813	30,003
2030-2033	<u>30,835</u>	<u>3,134</u>	<u>33,969</u>
TOTALS	<u>\$ 49,025</u>	<u>\$ 27,202</u>	<u>\$ 76,227</u>

**General Obligation Bonds**

The general obligation bonds are backed by the ultimate taxing power and general revenues of the City; however, \$190,831 of these bonds at June 30, 2019 is carried as a liability of the Enterprise Fund to reflect the intention of retirement from resources of that fund.

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

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

The total debt margin available July 1, 2019 is (in thousands):

6% Bonds	\$ 196,160
20% Bonds	<u>285,441</u>
Total Available	<u>\$ 481,601</u>

**Special Assessment Bonds**

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

Special assessment revenues collected by the City are pledged to repay \$9.1 million of improvement bonds issued since 2005. Proceeds from the bonds are used to finance improvements that property owners have agreed to pay. In the event of default by the property owner, an auction

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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 \$463,475. Principal and interest paid for the current year and total assessments collected were \$615,575, and \$260,729, respectively.

**Community Facilities Districts Special Assessment and General Obligation Bonds**

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

CFD general obligation bonds are repaid by ad valorem taxes levied directly by the districts and collected by the county. Property owners in the districts are assessed for district taxes and thus for all costs associated with the districts. As of June 30, 2019, total principal and interest outstanding for CFD general obligation bonds was \$42,671,988.

CFD special assessment bonds are collateralized by properties within established districts. In the event of default by the property owner, the CFD may enforce an auction sale to satisfy the debt service requirements of the assessment bonds. At June 30, 2019, the special assessments receivable for CFDs, together with amounts paid in advance and interest to be received over the life of the assessment period, is adequate for the scheduled maturities of the bonds payable and the related interest. The total principal and interest remaining to be paid on the bonds is \$23,202,748. Principal and interest paid for the current year and total assessments collected were \$993,274, and \$1,012,834 respectively.

**Utility System Revenue Bonds**

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

Pursuant to the provisions of the Bond Resolution of the City of Mesa Utility System Revenue and Refunding bonds, Replacement and Reserve Funds are required to be established, into which a sum equal to 2 percent of the gross revenues – as determined on a modified accrual basis – must be deposited until a sum equal to 2 percent of all tangible assets of the Utility System is accumulated. For the year ended June 30, 2019, the amount provided in the Replacement and Extension Funds equaled \$7,416,934 which is in compliance with the bond provisions. As of June 30, 2019, the amount available is \$ 33,588,000.

c. **Notes Payable**

**Business Type Activities**

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

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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, 2019 (in thousands):

Fiscal Year	Business-type Activities		
	Principal	Interest & Fees	Total
2020	\$ 143	\$ 35	\$ 178
2021	146	31	177
2022	149	28	177
2023	153	25	178
2024	156	22	178
2025-2029	827	55	882
TOTALS	<u>\$ 1,574</u>	<u>\$ 196</u>	<u>\$1,770</u>

d. **Short-term Debt**

The City had no short-term debt activity for the fiscal year ended June 30, 2019.

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

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

f. **Pledged Revenues**

**Utility System Revenue Bonds**

The City has pledged future utility customer revenues, net of specified operating expenses, to repay approximately \$1.3 billion in utility system revenue bonds issued since 2004. Proceeds from the bonds provided financing for the construction of various utility related projects including new gas pipelines and water and wastewater treatment plants. The bonds are payable solely from utility customer net revenues and are payable through 2043. Annual principal and interest payments on the bonds were 44.6 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1.96 billion. Principal and interest paid for the current year and total customer net revenues were \$72,145,492 and \$161,824,000 respectively.



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**Highway User Revenue Bonds**

The City has pledged future Highway User Taxes Revenue to repay \$67.9 million in highway user revenue bonds issued since 2004. Proceeds from the bonds provided financing for streets projects. The bonds are payable solely from the state shared Highway User Tax revenues and are payable through 2027. Annual principal and interest payments on the bonds were 31.5 percent of eligible revenues. The total principal and interest remaining to be paid on the bonds is \$80,667,713. Principal and interest paid for the current year and total highway user tax revenues were \$12,378,263 and \$42,405,521, respectively.

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

On April 16, 2019, the City called for the early redemption of \$9,965,000 in utility revenue bonds from existing resources of the City to reduce the City's Utility System Revenue Bond principal balance that is currently outstanding. This defeasance was funded with Utility Systems Impact fees of \$10,232,861 provided to a defeasance escrow agent for the purchase of United States Government securities, and Utility Systems Net Revenues of \$44,000 to cover transaction costs. The securities were deposited to an irrevocable trust to provide for all future debt service payments of the defeased bonds totaling \$10,279,675. As a result, the liability for the defeased bonds has been removed from the debt of the City.

On May 23, 2019, the City issued \$54,225,000 of utility revenue bonds with an original issue premium of \$3,238,838 to advance refund \$55,555,000 of outstanding utility revenue bonds. The refunding bonds were issued with an interest rate ranging from 3.0 to 5.0 percent. Net proceeds in the amount of \$57,354,008 (after payment of \$109,830 in underwriters' fees) were provided to a refunding escrow agent to pay issuance costs of \$202,508 for insurance premiums and other issuance costs with the remaining \$57,151,500 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 \$1,596,500. This difference, reported in the accompanying financial statements as a deferred outflow, is being charged to operations through the year 2033 using the effective interest method. The purpose of the refunding was to take advantage of lower interest rates and restructure debt service payments to achieve a more level debt retirement schedule. The refunding will decrease debt service payments by \$6,656,697 over the next 14 years producing an economic gain (difference between the present value of old and new debt service payments) of \$6,654,168.

On May 23, 2019, the City issued \$79,335,000 of utility revenue bonds with an original issue premium of \$17,105,303 to advance refund \$88,750,000 of outstanding utility revenue bonds. The refunding bonds were issued with an interest rate of 5.0 percent. Net proceeds in the amount of \$96,286,300 (after payment of \$154,003 in underwriters' fees) were provided to a refunding escrow agent to pay issuance costs of \$252,957 for insurance premiums and other issuance costs with the remaining \$96,033,343 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 \$7,283,343. This difference, reported in the accompanying financial

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statements as a deferred outflow, is being charged to operations through the year 2035 using the effective interest method. The purpose of the refunding was to take advantage of lower interest rates and restructure debt service payments to achieve a more level debt retirement schedule. The refunding will decrease debt service payments by \$10,157,727 over the next 16 years producing an economic gain (difference between the present value of old and new debt service payments) of \$10,115,399.

**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, 2019 as reflected below is not included in the City’s financial statements (in thousands).

Utility System Revenue Bond Issue dated June 1, 2004	\$ 2,750
Utility System Revenue Bond Issue dated June 1, 2005	2,000
Utility System Revenue Bond Issue dated June 28, 2006	10,055
Utility System Revenue Bond Issue dated May 30, 2007	1,685
Utility System Revenue Bond Issue dated May 29, 2008	3,975
Utility System Revenue Refunding Bond, Taxable Series 2012	80,295
Utility System Revenue Refunding Bond Issue dated September 25, 2014	<u>5,395</u>
 Total Refunded and Defeased Bonds Outstanding	 <b><u>\$ 106,155</u></b>

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**10. SELF-INSURANCE INTERNAL SERVICE FUND**

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

The Property and Public Liability, Workers' Compensation and Employee Benefits Internal Service Funds do not have stop loss receivables at June 30, 2019 and did not received any settlements in excess of insurance coverage over the past three fiscal years.

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

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

	Property & Public Liability	Workers' Compensation	Employee Benefits	Total
Unpaid Claims, 6/30/17	\$ 11,339	\$ 23,246	\$ 4,252	\$ 38,837
Adjustments to Reserves	(1,587)	216	69,923	68,552
Claim Expense	(496)	245	(70,109)	(70,360)
Unpaid Claims, 6/30/18	9,256	23,707	4,066	37,029
Adjustments to Reserves	4,132	1,628	71,389	77,149
Claims Expense	1,206	561	(69,923)	(68,156)
Unpaid Claims, 6/30/19	<u>\$ 14,594</u>	<u>\$ 25,896</u>	<u>\$ 5,532</u>	<u>\$ 46,022</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.

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11. **COMMITMENTS AND CONTINGENT LIABILITIES**

a. **Pending Litigation**

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

b. **Sick Leave Benefits**

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

The total sick leave balance recorded as a liability at June 30, 2019, is \$12,452,730.

12. **NET POSITION**

a. **Restricted Net Position**

The government-wide statement of net position reports \$151 million of restricted net position, of which \$67.3 million is restricted by enabling legislation.

b. **Designated Net Position**

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

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

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

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

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

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

The Special Assessment Bonds Debt Service Fund’s deficit will be covered by future Special Assessment revenues.

**13. ENTERPRISE ACTIVITIES OPERATIONS DETAIL**

The Enterprise Fund includes operations of electricity, gas, water, wastewater, solid waste, airport, golf course, convention center, stadiums and district cooling. Although the City’s Enterprise Fund does not meet the requirements for disclosing segment information, the services provided by the City are of such significance as to warrant certain additional disclosures. Operating revenue, expenses and operating income (loss) for the year ended June 30, 2019 for these services are as follows (in thousands):

Functions	Operating Revenues	Operating Expenses		Operating Income (Loss)
		Depreciation and Amortization	Other	
Electric	\$ 29,986	\$ 3,521	\$ 17,678	\$ 8,787
Gas	43,547	4,304	24,895	14,348
Water	144,896	24,574	50,841	69,481
Wastewater	84,220	18,530	74,584	(8,894)
Solid Waste	62,432	2,980	35,259	24,193
Airport	4,339	1,626	3,403	(690)
Golf Course	1,608	134	1,978	(504)
Convention Center	3,153	293	4,120	(1,260)
Hohokam /Fitch Complex	75	1,693	1,055	(2,673)
Cubs Stadium	250	3,845	2,150	(5,745)
District Cooling	1,148	418	768	(38)
<b>Total</b>	<b>\$ 375,654</b>	<b>\$ 61,918</b>	<b>\$ 216,731</b>	<b>\$ 97,005</b>

**14. JOINT VENTURES**

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

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The City's investment in these Joint Ventures as of June 30, 2019, is as follows (in thousands):

	Governmental Activities	Business-Type Activities	Total
Valley Metro Rail Inc.	\$ 299,051	\$ -	\$ 299,051
TOPAZ Regional Wireless Cooperative	6,815	-	6,815
Subregional Operating Group	-	84,360	84,360
Val Vista Water Treatment Plant	-	46,722	46,722
Greenfield Water Reclamation Plant	-	125,751	125,751
Joint Ventures Construction Deposits	-	6,421	6,421
Total Investment in Joint Ventures	<u>\$ 305,866</u>	<u>\$ 263,254</u>	<u>\$ 569,120</u>

**Valley Metro Rail, Inc. "VMRI"**

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

A total of \$1,511,140,345 has been spent on this project through the fiscal year ended June 30, 2019, of which the City's share and equity interest is \$299,051,363. The City has received and accrued \$45.5 million of funding from the Federal Transit Administration (FTA), Congestion Mitigation Air Quality (CMAQ) and Public Transit Funds (PTF) related to this project.

In May 2011, the City entered into an agreement with VMRI for a developmental study to further extend the LRT system an additional two miles from Mesa Drive to Gilbert Road. Construction started fall of 2016. The extension opened May 2019.

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

**TOPAZ Regional Wireless Cooperative**

The City of Mesa currently participates with the City of Apache Junction, Superstition Fire and Medical, the Town of Gilbert, the Town of Queen Creek, Fort McDowell and Rio Verde Fire District (the Parties) in an intergovernmental agreement to plan, design, construct, operate, maintain and finance the TOPAZ Regional Wireless Cooperative Network (TOPAZ). TOPAZ is a 700/800 MHz Network procured and built by the City of Mesa. The City acts as the lead agency and is responsible for the planning, budgeting, construction, operation and maintenance of the network. As lead agent, the City provides all management personnel and financing arrangements. The Parties participate in ownership of the network and are charged for operating and capital expenses based on six month rolling average of airtime. The City's equity in the joint venture is \$6,814,651 and is reflected in the governmental funds financial statements. Separate financial statements are not prepared.

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Total investment in the joint venture as of June 30, 2019, is (in thousands):

<b>TOPAZ Regional Wireless Cooperative</b>	
City of Mesa	\$ 6,815
Town of Gilbert	1,612
City of Apache Junction	596
Superstition Fire and Medical	168
Town of Queen Creek	112
Fort McDowell	44
Rio Verde Fire District	13
Total Joint Venture	\$ 9,360

**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 \$84,359,726 and is reflected in the proprietary funds financial statements.

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

*Greenfield Water Reclamation Project*

Construction of a joint water reclamation plant with the Towns of Gilbert and Queen Creek was completed on December 2, 2006. An expansion of the plant is expected to be completed in 2020. The City acts as the lead agency and is responsible for the planning, budgeting, construction, operation and maintenance of the plant. As lead agent, the City provides all management personnel and financing arrangements. Mesa, Gilbert and Queen Creek participate in ownership of the plant and are charged for operating expenses based on gallons of flow. The City’s equity in the joint venture is \$125,750,764 and is reflected in the proprietary funds financial statements. Separate financial statements are not prepared.

Total investment in the joint venture as of June 30, 2019, is (in thousands):

<b>Greenfield Water Reclamation Project</b>	
Mesa's Share	\$ 125,751
Gilbert's Share	88,337
Queen Creek's Share	29,524
Total Joint Venture	\$ 243,612

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**Water**

*Val Vista Water Treatment Plant*

The City also participates with the City of Phoenix in the Val Vista Water Treatment Plant and Transmission Line. The City of Phoenix is responsible for the planning, budgeting, construction, operation and maintenance of the plant. As lead agency, Phoenix provides all management personnel and financing arrangements. Phoenix and Mesa participate in ownership of the plant and are charged for operating expenses based on gallons of water treated. The City's investment in the joint venture is \$46,722,072 and is reflected in the proprietary funds financial statements.

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

**15. PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

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

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

At June 30, 2019, the City reported the following aggregate amounts related to pensions for all plans to which it contributes (in thousands):

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net Pension and OPEB Liabilities	\$ 1,440,768	\$ 143,356	\$ 1,584,124
Deferred Outflows of Resources related to pensions and OPEB	172,454	11,064	183,518
Deferred Inflows of Resources related to pensions and OPEB	64,930	10,276	75,206
Pension and OPEB Expense	124,332	5,365	129,697



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**Arizona State Retirement System Defined Benefit Plan:**

a. **Plan Description**

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

b. **Benefits Provided**

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

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

\* With actuarially reduced benefits.

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

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**Contributions**

The A.R.S. provide statutory authority for determining the employees' and employers' contribution amounts as a percentage of covered payroll. Employers are required to contribute at the same rate as employees. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2019, covered employees were required by state statute to contribute at the actuarially determined rate of 11.8% (11.64% pension plus 0.16% long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.8% (11.18% for retirement, 0.46% for the health insurance premium benefit, and 0.16% for long-term disability) of the active members' annual covered payroll. The City's contributions to the System for the year ending June 30, 2019 was \$19,123,970, 74.39% paid from governmental funds, 4.59% paid from internal service funds, and 21.02% paid from enterprise funds.

Additionally, the City is required by Statute to pay an ASRS Alternate Contribution Rate (ACR) for retired members who return to work on or after July 1, 2012, in any capacity and in a position ordinarily filled by an employee of the City to mitigate the potential impact that retired members who return to work may have on the ASRS Trust Fund. The contribution rate for the year ended June 30, 2019 was 10.53% (10.41% retirement, 0.06% health, 0.06% long-term disability). The City's ACR contributions to the System for the year ending June 30, 2019 were \$130,679.

c. **Pension Liability**

At June 30, 2019, the City reported a liability of \$227,232,800 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2017, to the measurement date of June 30, 2018. The total liabilities as of June 30, 2019, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the discount rate from 8% to 7.5%, changing the projected salary increases from 3–6.75% to 2.7–7.2%, decreasing the inflation rate from 3% to 2.3%, and changing the mortality rates.

The City's proportion of the net pension liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2018. The City's proportion measured as of June 30, 2018, was 1.62932%, which was a decrease of 0.0123% from its proportion measured as of June 30, 2017.

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

For the year ended June 30, 2019, the City recognized pension expense for ASRS of \$2,855,638. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,260	\$ 1,253
Changes of assumptions	6,013	20,147
Net difference between projected and actual earnings on pension plan investments	-	5,464
Changes in proportion and differences between City contributions	218	2,465
City contributions subsequent to the measurement date	19,124	-
Total	<u>\$ 31,615</u>	<u>\$ 29,329</u>

The \$19,123,970 reported as deferred outflows of resources related to ASRS pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows (in thousands):

Year Ended June 30,	
2020	\$ 399
2021	(6,497)
2022	(8,289)
2023	(2,451)
	<u>\$ (16,838)</u>

e. **Actuarial Assumptions**

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

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

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.5% using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and

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by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Equity	50%	5.50%
Fixed Income	30%	3.83%
Real Estate	20%	5.85%
Total	100%	

f. **Discount Rate**

The discount rate used to measure the ASRS total pension liability was 7.5%, which was a decrease of 0.5% from the discounted rate used as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statutes. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.5 %, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5 %) than the current rate (in thousands):

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
City's proportionate share of the net pension liability	\$ 323,926	\$ 227,233	\$ 146,448

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h. **Pension Plan Fiduciary Net Position**

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

**Public Safety Personnel Retirement System:**

a. **Plan Description**

All sworn fire and police personnel regularly assigned hazardous duty are eligible to participate in the Public Safety Personnel Retirement System ("PSPRS"). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plan and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan. The PSPRS is jointly administered by a nine-member board known as the Board of Trustees, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans.

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. This report is available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

b. **Benefits Provided**

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

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	<b>Initial Membership Date</b>		
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017	On or After July 1, 2017
<b><u>Retirement and Disability</u></b>			
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5	15 years of credited service, age 52.5*; 15 or more years of service, age 55
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years	Highest 60 consecutive months of last 15 years
Benefit percentage			
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service, not to exceed 80%	1.5% to 2.5% for each year of credited service not to exceed 80%	
Accidental Disability Retirement	50% or normal retirement, whichever is greater		
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater		
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20		
<b><u>Survivor Benefit</u></b>			
Retired Members	80% to 100% of retired member's pension benefit		
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job		

\* With actuarially reduced benefits

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

The PSPRS-Fire OPEB plan is not presented because of its relative insignificance to the financial statements.

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**Employees Covered by Benefit Terms**

At June 30, 2019, the following employees were covered by the agent plans' benefit terms:

	<u>PSPRS</u>	<u>PSPRS Police</u>	
	<u>Pension</u>	<u>Pension</u>	<u>Health</u>
Inactive employees or beneficiaries			
currently receiving benefits	245	574	574
Inactive employees entitled to but			
not yet receiving benefits	74	161	58
Active employees	355	709	709
Total	<u>674</u>	<u>1,444</u>	<u>1,341</u>

c. **Contributions and annual OPEB Cost**

State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2019, are indicated below. Rates are a percentage of active members' annual covered payroll.

	<u>Active Member</u>	<u>City</u>	<u>City</u>
	<u>Pension</u>	<u>Pension</u>	<u>OPEB</u>
PSPRS - Fire	7.65% - 11.65%	52.03%	0.37%
PSPRS - Police	7.65% - 11.65%	50.33%	1.18%
PSPRS Tier 3 - Fire	10.84%	10.59%	0.25%
PSPRS Tier 3 - Police	10.23%	10.02%	0.21%

Also, statute required the City to contribute a legacy cost of pension unfunded liability at the actuarially determined rate expressed as a percent of annual covered payroll of 32.51% and 32.70% for City police and fire employees respectively, who were PSPRS Tier 3 members.

The City's contributions to the plans for the year ended June 30, 2019, were:

	<u>Pension</u>	<u>OPEB</u>
PSPRS - Fire	\$ 16,321,539	\$ -
PSPRS - Police	28,497,949	728,343
PSPRS Tier 3 - Fire	109,334	-
PSPRS Tier 3 - Police	816,222	437,709

The City is also required to pay a PSPRS Alternate Contribution Rate (ACR) for retired members who return to work in any capacity and in a position ordinarily filled by an employee of the City, unless the retired member is required to participate in another state retirement system and the retired

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member returned to work before July 20, 2011. The ACR rate is equal to the portion of the total required contribution that is applied to the amortization of the unfunded actuarial accrued liability for the fiscal year beginning July 1, based on the actuarial calculation of the total required contribution for the preceding fiscal year ended on June 30. The contribution rate for the year ended June 30, 2019 was 36.25% for both fire and police. The City's ACR contributions for the year ending June 30, 2019 were \$0 for fire and \$66,851 for police.

d. **Liability**

At June 30, 2019, the City reported the following pension liabilities of \$203,637,607 and \$396,877,345 for fire and police, respectively. The City also reported an OPEB liability of \$9,562,512 for police. The net liabilities were measured as of June 30, 2018, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date.

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

For the year ended June 30, 2019, the City recognized pension expense of \$28,799,007 and \$59,993,731 for fire and police, respectively. City also recognized OPEB expense of \$825,403 for police.

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources (in thousands):

	Deferred		Deferred	
	Outflows of	Resources	Outflows of	Inflows of
<b><u>PSPRS - Fire Pension</u></b>			Resources	Resources
Differences between expected and actual experience	\$	1,664	\$	8,450
Changes in assumptions		23,739		-
Net difference between projected and actual earnings on pension plan investments		2,501		-
City contributions subsequent to the measurement date		16,431		-
<b>Total</b>	<b>\$</b>	<b>44,335</b>	<b>\$</b>	<b>8,450</b>

	Pension		OPEB	
	Deferred	Deferred	Deferred	Deferred
<b><u>PSPRS - Police</u></b>	Outflows of	Inflows of	Outflows of	Inflows of
	Resources	Resources	Resources	Resources
Differences between expected and actual experience	\$	3,402	\$	601
Changes in assumptions		33,808		225
Net difference between projected and actual earnings on plan investments		4,066		219
City contributions subsequent to the measurement date		29,314		1,166
<b>Total</b>	<b>\$</b>	<b>70,590</b>	<b>\$</b>	<b>1,767</b>



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The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in pension expense as follows (in thousands):

Year Ended June 30,	PSPRS	PSPRS	PSPRS
	Fire Pension	Police Pension	Police OPEB
2020	\$ 6,767	\$ 17,589	1
2021	5,429	9,540	1
2022	1,250	4,993	-
2023	2,496	3,911	84
2024	2,295	373	71
Thereafter	1,217	-	-
	<u>\$ 19,454</u>	<u>\$ 36,406</u>	<u>\$ 157</u>

f. **Actuarial Methods and Assumptions**

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

**Actuarial Assumptions:**

Actuarial Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.4% for contribution rates, 3.5%, N/A for OPEB
Wage Inflation	3.5%, N/A for OPEB
Price Inflation	2.5%, N/A for OPEB
Cost-of-living adjustment	Included, N/A for OPEB
Mortality Rates for Pension and OPEB	RP-2014 mortality table using MP-2016 improvement scale with adjustments to match current experience.
Healthcare cost trend rate	N/A

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

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The long-term expected rate of return on PSPRS plan investments was determined to be 7.4 % using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real
Short Term		
Investments	2%	0.25%
Risk Parity	4%	5.00%
Fixed Income	5%	1.25%
Real Assets	9%	4.52%
GTS	12%	3.96%
Private Credit	16%	6.75%
Real Estate	10%	3.75%
Private Equity	12%	5.83%
Non-U.S. Equity	14%	8.70%
U.S. Equity	16%	7.60%
Total	100%	

g. **Discount Rate**

A discount rate of 7.40% for Tier 1 and Tier 2 members was used to measure the total pension/OPEB liability, which was the same as the discount rate used at June 30, 2017. A discount rate of 7.00% for Tier 3 members was used to measure the total Pension/OPEB Liability. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

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

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

<b>Fire</b>	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Position Liability</b>
Balance - Beginning of Year	\$ 375,564	\$ 181,700	\$ 193,864
Changes for the Year:			
Service Cost	7,271	-	7,271
Interest on the Total Liability	27,446	-	27,446
Changes of Benefit Terms	-	-	-
Differences Between Expected & Actual Experience in the Measurement of the Liability	1,951	-	1,951
Changes of Assumptions / Other Inputs	-	-	-
Contributions - Employer	-	16,733	(16,733)
Contributions - Employee	-	3,035	(3,035)
Net Investment Income	-	12,464	(12,464)
Benefit Payments, Including Refunds of Employee Contributions	(16,608)	(16,608)	-
Hall/Parker Settlement	-	(5,150)	5,150
Administrative Expenses	-	(190)	190
Other Changes	-	2	(2)
Net Changes	<u>20,060</u>	<u>10,286</u>	<u>9,774</u>
Balances - End of Year	<u>\$ 395,624</u>	<u>\$ 191,986</u>	<u>\$ 203,638</u>

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<b>Police</b>	Total Pension	Plan	Net Position	Total	Plan	Net OPEB
	Liability	Fiduciary Net Position	Liability	OPEB Liability	Fiduciary Net Position	Liability
Balance - Beginning of Year	\$ 698,649	\$ 320,757	\$ 377,892	\$ 18,934	\$ 10,477	\$ 8,457
Changes for the Year:						
Service Cost	13,826	-	13,826	190	-	190
Interest on the Total Liability	50,926	-	50,926	1,359	-	1,359
Changes of Benefit Terms	-	-	-	-	-	-
Differences Between Expected & Actual Experience in the Measurement of the Liability	3,862	-	3,862	472	-	472
Changes of Assumptions / Other Inputs	-	-	-	-	-	-
Contributions - Employer	-	31,596	(31,596)	-	231	(231)
Contributions - Employee	-	6,058	(6,058)	-	-	-
Net Investment Income	-	21,889	(21,889)	-	695	(695)
Benefit Payments, Including Refunds						
of Employee Contributions	(34,755)	(34,754)	(1)	(1,325)	(1,325)	-
Hall/Parker Settlement	-	(10,096)	10,096	-	-	-
Administrative Expenses	-	(333)	333	-	(11)	11
Other Changes	-	514	(514)	-	-	-
Net Changes	33,859	14,874	18,985	696	(410)	1,106
Balances - End of Year	\$ 732,508	\$ 335,631	\$ 396,877	\$ 19,630	\$ 10,067	\$ 9,563

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

The following table presents the City's net pension/ OPEB liabilities calculated using the discount rates noted above, as well as what the City's net pension/OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.4%) or 1 percentage point higher (8.4%) than the current rate (in thousands):

	1% Decrease	Current Discount Rate	1% Increase
Fire Net Pension Liability	\$ 255,503	\$203,638	\$ 161,104
Police Net Pension Liability	498,766	396,877	314,113
Police OPEB Liability	11,697	9,563	7,773

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

j. **Plan Fiduciary Net Position**

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

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**City of Mesa OPEB:**

a. **Plan Description**

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

b. **Benefits Provided**

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

To receive maximum benefits an employee must meet the following:

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

**Employees Covered by Benefit Terms**

As of July 1, 2017 (Date of most recent valuation), membership consisted of:

Active Employees	3,308
Retirees	2,029
Spouses	<u>1,279</u>
Total	<u><u>6,616</u></u>

c. **OPEB Liability**

The plan operates on a pay-as-you-go basis and thus has no assets. The total OPEB liability measured as of June 30, 2018 is \$746,815,618. The June 30, 2019 liability is based on a no gain/loss roll forward of the June 30, 2017 valuation.

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

- The discount rate was decreased from 3.13% to 2.98% as of June 30, 2018. The 2.98% rate was selected based on the S&P Municipal Bond 20-Year High Grade Rate Index as of June 29, 2018. This caused an increase in liability of \$41,102,085.

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$37,222,782. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 942
Changes of assumptions	14,162	31,172
Net difference between projected and actual earnings on pension plan investments		-
City contributions subsequent to the measurement date	21,048	-
Total	<u>\$ 35,210</u>	<u>\$ 32,114</u>

The amounts reported as deferred outflows of resources resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in pension expense as follows (in thousands):

	<u>Year Ended June 30,</u>
2020	\$ (5,221)
2021	(5,221)
2022	(5,221)
2023	(4,826)
2024	2,537
	<u>\$ (17,952)</u>

e. **Actuarial Methods and Assumptions**

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

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**Actuarial Assumptions:**

Actuarial Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Discount Rate	2.98%
Consumer Price Index	3.00%
Projected Salary Increases	2.70 - 7.50%
Mortality Rates	Based on the rates used for the June 30, 2017 valuations of the ASRS Plan and the PSPRS Plan.
Health care cost trend rate:	
Medical, Drugs	4.50 -7.50%
Dental, Mental Health, Vision	4.50%

Actuarial assumptions used in the June 30, 2017 valuation were projected on an on-going plan basis. This assumption does not necessarily imply that an obligation to continue the plan actually exists.

f. **Discount Rate**

The discount rate at the measurement date is 2.98%. Benefit payments are funded on a pay-as-you go basis. The discount rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2018.

g. **Changes in OPEB Liability**

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

OPEB Liability at Beginning of Year	\$ 705,714
Service Cost	19,997
Interest	22,447
Changes in Benefit Terms	-
Differences between Expected and Actual Experience	(1,133)
Changes in Assumptions	17,023
Employer contributions *	(17,232)
Net Change in Total OPEB Liability	41,102
OPEB Liability at End of Year	<u>\$ 746,816</u>

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

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

	<u>1% Decrease</u>	<u>Current Municipal Bond Rate</u>	<u>1% Increase</u>
City OPEB Plan	\$ 877,029	\$ 746,816	\$ 643,513

	<u>1% Decrease</u>	<u>Current Healthcare Trend Rate</u>	<u>1% Increase</u>
City OPEB Plan	\$ 639,105	\$ 746,816	\$ 884,533

16. **SUBSEQUENT EVENTS**

On July 10, 2019 the Cadence Community Facility District issued 2019 Cadence Community Facilities District (City of Mesa, Arizona) Special Assessment District No. 1 Special Assessment Bonds in the amount of \$2,012,000. These bonds are due in annual principal installments ranging from \$55,000 to \$130,000, plus semi-annual interest ranging from 2.25% percent to 4.5% percent through July 1, 2043.

On July 10, 2019 the Cadence Community Facility District issued 2019 Cadence Community Facilities District (City of Mesa, Arizona) Special Assessment District No. 2 Special Assessment Bonds in the amount of \$287,000. These bonds are due in annual principal installments ranging from \$7,000 to \$20,000, plus semi-annual interest ranging from 2.3% percent to 4.5% percent through July 1, 2043.

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

On October 17, 2019, the Cadence Community Facility District issued 2019 Cadence Community Facilities District (City of Mesa, Arizona) General Obligation Bonds in the amount of \$1,235,000. These bonds are due in annual principal installments ranging from \$35,000 to \$75,000, plus semi-annual interest ranging from 3 percent to 4 percent through July 15, 2044.

On October 17, 2019, the Eastmark Community Facility District issued 2019 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds in the amount of \$14,120,000. These bonds are due in annual principal installments ranging from \$285,000 to \$835,000, plus semi-annual interest ranging from 3 percent to 4 percent through July 15, 2044.









# REQUIRED SUPPLEMENTARY INFORMATION

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT 2019



CITY OF MESA, ARIZONA

**EXHIBIT B-1**

REQUIRED SUPPLEMENTARY INFORMATION

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

COST-SHARING PENSION PLAN

JUNE 30, 2019

(in thousands)

**Arizona State Retirement System**

	Reporting Fiscal Year*				
	(Measurement Date)				
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	(2018)	(2017)	(2016)	(2015)	(2014)
City's Proportion of Net Pension Liability	1.6293%	1.6416%	1.6605%	1.6393%	1.6341%
City's Proportionate Share of Net Pension Liability	\$ 227,233	\$ 255,729	\$ 268,013	\$ 255,337	\$ 241,792
City's Covered Payroll	\$ 162,089	\$ 158,958	\$ 155,868	\$ 151,154	\$ 147,402
City's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	140.19%	160.88%	171.95%	168.93%	164.04%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.40%	69.92%	67.06%	68.35%	69.49%

See accompanying notes to pension plan schedules.

\*2014 through 2010 Information not available



CITY OF MESA, ARIZONA

**EXHIBIT B-2**

REQUIRED SUPPLEMENTARY INFORMATION

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

AGENT PLANS

JUNE 30, 2019

(in thousands)

**Public Safety Personnel Retirement System - Fire**

	Reporting Fiscal Year *				
	(Measurement Date)				
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	(2018)	(2017)	(2016)	(2015)	(2014)
Total Pension Liability					
Service Cost	\$ 7,271	\$ 7,724	\$ 6,439	\$ 6,127	\$ 6,281
Interest on the Total Pension Liability	27,446	25,687	23,654	23,086	20,708
Changes of Benefit Terms	-	2,125	21,380	-	4,044
Diff Between Expected and Actual Experience in the Measurement of the Pension Liability	1,951	(2,670)	(4,423)	(3,518)	(6,961)
Changes of Assumptions or Other Inputs	-	12,613	11,970	-	23,097
Benefit Payments, Including Refunds of Employee Contributions	(16,608)	(17,095)	(19,893)	(17,323)	(16,309)
Net Change in Total Pension Liability	20,060	28,384	39,127	8,372	30,860
Total Pension Liability - Beginning	375,564	347,180	308,053	299,681	268,821
Total Pension Liability - Ending (a)	395,624	375,564	347,180	308,053	299,681
Plan Fiduciary Net Position					
Contributions - Employer	16,733	13,558	12,735	9,828	9,157
Contributions - Employee	3,035	3,923	4,396	3,847	3,488
Net Investment Income	12,464	19,308	954	5,878	19,840
Benefit Payments, Including Refunds of Employee Contributions	(16,608)	(17,095)	(19,893)	(17,323)	(16,309)
Hall/Parker Settlement	(5,150)	-	-	-	-
Administrative Expense	(190)	(174)	(138)	(144)	(160)
Other Changes	2	43	(12)	45	(113)
Net Change in Plan Fiduciary Net Position	10,286	19,563	(1,958)	2,131	15,903
Plan Fiduciary Net Position - Beginning	181,700	162,137	164,095	161,964	146,061
Plan Fiduciary Net Position - Ending (b)	191,986	181,700	162,137	164,095	161,964
City's Net Pension Liability - Ending (a) - (b)	<u>\$ 203,638</u>	<u>\$ 193,864</u>	<u>\$ 185,043</u>	<u>\$ 143,958</u>	<u>\$ 137,717</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.53%	48.38%	46.70%	53.27%	54.05%
City's Covered Payroll	\$ 32,445	\$ 32,941	\$ 32,453	\$ 31,661	\$ 30,782
City's Net Pension Liability as a Percentage of its Covered Payroll	627.64%	588.52%	570.19%	454.69%	447.39%

See accompanying notes to pension plan schedules.

\*2014 through 2010 Information not available

CITY OF MESA, ARIZONA

**EXHIBIT B-2 (continued)**

REQUIRED SUPPLEMENTARY INFORMATION

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

AGENT PLANS

JUNE 30, 2019

(in thousands)

**Public Safety Personnel Retirement System - Police Pension**

	Reporting Fiscal Year *				
	(Measurement Date)				
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	(2018)	(2017)	(2016)	(2015)	(2014)
Total Pension Liability					
Service Cost	\$ 13,826	\$ 15,841	\$ 12,438	\$ 12,216	\$ 12,481
Interest on the Total Liability	50,926	47,572	43,573	41,908	36,514
Changes of Benefit Terms	-	5,718	34,005	-	8,728
Diff Between Expected and Actual Experience in the Measurement of the Liability	3,862	365	(4,001)	(2,173)	(11,331)
Changes of Assumptions or Other Inputs	-	19,037	23,614	-	51,228
Benefit Payments, Including Refunds of Employee Contributions	(34,755)	(32,522)	(31,689)	(29,998)	(27,566)
Net Change in Total Pension Liability	33,859	56,011	77,940	21,953	70,054
Total Pension Liability - Beginning	698,649	642,638	564,698	542,745	472,691
Total Pension Liability - Ending (a)	732,508	698,649	642,638	564,698	542,745
Plan Fiduciary Net Position					
Contributions - Employer	31,596	26,819	24,067	19,680	17,443
Contributions - Employee	6,058	7,693	8,157	7,613	6,784
Net Investment Income	21,889	34,221	1,667	10,065	33,360
Benefit Payments, Including Refunds of Employee Contributions	(34,754)	(32,522)	(31,689)	(29,998)	(27,566)
Hall/Parker Settlement	(10,096)	-	-	-	-
Administrative Expense	(333)	(306)	(240)	(246)	(269)
Other Changes	514	420	382	28	288
Net Change in Plan Fiduciary Net Position	14,874	36,325	2,344	7,142	30,040
Plan Fiduciary Net Position - Beginning	320,757	284,432	282,088	274,946	244,906
Plan Fiduciary Net Position - Ending (b)	335,631	320,757	284,432	282,088	274,946
City's Net Pension Liability - Ending (a) - (b)	<u>\$ 396,877</u>	<u>\$ 377,892</u>	<u>\$ 358,206</u>	<u>\$ 282,610</u>	<u>\$ 267,799</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	45.82%	45.91%	44.26%	49.95%	50.66%
City's Covered Payroll	\$ 63,003	\$ 64,740	\$ 61,211	\$ 62,461	\$ 59,688
City's Net Pension Liability as a Percentage of its Covered Payroll	629.93%	583.71%	585.20%	452.46%	448.66%

See accompanying notes to pension plan schedules.

\*2014 through 2010 Information not available

CITY OF MESA, ARIZONA

**EXHIBIT B-2 (concluded)**

REQUIRED SUPPLEMENTARY INFORMATION

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

AGENT PLANS

JUNE 30, 2019

(in thousands)

**Public Safety Personnel Retirement System - Police OPEB**

	Reporting Fiscal Year *		<b>2017 through 2010</b>
	(Measurement Date)		
	<b>2019</b>	<b>2018</b>	
	<b>(2018)</b>	<b>(2017)</b>	
Total Liability			Information not available
Service Cost	\$ 190	\$ 213	
Interest on the Total Liability	1,359	1,356	
Changes of Benefit Terms	-	35	
Difference Between Expected and Actual Experience in the Measurement of the Liability	472	312	
Changes of Assumptions or Other Inputs	-	(335)	
Benefit Payments, Including Refunds of Employee Contributions	(1,325)	(1,239)	
Net Change in Total OPEB Liability	696	342	
Total OPEB Liability - Beginning	18,934	18,592	
Total OPEB Liability - Ending (a)	19,630	18,934	
Plan Fiduciary Net Position			
Contributions - Employer	231	639	
Net Investment Income	695	1,141	
Benefit Payments, Including Refunds of Employee Contributions	(1,325)	(1,239)	
Administrative Expense	(11)	(10)	
Net Change in Plan Fiduciary Net Position	(410)	531	
Plan Fiduciary Net Position - Beginning	10,477	9,946	
Plan Fiduciary Net Position - Ending (b)	10,067	10,477	
City's Net OPEB Liability - Ending (a) - (b)	<u>\$ 9,563</u>	<u>\$ 8,457</u>	
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	51.29%	55.33%	
City's Covered Payroll	\$ 63,003	\$ 64,740	
City's Net OPEB Liability as a Percentage of its Covered Payroll	15.18%	13.06%	



CITY OF MESA, ARIZONA

**EXHIBIT B-3**

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CITY PENSION CONTRIBUTIONS

JUNE 30, 2019

(in thousands)

**Arizona State Retirement System**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily Required Contribution	\$ 19,124	\$ 17,650	\$ 17,423
City's Contribution in Relation to the Statutorily Required Contribution	19,124	17,650	17,423
City's Contribution (Deficiency) / Excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 171,141	\$ 160,986	\$ 158,958
City's Contributions as a Percentage of Covered Payroll	11.18%	10.96%	10.96%

**Public Safety Personnel Retirement System - Fire Pension**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially Determined Contribution	\$ 16,431	\$ 14,289	\$ 13,490
City's Contribution in Relation to the Actuarially Determined Contribution	16,431	15,509	13,490
City's Contribution (Deficiency) / Excess	<u>\$ -</u>	<u>\$ 1,220</u>	<u>\$ -</u>
City's Covered Payroll	\$ 34,136	\$ 32,446	\$ 32,941
City's Contributions as a Percentage of Covered Payroll	48.13%	47.80%	40.95%

See accompanying notes to plan schedules.

**EXHIBIT B-3**  
(continued)

<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013 through 2010</b>
\$ 16,955	\$ 16,146	\$ 15,750	Information not available
16,955	16,146	15,750	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ 155,868	\$ 151,154	\$ 147,402	
10.88%	10.67%	10.68%	

<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013 through 2010</b>
\$ 11,197	\$ 9,827	\$ 9,157	Information not available
12,735	9,827	9,157	
<u>\$ 1,538</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ 32,453	\$ 31,661	\$ 30,782	
39.24%	31.04%	29.75%	

CITY OF MESA, ARIZONA

**EXHIBIT B-3**

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CITY PENSION CONTRIBUTIONS

JUNE 30, 2019

(in thousands)

**Public Safety Personnel Retirement System - Police Pension**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially Determined Contribution	\$ 29,314	\$ 29,048	\$ 26,809
City's Contribution in Relation to the Actuarially Determined Contribution	29,314	21,726	26,809
City's Contribution (Deficiency) / Excess	<u>\$ -</u>	<u>\$ (7,322)</u>	<u>\$ -</u>
City's Covered Payroll	\$ 63,808	\$ 63,003	\$ 64,740
City's Contributions as a Percentage of Covered Payroll	45.94%	34.48%	41.41%

**Public Safety Personnel Retirement System - Police OPEB**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially Determined Contribution	\$ 1,166	\$ 772	\$ 641
City's Contribution in Relation to the Actuarially Determined Contribution	1,166	772	641
City's Contribution (Deficiency) / Excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 63,808	\$ 63,003	\$ 64,740
City's Contributions as a Percentage of Covered Payroll	1.83%	1.23%	0.99%

See accompanying notes to plan schedules.

\*2016 through 2010 Information not available

**EXHIBIT B-3**  
(concluded)

<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013 through 2010</b>
\$ 21,697	\$ 19,680	\$ 17,443	Information not available
24,067	19,680	17,443	
<u>\$ 2,370</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ 61,211	\$ 62,461	\$ 59,688	
39.32%	31.51%	29.22%	

**Note 1 - Actuarially determined contribution rates**

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

Actuarial Cost Method	Entry age normal
Amortization Method	Level percent of payroll, closed
Remaining Amort Period	20 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 80%/120% market corridor.

Actuarial Assumptions:

Investment Rate of Return	<p>PSPRS members with initial membership date before July 1, 2017:                  In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%.                  In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%.                  In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.                  PSPRS members with initial membership on or after July 1, 2017: 7%</p>
Projected Salary Increases	<p>In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0 to 3.5%–7.5%. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5%.</p>
Wage Growth	<p>In the 2017 actuarial valuation, wage growth was decreased from 4.0%–3.5%. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5% to 4.0%.</p>
Retirement Age	<p>Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006-June 30, 2011.</p>
Mortality	<p>RP-2000 mortality table (adjusted by 105% for both males and females).                  In the 2017 actuarial valuation, changed to RP 2014 tables with 75% of MP 2016 fully generational projection scales.</p>

**Note 2 - Factors that affect trends**

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

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

CITY OF MESA, ARIZONA

**EXHIBIT B-4**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY

	<u>2019</u>	<u>2018</u>	<u>2017 through 2010</u>
Total Liability			Information
Service Cost	\$ 19,997	\$ 21,431	not
Interest on the Total Liability	22,447	20,112	available
Changes of Benefit Terms	-	-	
Differences Between Expected and Actual Experience in the Measurement of the Liability	(1,133)	-	
Changes of Assumptions or Other Inputs	17,023	(46,955)	
Benefit Payments, Including Refunds of Employee Contributions **	(17,232)	(19,013)	
Net Change in Total OPEB Liability	<u>41,102</u>	<u>(24,425)</u>	
Total OPEB Liability - Beginning	<u>705,714</u>	<u>730,139</u>	
Total OPEB Liability - Ending (a)	<u>\$ 746,816</u>	<u>\$ 705,714</u>	

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

CITY OF MESA, ARIZONA

**EXHIBIT B-5**

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual - Budgetary Basis</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Sales Taxes	\$ 117,645	\$ 117,645	\$ 124,487	\$ 6,842
Occupancy Taxes	-	-	23	23
Licenses and Permits	17,435	17,435	18,608	1,173
Intergovernmental	153,726	153,726	138,539	(15,187)
Charges for Services	25,527	25,527	26,764	1,237
Fines and Forfeitures	7,825	7,825	8,573	748
Investment Income	334	334	5,013	4,679
Contributions	-	-	108	108
Miscellaneous Revenues	2,485	2,410	4,117	1,707
Total Revenues	<u>324,977</u>	<u>324,902</u>	<u>326,232</u>	<u>1,330</u>
Expenditures:				
Current:				
General Government	99,306	102,237	88,000	14,237
Public Safety	246,895	253,784	248,389	5,395
Community Environment	19,954	20,485	18,815	1,670
Cultural-Recreational	42,502	42,489	40,710	1,779
Capital Outlay	32,298	32,785	12,579	20,206
Total Expenditures	<u>440,955</u>	<u>451,780</u>	<u>408,493</u>	<u>43,287</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(115,978)	(126,878)	(82,261)	44,617
Other Financing Sources (Uses):				
Transfers In	102,214	102,214	118,448	16,234
Transfers Out	(7,876)	(92,484)	(29,142)	63,342
Total Other Financing Sources (Uses)	<u>94,338</u>	<u>9,730</u>	<u>89,306</u>	<u>79,576</u>
Net Change in Fund Balances	(21,640)	(117,148)	7,045	124,193
Fund Balance - Beginning	<u>122,975</u>	<u>122,975</u>	<u>140,848</u>	<u>17,873</u>
Fund Balance - Ending	<u>\$ 101,335</u>	<u>\$ 5,827</u>	<u>\$ 147,893</u>	<u>\$ 142,066</u>

See accompanying note to budgetary comparison schedule.

CITY OF MESA, ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 NOTES TO BUDGETARY COMPARISON SCHEDULE  
 JUNE 30, 2019  
 (in thousands)

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

Adjustments necessary to convert the results of operations of the General Fund for the year ended June 30, 2019 on the “GAAP basis” to the “budget basis” as follows:

Net Change in Fund Balance-Budget Basis - Exhibit B-5	\$ 7,045
Basis Differences:	
Compensated Absences	176
Payroll Accrual	456
Unavailable Revenue	(704)
Unrealized Gain on Investments	<u>(1,452)</u>
Net Change in Fund Balance-GAAP Basis - Exhibit A-5	<u>\$ 5,521</u>







# COMBINING STATEMENTS

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT 2019



## NON-MAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

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

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

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

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

**Environmental Compliance** accounts for expenditures that are a result of federal and state environmental requirements. Financing for this fund is derived from a monthly environmental compliance fee that is charged to each utility customer.

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

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

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

**Mesa Housing Authority** accounts for 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.

**Public Safety Sales Tax** accounts for expenditures of the voter-approved sales tax dedicated to Public Safety.

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

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

## **Capital Projects Funds**

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and special revenue funds.

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

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

**Parks** accounts for the costs of park facilities and improvements.

**Public Safety** accounts for the cost of public safety facilities.

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

## **Debt Service Funds**

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

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

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

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

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



CITY OF MESA, ARIZONA  
**EXHIBIT C-1**  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2019  
 (in thousands)

**Special Revenue Funds**

	<u>Cemetery</u>	<u>Community Facilities District</u>	<u>Development Impact Fees</u>	<u>Environmental Compliance</u>	<u>Grants and Special Programs</u>
<b>ASSETS</b>					
Pooled Cash and Investments	\$ 7,518	\$ 150	\$ 6,678	\$ 16,230	\$ 8,030
Accounts Receivable, Net	13	-	-	2	654
Accrued Interest Receivable	31	-	27	59	31
Due from Other Governments	-	1	-	-	1,902
Prepaid Costs	-	-	-	-	-
Restricted Assets:					
Pooled Cash and Investments	-	-	-	-	-
Cash with Fiscal Agent	-	-	-	-	-
Accounts Receivable	-	-	-	-	-
Due from Other Governments	-	-	-	-	-
Total Assets	<u>\$ 7,562</u>	<u>\$ 151</u>	<u>\$ 6,705</u>	<u>\$ 16,291</u>	<u>\$ 10,617</u>
<b>LIABILITIES</b>					
Accounts Payable and Accrued Liabilities	\$ -	\$ 2	\$ -	\$ 546	\$ 960
Due to Other Funds	-	-	-	-	-
Customer and Defendant Deposits	-	-	-	-	-
Payable from Restricted Assets:					
Accrued Interest Payable	-	-	-	-	-
Unearned Revenue	-	70	-	-	602
Matured Bonds Payable	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>72</u>	<u>-</u>	<u>546</u>	<u>1,562</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93</u>
Total Deferred Inflows of Resources	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93</u>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	-
Restricted	-	79	6,705	-	7,052
Committed	7,561	-	-	15,745	1,511
Assigned	-	-	-	-	459
Unassigned	-	-	-	-	(60)
Total Fund Balances	<u>7,561</u>	<u>79</u>	<u>6,705</u>	<u>15,745</u>	<u>8,962</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,562</u>	<u>\$ 151</u>	<u>\$ 6,705</u>	<u>\$ 16,291</u>	<u>\$ 10,617</u>

EXHIBIT C-1  
(Continued)

<b>Special Revenue Funds</b>						
<b>Highway User Revenue</b>	<b>Mesa Arts Center Restoration</b>	<b>Mesa Housing Authority</b>	<b>Public Safety Tax</b>	<b>Quality of Life Sales Tax</b>	<b>Street Sales Tax</b>	<b>Total Special Revenue Funds</b>
\$ 17,162	\$ 1,358	\$ 539	\$ 6,287	\$ -	\$ 44,112	\$108,064
-	-	18	-	-	1,043	1,730
68	11	-	4	-	203	434
3,829	-	2,173	2,071	2,140	2,734	14,850
-	-	-	-	-	17	17
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 21,059</u>	<u>\$ 1,369</u>	<u>\$ 2,730</u>	<u>\$ 8,362</u>	<u>\$ 2,140</u>	<u>\$ 48,109</u>	<u>\$125,095</u>
\$ 2,343	\$ 4	\$ 1,140	\$ -	\$ -	2,384	\$ 7,379
-	-	-	-	278	-	278
-	-	-	-	-	7,343	7,343
-	-	-	-	-	-	-
-	61	440	-	-	-	1,173
-	-	-	-	-	-	-
<u>2,343</u>	<u>65</u>	<u>1,580</u>	<u>-</u>	<u>278</u>	<u>9,727</u>	<u>16,173</u>
-	-	-	-	-	88	182
-	-	-	-	-	88	182
-	-	-	-	-	17	17
18,716	-	1,150	8,362	1,862	38,277	82,203
-	1,304	-	-	-	-	26,121
-	-	-	-	-	-	459
-	-	-	-	-	-	(60)
<u>18,716</u>	<u>1,304</u>	<u>1,150</u>	<u>8,362</u>	<u>1,862</u>	<u>38,294</u>	<u>108,740</u>
<u>\$ 21,059</u>	<u>\$ 1,369</u>	<u>\$ 2,730</u>	<u>\$ 8,362</u>	<u>\$ 2,140</u>	<u>\$ 48,109</u>	<u>\$125,095</u>

CITY OF MESA, ARIZONA  
**EXHIBIT C-1**  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2019  
 (in thousands)

	<b>Capital Projects Funds</b>					<b>Total Capital Projects Funds</b>
	<b>Community Facilities District</b>	<b>General Capital Projects</b>	<b>Parks</b>	<b>Public Safety</b>	<b>Streets</b>	
<b>ASSETS</b>						
Pooled Cash and Investments	\$ 151	\$32,840	\$11,104	\$ 8,035	\$ 40,247	\$ 92,377
Accounts Receivable, Net	-	-	-	-	10,645	10,645
Accrued Interest Receivable	-	69	13	9	96	187
Due from Other Governments	-	-	-	-	2,364	2,364
Prepaid Costs	-	1,179	-	-	-	1,179
Restricted Assets:					-	-
Pooled Cash and Investments	-	-	-	-	-	-
Cash with Fiscal Agent	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-
Due from Other Governments	-	-	-	-	-	-
Total Assets	<u>\$ 151</u>	<u>\$34,088</u>	<u>\$11,117</u>	<u>\$ 8,044</u>	<u>\$ 53,352</u>	<u>\$ 106,752</u>
<b>LIABILITIES</b>						
Accounts Payable and Accrued Liabilities	\$ -	\$ 1,598	\$ 283	\$ 17	\$ 506	\$ 2,404
Due to Other Funds	-	-	-	-	-	-
Customer and Defendant Deposits	-	-	-	-	-	-
Payable from Restricted Assets:					-	-
Accrued Interest Payable	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-
Matured Bonds Payable	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>1,598</u>	<u>283</u>	<u>17</u>	<u>506</u>	<u>2,404</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenue	-	-	-	-	16	16
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16</u>	<u>16</u>
<b>FUND BALANCES</b>						
Nonspendable	-	1,179	-	-	-	1,179
Restricted	151	-	10,834	8,027	52,830	71,842
Committed	-	31,311	-	-	-	31,311
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances	<u>151</u>	<u>32,490</u>	<u>10,834</u>	<u>8,027</u>	<u>52,830</u>	<u>104,332</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 151</u>	<u>\$34,088</u>	<u>\$11,117</u>	<u>\$ 8,044</u>	<u>\$ 53,352</u>	<u>\$ 106,752</u>



**EXHIBIT C-1**  
(Concluded)

<b>Debt Service Funds</b>					
<b>Community Facilities District</b>	<b>General Obligation Bonds</b>	<b>Highway User Revenue Bonds</b>	<b>Special Assessment Bonds</b>	<b>Total Debt Service Funds</b>	<b>Total Nonmajor Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200,441
-	-	-	-	-	12,375
9	15	-	-	24	645
-	-	-	-	-	17,214
-	-	-	-	-	1,196
-	-	-	-	-	-
3,272	4,474	-	-	7,746	7,746
679	34,449	10,547	-	45,675	45,675
14,223	-	-	423	14,646	14,646
13	900	-	-	913	913
<u>\$ 18,196</u>	<u>\$ 39,838</u>	<u>\$ 10,547</u>	<u>\$ 423</u>	<u>\$ 69,004</u>	<u>\$ 300,851</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,783
-	-	-	-	-	278
-	-	-	-	-	7,343
-	-	-	-	-	-
1,040	6,437	1,832	18	9,327	9,327
4	-	-	-	4	1,177
2,082	28,104	8,715	-	38,901	38,901
<u>3,126</u>	<u>34,541</u>	<u>10,547</u>	<u>18</u>	<u>48,232</u>	<u>66,809</u>
14,223	444	-	479	15,146	15,344
<u>14,223</u>	<u>444</u>	<u>-</u>	<u>479</u>	<u>15,146</u>	<u>15,344</u>
-	-	-	-	-	1,196
847	4,853	-	-	5,700	159,745
-	-	-	-	-	57,432
-	-	-	-	-	459
-	-	-	(74)	(74)	(134)
<u>847</u>	<u>4,853</u>	<u>-</u>	<u>(74)</u>	<u>5,626</u>	<u>218,698</u>
<u>\$ 18,196</u>	<u>\$ 39,838</u>	<u>\$ 10,547</u>	<u>\$ 423</u>	<u>\$ 69,004</u>	<u>\$ 300,851</u>

CITY OF MESA, ARIZONA

**EXHIBIT C-2**

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(in thousands)

**Special Revenue Funds**

	<b>Cemetery</b>	<b>Community Facilities District</b>	<b>Development Impact Fees</b>	<b>Environmental Compliance</b>	<b>Grants and Special Programs</b>
<b>Revenues:</b>					
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	156	-	-	-
Occupancy Taxes	-	-	-	-	3,223
Special Assessments	-	-	-	-	-
Licenses and Permits	-	-	4,005	-	599
Intergovernmental	-	-	-	-	5,399
Charges for Services	100	-	-	16,146	84
Fines and Forfeitures	-	-	-	-	1,066
Investment Income	228	5	57	596	288
Contributions	-	50	-	-	97
Miscellaneous Revenues	-	-	-	-	2,000
<b>Total Revenues</b>	<b>328</b>	<b>211</b>	<b>4,062</b>	<b>16,742</b>	<b>12,756</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General Government	-	161	-	1,031	3,398
Public Safety	-	-	-	52	3,928
Community Environment	-	-	-	4,870	137
Cultural-Recreational	-	-	-	6,630	1,347
<b>Debt Service:</b>					
Principal Retirement	-	-	-	-	-
Interest on Bonds	-	-	-	-	-
Service Charges	-	4	-	-	-
Cost of Issuance	-	-	-	-	-
Capital Outlay	-	-	-	1,130	2,837
<b>Total Expenditures</b>	<b>-</b>	<b>165</b>	<b>-</b>	<b>13,713</b>	<b>11,647</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>328</b>	<b>46</b>	<b>4,062</b>	<b>3,029</b>	<b>1,109</b>
<b>Other Financing Sources (Uses):</b>					
Transfers In	-	-	-	-	10
Transfers Out	-	-	(3,161)	-	-
Face Amount of Bonds Issued	-	-	-	-	-
Premium on Issuance of Bonds (Net)	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(3,161)</b>	<b>-</b>	<b>10</b>
<b>Net Change in Fund Balances</b>	<b>328</b>	<b>46</b>	<b>901</b>	<b>3,029</b>	<b>1,119</b>
<b>Fund Balances - Beginning</b>	<b>7,233</b>	<b>33</b>	<b>5,804</b>	<b>12,716</b>	<b>7,843</b>
<b>Fund Balances - Ending</b>	<b>\$ 7,561</b>	<b>\$ 79</b>	<b>\$ 6,705</b>	<b>\$ 15,745</b>	<b>\$ 8,962</b>

<b>Special Revenue Funds</b>						
<b>Highway User Revenue</b>	<b>Mesa Arts Center Restoration</b>	<b>Mesa Housing Authority</b>	<b>Public Safety Tax</b>	<b>Quality of Life Sales Tax</b>	<b>Street Sales Tax</b>	<b>Total Special Revenue Funds</b>
\$ -	\$ -	\$ -	\$ 8,569	\$ 25,829	\$ 30,986	\$ 65,384
-	-	-	-	-	-	156
-	-	-	-	-	-	3,223
-	-	-	-	-	-	-
-	-	-	-	119	399	5,122
42,406	-	18,653	-	-	1	66,459
-	-	-	-	-	677	17,007
-	618	-	-	-	-	1,684
751	70	102	32	-	1,733	3,862
-	-	-	-	-	-	147
-	-	-	-	-	443	2,443
<u>43,157</u>	<u>688</u>	<u>18,755</u>	<u>8,601</u>	<u>25,948</u>	<u>34,239</u>	<u>165,487</u>
-	-	20	-	-	5,339	9,949
-	-	-	239	24,859	387	29,465
16,063	-	17,445	-	-	19,393	57,908
-	-	-	-	-	-	7,977
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	4
-	-	-	-	-	-	-
8,488	338	1,051	-	-	12,328	26,172
<u>24,551</u>	<u>338</u>	<u>18,516</u>	<u>239</u>	<u>24,859</u>	<u>37,447</u>	<u>131,475</u>
<u>18,606</u>	<u>350</u>	<u>239</u>	<u>8,362</u>	<u>1,089</u>	<u>(3,208)</u>	<u>34,012</u>
-	-	-	-	-	-	10
(12,383)	-	-	-	-	-	(15,544)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>(12,383)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,534)</u>
6,223	350	239	8,362	1,089	(3,208)	18,478
12,493	954	911	-	773	41,502	90,262
<u>\$ 18,716</u>	<u>\$ 1,304</u>	<u>\$ 1,150</u>	<u>\$ 8,362</u>	<u>\$ 1,862</u>	<u>\$ 38,294</u>	<u>\$ 108,740</u>

CITY OF MESA, ARIZONA

**EXHIBIT C-2**

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(in thousands)

	<b>Capital Projects Funds</b>					<b>Total Capital Projects Funds</b>
	<b>Community Facilities District</b>	<b>General Capital Projects</b>	<b>Parks</b>	<b>Public Safety</b>	<b>Streets</b>	
<b>Revenues:</b>						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	-	-	-	-	-
Occupancy Taxes	-	-	-	-	-	-
Special Assessments	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	7,518	7,518
Charges for Services	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-
Investment Income	-	734	137	136	1,406	2,413
Contributions	-	-	-	-	-	-
Miscellaneous Revenues	-	140	-	-	-	140
Total Revenues	<u>-</u>	<u>874</u>	<u>137</u>	<u>136</u>	<u>8,924</u>	<u>10,071</u>
<b>Expenditures:</b>						
<b>Current:</b>						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Community Environment	-	-	-	-	-	-
Cultural-Recreational	-	-	-	-	-	-
<b>Debt Service:</b>						
Principal Retirement	-	-	-	-	-	-
Interest on Bonds	-	-	-	-	-	-
Service Charges	-	-	-	-	-	-
Cost of Issuance	648	-	87	70	69	874
Capital Outlay	13,097	16,841	4,871	5,379	13,698	53,886
Total Expenditures	<u>13,745</u>	<u>16,841</u>	<u>4,958</u>	<u>5,449</u>	<u>13,767</u>	<u>54,760</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(13,745)</u>	<u>(15,967)</u>	<u>(4,821)</u>	<u>(5,313)</u>	<u>(4,843)</u>	<u>(44,689)</u>
<b>Other Financing Sources (Uses):</b>						
Transfers In	2	28,783	-	-	-	28,785
Transfers Out	(28)	-	-	-	(3,913)	(3,941)
Face Amount of Bonds Issued	13,666	-	12,675	10,345	10,045	46,731
Premium on Issuance of Bonds (Net)	256	-	37	30	29	352
Total Other Financing Sources (Uses)	<u>13,896</u>	<u>28,783</u>	<u>12,712</u>	<u>10,375</u>	<u>6,161</u>	<u>71,927</u>
Net Change in Fund Balances	151	12,816	7,891	5,062	1,318	27,238
Fund Balances - Beginning	<u>-</u>	<u>19,674</u>	<u>2,943</u>	<u>2,965</u>	<u>51,512</u>	<u>77,094</u>
Fund Balances - Ending	<u>\$ 151</u>	<u>\$ 32,490</u>	<u>\$ 10,834</u>	<u>\$ 8,027</u>	<u>\$ 52,830</u>	<u>\$ 104,332</u>

**EXHIBIT C-2**  
(Concluded)

**Debt Service Funds**

Community Facilities District	General Obligation Bonds	Highway User Revenue Bonds	Special Assessment Bonds	Total Debt Service Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,384
1,997	33,852	-	-	35,849	36,005
-	-	-	-	-	3,223
1,013	-	-	261	1,274	1,274
-	-	-	-	-	5,122
-	562	-	-	562	74,539
-	-	-	-	-	17,007
-	771	-	-	771	2,455
95	907	-	2	1,004	7,279
-	-	-	-	-	147
-	-	-	-	-	2,583
3,105	36,092	-	263	39,460	215,018
-	-	-	-	-	9,949
-	-	-	-	-	29,465
-	-	-	-	-	57,908
-	-	-	-	-	7,977
-	-	-	-	-	-
2,125	28,104	8,715	567	39,511	39,511
1,690	12,783	3,663	49	18,185	18,185
3	7	5	-	15	19
-	-	-	-	-	874
-	-	-	-	-	80,058
3,818	40,894	12,383	616	57,711	243,946
(713)	(4,802)	(12,383)	(353)	(18,251)	(28,928)
28	4,112	12,383	192	16,715	45,510
(2)	(794)	-	-	(796)	(20,281)
277	-	-	-	277	47,008
-	953	-	-	953	1,305
303	4,271	12,383	192	17,149	73,542
(410)	(531)	-	(161)	(1,102)	44,614
1,257	5,384	-	87	6,728	174,084
\$ 847	\$ 4,853	\$ -	\$ (74)	\$ 5,626	\$ 218,698

## INTERNAL SERVICE FUNDS

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

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

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

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

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

CITY OF MESA, ARIZONA  
**EXHIBIT C-3**  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2019  
(in thousands)

	<b>Warehouse, Maintenance and Services</b>	<b>Property and Public Liability Self Insurance</b>	<b>Workers' Compensation Self Insurance</b>	<b>Employee Benefits Self Insurance</b>	<b>Total</b>
<b>ASSETS</b>					
Current Assets:					
Pooled Cash and Investments	\$ 591	\$ 13,683	\$ 8,084	\$ 45,751	\$ 68,109
Accounts Receivable	613	-	-	17	630
Accrued Premiums Receivable	-	-	-	177	177
Accrued Interest Receivable	7	60	33	216	316
Inventory	6,736	-	-	-	6,736
Prepaid Costs	-	552	67	36	655
Deposits	-	-	-	69	69
Total Current Assets	<u>7,947</u>	<u>14,295</u>	<u>8,184</u>	<u>46,266</u>	<u>76,692</u>
Noncurrent Assets:					
Capital Assets, Not Being Depreciated	329	-	-	-	329
Capital Assets, Being Depreciated, Net	2,128	-	-	41	2,169
Total Noncurrent Assets	<u>2,457</u>	<u>-</u>	<u>-</u>	<u>41</u>	<u>2,498</u>
Total Assets	<u>10,404</u>	<u>14,295</u>	<u>8,184</u>	<u>46,307</u>	<u>79,190</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pensions and OPEB	1,752	252	164	249	2,417
Total Deferred Outflows of Resources	<u>1,752</u>	<u>252</u>	<u>164</u>	<u>249</u>	<u>2,417</u>
Total Assets and Deferred Outflows of Resources	<u>12,156</u>	<u>14,547</u>	<u>8,348</u>	<u>46,556</u>	<u>81,607</u>
<b>LIABILITIES</b>					
Current Liabilities					
Accounts Payable and Accrued Liabilities	1,198	8	60	1,526	2,792
Claims Payable	-	14,594	25,896	5,532	46,022
Current Portion of Compensated Absences	87	8	5	14	114
Total Current Liabilities	<u>1,285</u>	<u>14,610</u>	<u>25,961</u>	<u>7,072</u>	<u>48,928</u>
Long-Term Liabilities					
Compensated Absences	558	73	16	55	702
Net Pension and OPEB Liability	22,563	3,310	2,177	3,283	31,333
Total Long-Term Liabilities	<u>23,121</u>	<u>3,383</u>	<u>2,193</u>	<u>3,338</u>	<u>32,035</u>
Total Liabilities	<u>24,406</u>	<u>17,993</u>	<u>28,154</u>	<u>10,410</u>	<u>80,963</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pensions and OPEB	1,627	234	152	231	2,244
Total Deferred Inflows of Resources	<u>1,627</u>	<u>234</u>	<u>152</u>	<u>231</u>	<u>2,244</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets	2,457	-	-	41	2,498
Unrestricted	(16,334)	(3,680)	(19,958)	35,874	(4,098)
Total Net Position	<u>\$ (13,877)</u>	<u>\$ (3,680)</u>	<u>\$ (19,958)</u>	<u>\$ 35,915</u>	<u>\$ (1,600)</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, 2019  
(in thousands)

	<u>Warehouse, Maintenance and Services</u>	<u>Property and Public Liability Self Insurance</u>	<u>Workers' Compensation Self Insurance</u>	<u>Employee Benefits Self Insurance</u>	<u>Total</u>
Operating Revenues:					
Charges For Services:					
Warehouse	\$ 7,686	\$ -	\$ -	\$ -	\$ 7,686
Fleet Support Services	20,256	-	-	-	20,256
Printing and Graphics	900	-	-	-	900
Self-Insurance Contributions:					
Employee	-	-	-	16,481	16,481
City	-	7,605	3,325	58,745	69,675
State Retirement System	-	-	-	4,647	4,647
Other	-	-	380	5,258	5,638
Total Operating Revenues	<u>28,842</u>	<u>7,605</u>	<u>3,705</u>	<u>85,131</u>	<u>125,283</u>
Operating Expenses:					
Warehouse, Maintenance & Services:					
Warehouse	7,336	-	-	-	7,336
Fleet Support Services	19,828	-	-	-	19,828
Printing and Graphics	840	-	-	-	840
Self-Insurance:					
Administrative Costs	-	922	1,152	6,909	8,983
Claims and Premiums Paid	-	8,436	5,829	86,294	100,559
Total Operating Expenses	<u>28,004</u>	<u>9,358</u>	<u>6,981</u>	<u>93,203</u>	<u>137,546</u>
Operating Income (Loss) Before Depreciation	838	(1,753)	(3,276)	(8,072)	(12,263)
Depreciation	<u>(224)</u>	<u>-</u>	<u>-</u>	<u>(133)</u>	<u>(357)</u>
Operating Income (Loss)	<u>614</u>	<u>(1,753)</u>	<u>(3,276)</u>	<u>(8,205)</u>	<u>(12,620)</u>
Nonoperating Revenues (Expense):					
Investment Income	-	503	337	2,049	2,889
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>503</u>	<u>337</u>	<u>2,049</u>	<u>2,889</u>
Income (Loss) Before Capital Contributions	614	(1,250)	(2,939)	(6,156)	(9,731)
Capital Contributions	<u>93</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93</u>
Change in Net Position	707	(1,250)	(2,939)	(6,156)	(9,638)
Total Net Position - Beginning	<u>(14,584)</u>	<u>(2,430)</u>	<u>(17,019)</u>	<u>42,071</u>	<u>8,038</u>
Total Net Position - Ending	<u>\$ (13,877)</u>	<u>\$ (3,680)</u>	<u>\$ (19,958)</u>	<u>\$ 35,915</u>	<u>\$ (1,600)</u>



CITY OF MESA, ARIZONA  
**EXHIBIT C-5**  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(in thousands)

	<b>Warehouse, Maintenance and Services</b>	<b>Property and Public Liability Self Insurance</b>	<b>Workers' Compensation Self Insurance</b>	<b>Employee Benefits Self Insurance</b>	<b>Total</b>
Cash Flows from Operating Activities:					
Cash Received from Users	\$ 28,798	\$ 7,605	\$ 3,705	\$ 85,133	\$ 125,241
Cash Payments to Suppliers	(19,631)	(4,030)	(4,235)	(90,612)	(118,508)
Cash Payments to Employees	(8,800)	(96)	(422)	(919)	(10,237)
Net Cash Provided by (Used For) Operating Activities	<u>367</u>	<u>3,479</u>	<u>(952)</u>	<u>(6,398)</u>	<u>(3,504)</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition and Construction of Capital Assets	(380)	-	-	-	(380)
Net Cash Provided By (Used For) Capital and Related Financing Activities	<u>(380)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(380)</u>
Cash Flows from Investing Activities:					
Interest Received on Investments	(2)	487	328	1,994	2,807
Net Cash Provided By (Used For) Investing Activities	<u>(2)</u>	<u>487</u>	<u>328</u>	<u>1,994</u>	<u>2,807</u>
Net Change in Cash and Cash Equivalents	(15)	3,966	(624)	(4,404)	(1,077)
Pooled Cash and Investments at Beginning of Year	606	9,717	8,708	50,155	69,186
Pooled Cash and Investments at End of Year	<u>\$ 591</u>	<u>\$ 13,683</u>	<u>\$ 8,084</u>	<u>\$ 45,751</u>	<u>\$ 68,109</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating Income (Loss)	\$ 614	\$ (1,753)	\$ (3,276)	\$ (8,205)	\$ (12,620)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation	224	-	-	133	357
Changes in Assets and Liabilities:					
(Increase)/Decrease in Receivables	(44)	-	-	2	(42)
(Increase)/Decrease in Inventory	(657)	-	-	-	(657)
(Increase)/Decrease in Deposits and Prepaid Costs	8	(20)	134	(30)	92
(Decrease)/Increase in Accounts Payable	411	6	12	273	702
(Decrease)/Increase in Pension and OPEB Liability	(172)	(96)	(6)	(6)	(280)
(Decrease)/Increase in Deferred Outflows	(268)	(30)	(27)	(42)	(367)
(Decrease)/Increase in Deferred Inflows	258	29	21	34	342
(Decrease)/Increase in Other Accrued Expenses	(7)	5,343	2,190	1,443	8,969
Total Adjustments	<u>(247)</u>	<u>5,232</u>	<u>2,324</u>	<u>1,807</u>	<u>9,116</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 367</u>	<u>\$ 3,479</u>	<u>\$ (952)</u>	<u>\$ (6,398)</u>	<u>\$ (3,504)</u>





# SUPPLEMENTAL INFORMATION

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT 2019



EASTMARK PARK | DISTRICT 6

CITY OF MESA, ARIZONA  
**EXHIBIT D-1**  
 SUPPLEMENTAL INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 COMMUNITY FACILITIES DISTRICT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
 (in thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$ 158	\$ 158	\$ 156	\$ (2)
Investment Income	-	-	5	5
Contributions	138	138	50	(88)
Total Revenues	<u>296</u>	<u>296</u>	<u>211</u>	<u>(85)</u>
Expenditures:				
Current:				
General Government	3,820	1,126	161	965
Service Charges	-	4	4	-
Cost of Issuance	1,030	1,032	648	384
Capital Outlay	13,396	16,106	13,097	3,009
Total Expenditures	<u>18,246</u>	<u>18,268</u>	<u>13,910</u>	<u>4,358</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(17,950)</u>	<u>(17,972)</u>	<u>(13,699)</u>	<u>4,273</u>
Other Financing Uses:				
Transfers In	-	-	2	2
Transfers Out	-	(28)	(28)	-
Face Amount of Bonds Issued	17,950	17,950	13,666	4,284
Premium on Issuance of Bonds	-	-	256	(256)
Total Other Financing Uses	<u>17,950</u>	<u>17,922</u>	<u>13,896</u>	<u>4,030</u>
Net Change in Fund Balances	-	(50)	197	247
Fund Balance - Beginning	<u>90</u>	<u>129</u>	<u>33</u>	<u>(96)</u>
Fund Balance - Ending	<u>\$ 90</u>	<u>\$ 79</u>	<u>\$ 230</u>	<u>\$ 151</u>

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

CITY OF MESA, ARIZONA

**EXHIBIT D-2**

SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

ENVIRONMENTAL COMPLIANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(in thousands)

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for Services	\$ 16,023	\$ 16,023	\$ 16,146	\$ 123
Investment Income	62	62	596	534
Total Revenues	<u>16,085</u>	<u>16,085</u>	<u>16,742</u>	<u>657</u>
Expenditures:				
Current:				
General Government	1,226	1,226	1,031	195
Public Safety	66	66	52	14
Community Environment	7,102	5,759	4,870	889
Cultural-Recreational	7,293	7,293	6,630	663
Capital Outlay	5,604	6,947	1,130	5,817
Total Expenditures	<u>21,291</u>	<u>21,291</u>	<u>13,713</u>	<u>7,578</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,206)</u>	<u>(5,206)</u>	<u>3,029</u>	<u>8,235</u>
Net Change in Fund Balances	(5,206)	(5,206)	3,029	8,235
Fund Balances - Beginning	<u>10,364</u>	<u>12,894</u>	<u>12,716</u>	<u>(178)</u>
Fund Balance - Ending	<u>\$ 5,158</u>	<u>\$ 7,688</u>	<u>\$ 15,745</u>	<u>\$ 8,057</u>

CITY OF MESA, ARIZONA

**EXHIBIT D-3**

SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

GRANTS AND SPECIAL PROGRAMS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(in thousands)

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Occupancy Taxes	\$ 2,430	\$ 2,430	\$ 3,223	\$ 793
Licenses and Permits	508	508	599	91
Intergovernmental	12,377	12,377	5,399	(6,978)
Charges for Services	-	-	84	84
Fines and Forfeitures	1,005	1,005	1,066	61
Investment Income	-	-	288	288
Contributions	4	4	97	93
Miscellaneous Revenues	5,591	5,591	2,000	(3,591)
Total Revenues	<u>21,915</u>	<u>21,915</u>	<u>12,756</u>	<u>(9,159)</u>
Expenditures:				
Current:				
General Government	3,283	3,983	3,398	585
Public Safety	8,560	10,281	3,928	6,353
Community Environment	361	412	137	275
Cultural-Recreational	2,104	1,831	1,347	484
Capital Outlay	9,116	9,494	2,837	6,657
Total Expenditures	<u>23,424</u>	<u>26,001</u>	<u>11,647</u>	<u>14,354</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,509)	(4,086)	1,109	5,195
Other Financing Sources (Uses):				
Transfers In	-	-	10	10
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>10</u>	<u>10</u>
Net Change in Fund Balances	(1,509)	(4,086)	1,119	5,205
Fund Balances - Beginning	<u>4,210</u>	<u>8,181</u>	<u>7,843</u>	<u>(338)</u>
Fund Balance - Ending	<u>\$ 2,701</u>	<u>\$ 4,095</u>	<u>\$ 8,962</u>	<u>\$ 4,867</u>

CITY OF MESA, ARIZONA  
**EXHIBIT D-4**  
 SUPPLEMENTAL INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 HIGHWAY USER REVENUE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
 (in thousands)

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 40,880	\$ 40,880	\$ 42,406	\$ 1,526
Investment Income	2	2	751	749
Total Revenues	<u>40,882</u>	<u>40,882</u>	<u>43,157</u>	<u>2,275</u>
Expenditures:				
Current:				
Community Environment	16,748	16,920	16,063	857
Capital Outlay	<u>24,859</u>	<u>24,896</u>	<u>8,488</u>	<u>16,408</u>
Total Expenditures	<u>41,607</u>	<u>41,816</u>	<u>24,551</u>	<u>17,265</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(725)</u>	<u>(934)</u>	<u>18,606</u>	<u>19,540</u>
Other Financing Uses:				
Transfers Out	<u>(12,398)</u>	<u>(12,398)</u>	<u>(12,383)</u>	<u>15</u>
Total Other Financing Uses	<u>(12,398)</u>	<u>(12,398)</u>	<u>(12,383)</u>	<u>15</u>
Net Change in Fund Balances	(13,123)	(13,332)	6,223	19,555
Fund Balances - Beginning	<u>13,518</u>	<u>12,740</u>	<u>12,493</u>	<u>(247)</u>
Fund Balance - Ending	<u>\$ 395</u>	<u>\$ (592)</u>	<u>\$ 18,716</u>	<u>\$ 19,308</u>

CITY OF MESA, ARIZONA  
**EXHIBIT D-5**  
 SUPPLEMENTAL INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 MESA HOUSING AUTHORITY  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
 (in thousands)

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 30,152	\$ 30,152	\$ 18,653	\$ (11,499)
Investment Income	190	190	102	(88)
Total Revenues	<u>30,342</u>	<u>30,342</u>	<u>18,755</u>	<u>(11,587)</u>
Expenditures:				
Current:				
General Government	25	25	20	5
Community Environment	28,205	28,130	17,445	10,685
Capital Outlay	<u>2,112</u>	<u>2,419</u>	<u>1,051</u>	<u>1,368</u>
Total Expenditures	<u>30,342</u>	<u>30,574</u>	<u>18,516</u>	<u>12,058</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(232)</u>	<u>239</u>	<u>471</u>
Net Change in Fund Balances	-	(232)	239	471
Fund Balances - Beginning	<u>1,656</u>	<u>415</u>	<u>911</u>	<u>496</u>
Fund Balance - Ending	<u>\$ 1,656</u>	<u>\$ 183</u>	<u>\$ 1,150</u>	<u>\$ 967</u>



CITY OF MESA, ARIZONA  
**EXHIBIT D-6**  
 SUPPLEMENTAL INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 QUALITY OF LIFE SALES TAX  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
 (in thousands)

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Sales Taxes	\$ 24,509	\$ 24,509	\$ 25,829	\$ 1,320
Licenses and Permits	-	-	119	119
Total Revenues	<u>24,509</u>	<u>24,509</u>	<u>25,948</u>	<u>1,439</u>
Expenditures:				
Current:				
Public Safety	<u>24,509</u>	<u>24,509</u>	<u>24,859</u>	<u>(350)</u>
Total Expenditures	<u>24,509</u>	<u>24,509</u>	<u>24,859</u>	<u>(350)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>1,089</u>	<u>1,089</u>
Net Change in Fund Balances	-	-	1,089	1,089
Fund Balances - Beginning	<u>1,053</u>	<u>777</u>	<u>773</u>	<u>(4)</u>
Fund Balance - Ending	<u>\$ 1,053</u>	<u>\$ 777</u>	<u>\$ 1,862</u>	<u>\$ 1,085</u>

CITY OF MESA, ARIZONA  
**EXHIBIT D-7**  
 SUPPLEMENTAL INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 STREET SALES TAX  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
 (in thousands)

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Sales Taxes	\$ 29,411	\$ 29,411	\$ 30,986	\$ 1,575
Licenses and Permits	77	77	399	322
Intergovernmental	-	-	1	1
Charges for Services	275	275	677	402
Investment Income	163	163	1,733	1,570
Miscellaneous Revenues	350	350	443	93
Total Revenues	<u>30,276</u>	<u>30,276</u>	<u>34,239</u>	<u>3,963</u>
Expenditures:				
Current:				
General Government	3,301	3,301	5,339	(2,038)
Public Safety	369	397	387	10
Community Environment	25,747	24,672	19,393	5,279
Capital Outlay	32,881	33,946	12,328	21,618
Total Expenditures	<u>62,298</u>	<u>62,316</u>	<u>37,447</u>	<u>24,869</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(32,022)</u>	<u>(32,040)</u>	<u>(3,208)</u>	<u>28,832</u>
Net Change in Fund Balances	(32,022)	(32,040)	(3,208)	28,832
Fund Balances - Beginning	<u>40,621</u>	<u>42,517</u>	<u>41,502</u>	<u>(1,015)</u>
Fund Balance - Ending	<u>\$ 8,599</u>	<u>\$ 10,477</u>	<u>\$ 38,294</u>	<u>\$ 27,817</u>

CITY OF MESA, ARIZONA  
**EXHIBIT D-8**  
 SUPPLEMENTAL INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL CAPITAL PROJECTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
 (in thousands)

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Investment Income	\$ -	\$ -	\$ 734	\$ 734
Miscellaneous Revenues	223	223	140	(83)
Total Revenues	<u>223</u>	<u>223</u>	<u>874</u>	<u>651</u>
Expenditures:				
Current:				
General Government	492	869	-	869
Public Safety	-	7	-	7
Community Environment	295	18	-	18
Cultural-Recreational	20	-	-	-
Capital Outlay	42,942	45,598	16,841	28,757
Total Expenditures	<u>43,749</u>	<u>46,492</u>	<u>16,841</u>	<u>29,651</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(43,526)</u>	<u>(46,269)</u>	<u>(15,967)</u>	<u>30,302</u>
Other Financing Sources (Uses):				
Transfers In	22,350	22,350	28,783	(6,433)
Total Other Financing Uses	<u>22,350</u>	<u>22,350</u>	<u>28,783</u>	<u>(6,433)</u>
Net Change in Fund Balances	(21,176)	(23,919)	12,816	36,735
Fund Balances - Beginning	<u>22,900</u>	<u>19,794</u>	<u>19,674</u>	<u>(120)</u>
Fund Balance - Ending	<u>\$ 1,724</u>	<u>\$ (4,125)</u>	<u>\$ 32,490</u>	<u>\$ 36,615</u>

CITY OF MESA, ARIZONA  
**EXHIBIT D-9**  
 SUPPLEMENTAL INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 STREETS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
 (in thousands)

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 17,917	\$ 17,917	\$ 7,518	\$ (10,399)
Investment Income	-	-	1,406	1,406
Total Revenues	<u>17,917</u>	<u>17,917</u>	<u>8,924</u>	<u>(8,993)</u>
Expenditures:				
Debt Service:				
Cost of Issuance	425	425	69	356
Capital Outlay	<u>48,932</u>	<u>48,932</u>	<u>13,698</u>	<u>35,234</u>
Total Expenditures	<u>49,357</u>	<u>49,357</u>	<u>13,767</u>	<u>35,590</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(31,440)</u>	<u>(31,440)</u>	<u>(4,843)</u>	<u>26,597</u>
Other Financing Sources (Uses):				
Transfers Out	-	(3,913)	(3,913)	-
Face Amount of Bonds Issued	26,963	26,963	10,045	16,918
Premium on Issuance of Bonds (Net)	-	-	29	(29)
Total Other Financing Uses	<u>26,963</u>	<u>23,050</u>	<u>6,161</u>	<u>16,889</u>
Net Change in Fund Balances	(4,477)	(8,390)	1,318	9,708
Fund Balances - Beginning	<u>39,876</u>	<u>13,811</u>	<u>51,512</u>	<u>37,701</u>
Fund Balance - Ending	<u>\$ 35,399</u>	<u>\$ 5,421</u>	<u>\$ 52,830</u>	<u>\$ 47,409</u>





# STATISTICAL SECTION

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT 2019



FOR THE FISCAL YEAR ENDED | JUNE 30, 2019

## 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.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	126
<b>Revenue Capacity</b> These schedules contain information to help readers assess the City’s most significant local revenue source, the sales tax.	138
<b>Debt Capacity</b> 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.	141
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	149
<b>Operating Information</b> 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.	151

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

CITY OF MESA, ARIZONA

**TABLE I**

**NET POSITION BY COMPONENTS**

**LAST TEN FISCAL YEARS**

(accrual basis of accounting)

(in thousands)

	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Net Investment in Capital Assets	\$ 1,038,928	\$ 1,019,888	\$ 986,354	\$ 965,148
Restricted	103,164	88,305	88,721	81,941
Unrestricted	<u>(834,016)</u>	<u>(858,392)</u>	<u>(711,367)</u>	<u>(666,986)</u>
Total Governmental Activities Net Position	<u>\$ 308,076</u>	<u>\$ 249,801</u>	<u>\$ 363,708</u>	<u>\$ 380,103</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Net Investment in Capital Assets	\$ 170,427	\$ 266,012	\$ 247,598	\$ 302,521
Restricted	47,857	40,440	43,046	49,139
Unrestricted	<u>350,006</u>	<u>199,531</u>	<u>228,160</u>	<u>158,756</u>
Total Business-type Activities	<u>\$ 568,290</u>	<u>\$ 505,983</u>	<u>\$ 518,804</u>	<u>\$ 510,416</u>
<b>PRIMARY GOVERNMENT</b>				
Net Investment in Capital Assets	\$ 1,209,355	\$ 1,285,900	\$ 1,233,952	\$ 1,267,669
Restricted	151,021	128,745	131,767	131,080
Unrestricted	<u>(484,010)</u>	<u>(658,861)</u>	<u>(483,207)</u>	<u>(508,230)</u>
Total Primary Government	<u>\$ 876,366</u>	<u>\$ 755,784</u>	<u>\$ 882,512</u>	<u>\$ 890,519</u>



**TABLE I**  
(Concluded)

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

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

<b>EXPENSES</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>
<b>GOVERNMENTAL ACTIVITIES:</b>					
General Government	\$ 119,819	\$ 105,140	\$ 101,301	\$ 96,860	\$ 102,396
Public Safety	355,752	334,905	379,505	305,376	302,633
Community Environment	119,506	113,916	104,173	117,120	101,531
Cultural-Recreational	58,345	54,828	55,739	54,967	52,430
Interest on Long-term Debt	18,078	19,514	19,279	20,424	23,939
<b>Total Governmental Activities Expenses</b>	<b>671,500</b>	<b>628,303</b>	<b>659,997</b>	<b>594,747</b>	<b>582,929</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Electric	22,475	25,573	26,561	27,647	28,495
Gas	33,124	31,636	37,109	31,549	32,104
Water	103,821	101,005	95,608	95,574	101,863
Wastewater	57,468	74,157	71,782	73,877	71,161
Solid Waste	38,524	37,988	37,911	36,586	36,979
Airport	5,029	5,308	5,125	4,865	2,863
Golf Course	2,117	1,965	2,028	2,575	2,210
Convention Center	4,413	4,481	4,711	4,252	3,715
Hohokam Stadium/Fitch Complex	2,748	3,174	3,687	2,913	1,200
Cubs Stadium	7,867	5,870	6,042	5,271	8,581
District Cooling	1,186	1,181	1,268	1,182	885
Interest on Long-term Debt	-	-	-	-	4,124
<b>Total Business-type Activities Expenses</b>	<b>278,772</b>	<b>292,338</b>	<b>291,832</b>	<b>286,291</b>	<b>294,180</b>
<b>Total Primary Government Expenses</b>	<b>\$ 950,272</b>	<b>\$ 920,641</b>	<b>\$ 951,829</b>	<b>\$ 881,038</b>	<b>\$ 877,109</b>

**TABLE II**  
(Continued)

<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>
\$ 103,819	\$ 105,410	\$ 57,472	\$ 59,552	\$ 54,863
277,614	287,451	287,918	273,320	288,929
125,700	129,164	97,593	106,434	104,096
49,275	61,717	57,171	54,550	54,010
24,431	23,443	21,631	21,078	20,013
580,839	607,185	521,785	514,934	521,911
30,044	28,897	29,751	26,817	27,106
35,020	35,653	34,275	36,020	35,466
93,871	103,432	74,162	82,378	80,915
65,637	91,739	68,540	63,613	70,228
32,908	33,694	32,485	31,462	31,504
4,343	4,300	3,737	3,972	3,944
2,555	3,353	2,589	2,679	2,715
3,060	3,946	3,486	3,849	4,158
2,879	9,094	8,525	8,324	7,408
6,201	-	54	15	-
1,153	1,081	974	965	1,000
-	3,653	-	-	-
277,671	318,842	258,578	260,094	264,444
\$ 858,510	\$ 926,027	\$ 780,363	\$ 775,028	\$ 786,355

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

<b>PROGRAM REVENUES</b>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>
<b>GOVERNMENTAL ACTIVITIES:</b>				
Charges for services:				
Licenses and Permits	\$ 23,812	\$ 25,119	\$ 23,152	\$ 23,254
Charges for Services	43,214	40,222	38,348	38,178
Fines and Forfeitures	10,838	10,436	9,873	11,049
Other activities	3,439	2,979	1,330	9,385
Operating Grants and Contributions	25,326	34,446	26,955	26,361
Capital Grants and Contributions	13,780	23,618	24,451	35,925
<b>Total Governmental Activities Program Revenues</b>	<u>120,409</u>	<u>136,820</u>	<u>124,109</u>	<u>144,152</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Charges for services:				
Electric	29,986	31,425	33,534	32,254
Gas	43,547	39,171	39,752	38,962
Water	144,896	147,667	138,335	130,674
Wastewater	84,220	83,078	79,056	79,523
Solid Waste	62,432	60,522	58,117	55,354
Airport	4,339	3,983	3,846	3,623
Golf Course	1,608	1,635	1,545	1,645
Convention Center	3,153	2,809	3,299	2,798
Hohokam Stadium/Fitch Complex	75	51	54	63
Cubs Stadium	250	238	291	201
District Cooling	1,148	1,215	1,231	1,234
Economic Investment	-	-	-	-
Operating Grants and Contributions	2,316	2,406	158	267
Capital Grants and Contributions	19,692	23,474	28,711	16,929
<b>Total Business-type Activities Program Revenues</b>	<u>397,662</u>	<u>397,674</u>	<u>387,929</u>	<u>363,527</u>
<b>Total Primary Government Program Revenues</b>	<u>\$ 518,071</u>	<u>\$ 534,494</u>	<u>\$ 512,038</u>	<u>\$ 507,679</u>
<b>NET (EXPENSE) REVENUE</b>				
Governmental Activities	\$ (551,091)	\$ (491,483)	\$ (535,888)	\$ (450,595)
Business-type Activities	118,890	105,336	96,097	77,236
<b>Total Primary Government Net Expense</b>	<u>\$ (432,201)</u>	<u>\$ (386,147)</u>	<u>\$ (439,791)</u>	<u>\$ (373,359)</u>

**TABLE II**  
(Continued)

<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>
\$ 20,892	\$ 18,797	\$ 17,693	\$ 13,359	\$ 12,577	\$ 11,824
36,260	32,106	27,675	25,779	20,304	20,419
10,505	9,890	9,885	11,294	11,820	10,135
5,741	400	2,945	18	8	9
26,418	29,514	55,312	60,355	65,284	72,812
75,907	20,714	25,049	23,503	31,461	30,343
<u>175,723</u>	<u>111,421</u>	<u>138,559</u>	<u>134,308</u>	<u>141,454</u>	<u>145,542</u>
33,601	31,198	31,075	34,625	33,138	33,079
39,422	38,600	39,125	39,139	41,370	38,924
121,205	112,003	111,933	113,418	102,215	98,806
77,172	66,457	64,413	64,544	59,659	57,699
52,748	47,452	47,369	47,631	47,538	46,685
3,454	3,813	3,484	3,271	3,318	3,125
1,737	1,622	1,472	2,169	2,250	2,265
2,475	2,057	2,597	2,122	2,826	1,971
2	36	5,496	6,074	6,161	5,837
202	174	-	825	52	-
1,274	1,142	975	1,092	945	984
-	-	148	-	-	-
157	9,056	9,401	2,126	25	210
18,107	17,331	7,997	15,814	10,774	17,782
<u>351,556</u>	<u>330,941</u>	<u>325,485</u>	<u>332,850</u>	<u>310,271</u>	<u>307,367</u>
<u>\$ 527,279</u>	<u>\$ 442,362</u>	<u>\$ 464,044</u>	<u>\$ 467,158</u>	<u>\$ 451,725</u>	<u>\$ 452,909</u>
\$ (407,206)	\$ (469,418)	\$ (468,626)	\$ (387,477)	\$ (373,480)	\$ (376,369)
<u>57,376</u>	<u>53,270</u>	<u>6,643</u>	<u>74,272</u>	<u>50,177</u>	<u>42,923</u>
<u>\$ (349,830)</u>	<u>\$ (416,148)</u>	<u>\$ (461,983)</u>	<u>\$ (313,205)</u>	<u>\$ (323,303)</u>	<u>\$ (333,446)</u>

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

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

	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>
GOVERNMENTAL ACTIVITIES:				
Sales Taxes	\$ 189,871	\$ 169,024	\$ 159,735	\$ 151,826
Property Taxes	36,013	35,571	34,684	33,825
Occupancy Taxes	3,246	2,628	2,536	2,331
Unrestricted Intergovernmental Revenues	175,278	167,540	158,916	149,350
Contributions Not Restricted to Specific Programs	65,189	80,312	46,817	44,928
Investment Income	13,729	1,912	448	2,210
Miscellaneous	11,531	5,418	11,161	6,008
Gain (Loss) on Sale of Capital Assets	(27)	(2,462)	(1,411)	-
Transfers	114,535	116,006	106,607	102,148
Total Governmental Activities	<u>609,365</u>	<u>575,949</u>	<u>519,493</u>	<u>492,626</u>
BUSINESS-TYPE ACTIVITIES:				
Occupancy Taxes	1,602	1,192	1,085	1,161
Investment Income	8,004	1,691	983	3,020
Gain (Loss) on Sale of Capital Assets	44,056	261	16,364	(6,145)
Miscellaneous	4,290	1,915	466	1,039
Transfers	(114,535)	(116,006)	(106,607)	(102,148)
Total Business-type Activities	<u>(56,583)</u>	<u>(110,947)</u>	<u>(87,709)</u>	<u>(103,073)</u>
Total Primary Government	<u>\$ 552,782</u>	<u>\$ 465,002</u>	<u>\$ 431,784</u>	<u>\$ 389,553</u>
<b>Change in Net Position</b>				
Governmental Activities	\$ 58,275	\$ 84,466	\$ (16,395)	\$ 42,031
Business-type Activities	62,307	(5,611)	8,388	(25,837)
Total Primary Government	<u>\$ 120,582</u>	<u>\$ 78,855</u>	<u>\$ (8,007)</u>	<u>\$ 16,194</u>

**TABLE II**  
(Concluded)

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

CITY OF MESA, ARIZONA

**TABLE III**

FUND BALANCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

(in thousands)

	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
<b>GENERAL FUND</b>					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Nonspendable	794	2,304	2,145	4,035	3,490
Restricted	26	-	146	184	184
Committed	14,016	10,377	528	227	126
Assigned	30,869	28,346	19,367	10,703	-
Unassigned	90,190	89,347	92,240	79,657	74,145
	<u>\$ 135,895</u>	<u>\$ 130,374</u>	<u>\$ 114,426</u>	<u>\$ 94,806</u>	<u>\$ 77,945</u>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, Reported in:	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Capital Project Funds	-	-	-	-	-
Nonspendable	1,196	135	37	77	138
Restricted (1)(2)	159,745	132,462	112,105	95,701	172,316
Committed	57,432	41,641	30,928	28,580	30,092
Assigned	459	22	2	6	-
Unassigned	(134)	(176)	(69)	(155)	(31)
	<u>\$ 218,698</u>	<u>\$ 174,084</u>	<u>\$ 143,003</u>	<u>\$ 124,209</u>	<u>\$ 202,515</u>

(1) Effective with fiscal year 2010-11 the fund balance related to the sales tax for street improvements was moved to the Special Revenue funds.  
(2) Effective with fiscal year 2011-12 the fund balance related to the sales tax for Quality of Life projects was moved to the Special Revenue funds.



**TABLE III**  
(Concluded)

<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>
\$ -	\$ -	\$ -	\$ -	\$ 4,048
-	-	-	-	92,187
2,956	1,724	754	405	-
188	284	2,012	1,992	-
1,484	1,185	4,992	4,898	-
-	-	-	-	-
72,683	50,426	78,035	93,875	-
<u>\$ 77,311</u>	<u>\$ 53,619</u>	<u>\$ 85,793</u>	<u>\$ 101,170</u>	<u>\$ 96,235</u>
\$ -	\$ -	\$ -	\$ -	\$ 53,674
-	-	-	-	31,871
-	-	-	-	15,724
23	55	84	2,906	-
190,609	243,831	211,279	112,538	-
21,379	23,005	16,360	19,166	-
-	-	-	-	-
(675)	(1,177)	(1)	-	-
<u>\$ 211,336</u>	<u>\$ 265,714</u>	<u>\$ 227,722</u>	<u>\$ 134,610</u>	<u>\$ 101,269</u>

CITY OF MESA, ARIZONA

**TABLE IV**

**CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS**

(modified accrual basis of accounting)  
(in thousands)

	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
<b>REVENUES</b>					
Sales Taxes (1)	\$ 189,871	\$ 169,024	\$ 159,735	\$ 151,826	\$ 146,337
Property Taxes	36,005	35,616	34,675	34,765	34,022
Occupancy Taxes	3,246	2,628	2,536	2,331	2,081
Special Assessments	1,274	1,174	2,125	1,433	1,264
Licenses and Permits	23,812	25,119	23,152	23,254	20,892
Intergovernmental	213,051	223,800	200,820	191,360	185,529
Charges for Services	43,214	40,222	38,348	38,178	36,260
Fines and Forfeitures	10,838	10,436	9,873	11,049	10,505
Investment Income	10,840	1,608	331	1,483	1,793
Contributions	255	429	360	961	1,344
Miscellaneous	6,688	5,547	4,348	3,994	6,587
Total Revenues	<u>539,094</u>	<u>515,603</u>	<u>476,303</u>	<u>460,634</u>	<u>446,614</u>
<b>EXPENDITURES</b>					
Current					
General Government	98,009	90,209	86,360	79,448	81,066
Public Safety	277,313	266,459	261,892	254,528	243,570
Community Environment	76,623	73,404	68,403	65,559	60,512
Cultural-Recreational	48,636	46,143	43,744	43,651	40,365
Debt Service					
Principal	39,511	34,738	32,587	107,383	28,367
Interest	18,185	18,477	17,994	18,905	23,269
Service Charges	19	14	15	14	13
Cost of Issuance	874	1,023	1,271	1,505	657
Capital Outlay	92,637	76,279	82,062	91,784	74,150
Total Expenditures	<u>651,807</u>	<u>606,746</u>	<u>594,328</u>	<u>662,777</u>	<u>551,969</u>
Excess of Revenues Under Expenditures	<u>(112,713)</u>	<u>(91,143)</u>	<u>(118,025)</u>	<u>(202,143)</u>	<u>(105,355)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	147,590	176,572	139,516	122,572	123,044
Transfers Out	(33,055)	(66,208)	(31,931)	(24,298)	(45,324)
Face Amount of Bonds Issued	47,008	26,745	47,682	46,530	18,999
Face Amount of Notes Issued	-	-	-	-	-
Premium on Issuance of Bonds (Net)	1,305	1,063	4,613	2,283	2,952
Premium on Issuance of Notes	-	-	-	-	-
Proceeds from Capital Leases	-	-	-	-	-
Issuance of Refunding Bonds	-	-	47,450	43,304	17,555
Payment to Refunding Bond Agent	-	-	(50,891)	(49,693)	(20,058)
Total Other Financing Sources (Uses)	<u>162,848</u>	<u>138,172</u>	<u>156,439</u>	<u>140,698</u>	<u>97,168</u>
Net Change in Fund Balances	<u>\$ 50,135</u>	<u>\$ 47,029</u>	<u>\$ 38,414</u>	<u>\$ (61,445)</u>	<u>\$ (8,187)</u>
Debt Service as a percentage of Noncapital Expenditures	10.07%	9.98%	9.88%	22.12%	10.81%

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

**TABLE IV**  
(Concluded)

<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>
\$ 140,567	\$ 137,280	\$ 126,644	\$ 121,046	\$ 121,557
22,500	14,404	14,323	14,274	13,886
1,919	1,903	2,019	2,148	1,581
1,062	897	996	1,069	923
18,797	17,693	13,359	12,577	11,824
185,303	184,823	168,433	174,781	190,731
32,106	27,675	25,779	20,304	20,419
9,890	9,885	11,294	11,820	10,135
589	1,501	1,284	587	191
1,212	2,264	-	-	-
4,524	5,940	7,573	7,417	13,675
<u>418,469</u>	<u>404,265</u>	<u>371,704</u>	<u>366,023</u>	<u>384,922</u>
75,077	74,596	41,083	38,843	40,113
231,364	226,677	226,429	215,166	216,026
56,573	55,197	64,404	68,463	72,081
38,788	37,787	43,904	42,191	40,150
71,015	31,519	25,513	31,690	34,846
23,704	23,433	22,643	21,211	21,186
-	10	8	10	9
727	1,448	870	29	539
102,657	91,537	66,951	60,173	82,530
<u>599,905</u>	<u>542,204</u>	<u>491,805</u>	<u>477,776</u>	<u>507,480</u>
<u>(181,436)</u>	<u>(137,939)</u>	<u>(120,101)</u>	<u>(111,753)</u>	<u>(122,558)</u>
141,909	147,818	121,459	128,065	149,437
(32,389)	(64,203)	(38,136)	(44,418)	(66,654)
40,800	62,672	27,290	29,320	30,865
-	-	77,835	-	45,000
430	3,681	8,027	360	402
-	-	8,250	-	869
-	-	-	-	-
-	17,415	67,238	-	-
-	(19,889)	(74,127)	-	-
<u>150,750</u>	<u>147,494</u>	<u>197,836</u>	<u>113,327</u>	<u>159,919</u>
<u>\$ (30,686)</u>	<u>\$ 9,555</u>	<u>\$ 77,735</u>	<u>\$ 1,574</u>	<u>\$ 37,361</u>
19.05%	12.20%	11.34%	12.67%	13.19%

CITY OF MESA, ARIZONA

**TABLE V**

SALES TAX COLLECTIONS BY CATEGORY

LAST TEN FISCAL YEARS

(in thousands)

	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
Retail Sales	\$ 95,806	\$ 84,640	\$ 79,715	\$ 76,160	\$ 71,996
Rentals	31,754	28,003	26,340	25,578	25,102
Utilities	14,964	14,199	13,575	13,251	13,111
Restaurants & Bars	17,961	16,065	15,002	14,240	13,708
Communications	4,365	3,876	4,432	4,229	4,796
Amusements	1,941	1,624	1,581	1,561	1,542
Publishing	408	362	526	688	747
Miscellaneous	943	986	1,313	1,068	771
Printing & Advertising	507	413	446	428	461
Contracting	21,222	18,856	16,806	14,623	14,103
<b>Total</b>	<b>\$ 189,871</b>	<b>\$ 169,024</b>	<b>\$ 159,736</b>	<b>\$ 151,826</b>	<b>\$ 146,337</b>
City Direct Tax Rate (1)	2.00%	1.75%	1.75%	1.75%	1.75%

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

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

Source: City of Mesa Tax & Licensing Division

**TABLE V**  
(Concluded)

<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>
\$ 69,276	\$ 66,789	\$ 62,191	\$ 60,266	\$ 63,469
24,374	24,847	22,968	22,219	20,123
12,344	12,549	11,878	11,104	9,757
12,972	12,577	11,864	11,165	10,948
4,230	4,651	4,483	4,456	3,809
1,469	1,432	1,434	1,433	1,176
830	866	934	999	1,102
823	732	595	674	84
455	434	336	342	175
13,794	12,402	9,962	8,388	10,913
<u>\$ 140,567</u>	<u>\$ 137,279</u>	<u>\$ 126,645</u>	<u>\$ 121,046</u>	<u>\$ 121,556</u>
1.75%	1.75%	1.75%	1.75%	1.75%

CITY OF MESA, ARIZONA

**TABLE VI**

DIRECT AND OVERLAPPING SALES TAX RATES  
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Maricopa County</u>	<u>State of Arizona</u>
2009-10	1.75%	0.70%	6.60% (1)
2010-11	1.75%	0.70%	6.60%
2011-12	1.75%	0.70%	6.60%
2012-13	1.75%	0.70%	5.60%
2013-14	1.75%	0.70%	5.60%
2014-15	1.75%	0.70%	5.60%
2015-16	1.75%	0.70%	5.60%
2016-17	1.75%	0.70%	5.60%
2017-18	1.75%	0.70%	5.60%
2018-19	2.00%	0.70%	5.60% (2)

Source: City of Mesa Tax & Licensing Office

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

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



CITY OF MESA, ARIZONA

**TABLE VII**

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

(in thousands)

	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>
<b>Governmental Activities (1)</b>				
General Obligation Bonds	\$ 373,636	\$ 367,488	\$ 374,443	\$ 350,593
Highway User Revenue Bonds	70,135	80,526	84,995	98,743
Special Assessment Bonds	438	1,005	1,340	2,085
Community Facilities District	41,416	28,813	19,172	19,300
Capital Leases	-	-	-	-
Notes Payable	-	-	-	-
<b>Business-type Activities (1)</b>				
Utility System Revenue Bonds	1,322,049	1,243,390	1,161,755	1,062,871
General Obligation Bonds	191	236	191	390
Excise Tax Revenue Obligation Bonds	56,564	57,144	94,060	103,339
Notes Payable	1,574	1,714	1,851	1,985
Total Primary Government	<u>\$ 1,866,003</u>	<u>\$ 1,780,316</u>	<u>\$ 1,737,807</u>	<u>\$ 1,639,306</u>
Percentage of Personal Income (2)	12.65%	13.17%	13.74%	13.91%
Per Capita (2)	\$ 3,652	\$ 3,554	\$ 3,525	\$ 3,451

(1) Presented net of original issuance discounts and premiums

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



**TABLE VII**  
(Concluded)

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

CITY OF MESA, ARIZONA

**TABLE VIII**

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS**

(in thousands)

<b>Year</b>	<b>Secondary Assessed Value (1)</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Secondary Assessed Value</b>	<b>Per Capita (2)</b>
2010	4,749,617	276,560	-	276,560	5.82%	592
2011	4,094,037	283,735	134	283,601	6.93%	645
2012	3,164,277	290,270	1	290,269	9.17%	658
2013	2,770,422	328,152	138	328,014	11.84%	739
2014	2,559,634	347,465	372	347,093	13.56%	765
2015	2,821,173	338,875	3,584	335,291	11.88%	726
2016	2,757,913	350,983	2,618	348,365	12.63%	733
2017	2,888,291	374,755	4,989	369,766	12.80%	750
2018	3,048,893	365,755	5,384	360,371	11.82%	719
2019	3,277,965	373,827	4,853	368,974	11.26%	722

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, 2019

(in thousands)

Governmental Unit	Debt Outstanding (2)	Estimated Percentage Applicable to City of Mesa	
		Percent (2)(4)	Amount
<b>Debt repaid with property taxes</b>			
Maricopa County Community College District	\$ 380,740	8.11%	30,875
Maricopa Special Health Care District	497,125	8.11%	40,312
Mesa Unified School District No. 4	288,035	86.56%	249,336
Gilbert Unified School District No. 41	135,180	26.10%	35,289
Queen Creek Unified School District No. 95	115,565	31.32%	36,200
Higley Unified School District No. 60	109,455	0.85%	929
Tempe Union High School District No. 213	87,580	0.32%	284
Tempe Elementary School District No. 3	167,175	0.78%	1,311
Eastmark Community Facilities District No. 1	27,870	100.00%	27,870
Cadence Community Facilities District	261	100.00%	261
<b>Other Debt:</b>			
Maricopa County	122,185	8.11%	9,908
Subtotal, overlapping debt			432,575
<b>City direct debt (3)</b>			485,626
<b>Total Direct and Overlapping Debt</b>			<u><u>\$ 918,201</u></u>

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

(2) Source: Hilltop Securities, Inc.

(3) Includes: General Obligation Bonds, Highway User Revenue Bonds, Special Assesment Bonds, Community Facilities District Bonds, Deferred Amounts on Refundings, and Unamortized Bond Premiums.

(4) Proportion applicable to the City is computed on the ratio of secondary assessed valuation for fiscal year 2018/2019.

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

CITY OF MESA, ARIZONA

**TABLE X**

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

(in thousands)

	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>
<b>6% Limitation (1)</b>				
Legal Debt Limitation	\$ 196,678	\$ 182,934	\$ 173,297	\$ 165,475
General Obligation Bonds Outstanding	<u>518</u>	<u>724</u>	<u>846</u>	<u>1,047</u>
Total Debt Margin Available	<u>\$ 196,160</u>	<u>\$ 182,210</u>	<u>\$ 172,451</u>	<u>\$ 164,428</u>
Total Net Debt Applicable to the 6% Limit as A Percentage of the 6% Legal Debt Limitation	0.26%	0.40%	0.49%	0.63%
<b>20% Limitation (2)</b>				
Legal Debt Limitation	\$ 655,593	\$ 609,779	\$ 577,658	\$ 551,583
General Obligation Bonds Outstanding	<u>370,152</u>	<u>365,031</u>	<u>373,909</u>	<u>349,903</u>
Total Debt Margin Available	<u>\$ 285,441</u>	<u>\$ 244,748</u>	<u>\$ 203,749</u>	<u>\$ 201,680</u>
Total Net Debt Applicable to the 20% Limit as A Percentage of the 20% Legal Debt Limitation	56.46%	59.86%	64.73%	63.44%
Total Margin Available	<u>\$ 481,601</u>	<u>\$ 426,958</u>	<u>\$ 376,200</u>	<u>\$ 366,108</u>
Secondary Assessed Value	<u>\$ 3,277,965</u>	<u>\$ 3,048,893</u>	<u>\$ 2,888,291</u>	<u>\$ 2,757,913</u>

(1) Under Arizona law, cities can issue General Obligation Bonds for general municipal purposes 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, artificial light or sewers, land for open space preserves, parks, playgrounds and recreational facilities, public safety, fire, streets and transportation up to an amount not exceeding 20 percent of assessed secondary valuation.

**TABLE X**  
(Concluded)

<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>
\$ 169,270 1,275	\$ 153,578 605	\$ 166,225 175	\$ 189,857 1,370	\$ 245,642 5,326	\$ 284,977 6,064
<u>\$ 167,995</u>	<u>\$ 152,973</u>	<u>\$ 166,050</u>	<u>\$ 188,487</u>	<u>\$ 240,316</u>	<u>\$ 278,913</u>
0.75%	0.39%	0.11%	0.72%	2.17%	2.13%
\$ 564,235 343,370	\$ 511,927 344,040	\$ 554,084 300,735	\$ 632,855 288,900	\$ 818,807 278,409	\$ 949,923 270,496
<u>\$ 220,865</u>	<u>\$ 167,887</u>	<u>\$ 253,349</u>	<u>\$ 343,955</u>	<u>\$ 540,398</u>	<u>\$ 679,427</u>
60.86%	67.20%	54.28%	45.65%	34.00%	28.48%
<u>\$ 388,860</u>	<u>\$ 320,860</u>	<u>\$ 419,399</u>	<u>\$ 532,442</u>	<u>\$ 780,714</u>	<u>\$ 958,340</u>
<u>\$ 2,821,173</u>	<u>\$ 2,559,634</u>	<u>\$ 2,770,422</u>	<u>\$ 3,164,277</u>	<u>\$ 4,094,037</u>	<u>\$ 4,749,617</u>

CITY OF MESA, ARIZONA

**TABLE XI**

PLEDGED-REVENUE COVERAGE

LAST TEN FISCAL YEARS

(in thousands)

<b>Utility System Revenue Bonds</b>						
	<b>Operating Revenues (1)</b>	<b>Operating Expenses</b>	<b>Net Revenue Available for Debt Service</b>	<b>Debt Service</b>		<b>Coverage Ratio</b>
				<b>Principal</b>	<b>Interest</b>	
2009-10	275,193	194,159	81,034	10,475	40,380	1.59
2010-11	283,921	190,441	93,480	12,585	42,814	1.69
2011-12	299,356	180,296	119,060	21,365	43,465	1.84
2012-13	293,915	241,128	52,787	21,630	46,412	0.78
2013-14	295,710	203,187	92,523	22,550	51,927	1.24
2014-15	311,506	209,677	101,829	21,860	46,423	1.49
2015-16	323,099	218,706	104,393	25,800	44,794	1.48
2016-17	348,794	225,257	123,537	13,885	47,187	2.02
2017-18	361,863	228,933	132,930	31,354	50,739	1.62
2018-19	365,081	257,166	107,915	21,450	50,695	1.50

<b>Highway User Revenue Fund Revenue Bonds</b>				
	<b>Highway User Fund Revenues</b>	<b>Debt Service</b>		<b>Coverage Ratio</b>
		<b>Principal</b>	<b>Interest</b>	
2009-10	31,791	5,720	6,691	2.56
2010-11	32,053	6,030	6,365	2.59
2011-12	27,825	3,290	5,563	3.14
2012-13	30,046	6,145	5,627	2.55
2013-14	30,923	6,945	5,472	2.49
2014-15	33,952	6,305	5,158	2.96
2015-16	35,383	7,390	4,844	2.89
2016-17	38,048	7,900	4,473	3.08
2017-18	39,477	8,375	4,080	3.17
2018-19	42,406	8,715	3,663	3.43

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

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

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

**TABLE XI**  
(Concluded)

<b>Special Assessment Bonds</b>				<b>Community Facility District Bonds</b>			
<b>Special Assessment Collections</b>	<b>Debt Service</b>		<b>Coverage Ratio</b>	<b>Community Facility District Collections</b>	<b>Debt Service</b>		<b>Coverage Ratio</b>
	<b>Principal</b>	<b>Interest</b>			<b>Principal</b>	<b>Interest</b>	
923	744	377	0.82	-	-	-	-
1,088	744	337	1.01	-	-	-	-
996	744	297	0.96	-	-	-	-
897	744	257	0.90	-	-	7	-
861	744	217	0.90	195	65	131	0.99
827	744	178	0.90	672	232	456	0.98
790	745	138	0.89	1,320	489	832	1.00
1,041	745	98	1.23	1,612	645	914	1.03
289	335	68	0.72	2,261	984	1,197	1.04
261	567	49	0.42	3,010	2,125	1,690	0.79

**Highway Project Advancement Notes**

<b>Excise Tax Revenues (2)</b>	<b>Debt Service</b>		<b>Coverage Ratio</b>
	<b>Principal</b>	<b>Interest</b>	
208,547	-	449	464.30
200,873	-	1,576	127.48
199,949	-	4,312	46.37
213,309	-	5,404	39.47
221,355	-	4,790	46.21
234,183	-	3,892	60.17
242,020	77,835	324	3.10
-	-	-	-
-	-	-	-
-	-	-	-

CITY OF MESA, ARIZONA

**TABLE XII**

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Personal Income (1)</u>	<u>Median Age (1)</u>	<u>Public School Enrollment (2)</u>	<u>Unemployment Rate (3)</u>
2010	467,355	11,563,297	24,742	33.6	67,749	8.7%
2011	440,677	10,465,197	23,748	32.6	66,144	9.0%
2012	441,160	10,603,281	24,035	34.3	65,662	7.5%
2013	444,856	10,361,141	23,291	34.4	64,892	7.2%
2014	454,981	10,687,959	23,491	35.3	64,932	6.5%
2015	462,376	11,321,276	24,485	35.5	64,532	5.4%
2016	475,274	11,783,944	24,794	35.7	65,049	5.3%
2017	493,089	12,644,774	25,644	36.0	63,779	4.5%
2018	501,137	13,522,180	26,983	36.2	67,025	4.3%
2019	511,334	14,753,009	28,852	36.3	62,593	4.6%

Sources:

- (1) 2007-2010 Claritas, 2011-2013 SitesUSA, 2014-2019 ESRI Community Analyst
  - (2) Arizona Department of Education
  - (3) Bureau of Labor Statistics
- Beginning in 2011 unemployment rate is not seasonally adjusted.



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

Employer	2019			2010		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Banner Health	8,321	1	5.19%	8,650	2	3.72%
Mesa Public Schools	8,184	2	5.10%	10,000	1	4.30%
City of Mesa	4,492	3	2.80%	3,776	4	1.62%
The Boeing Company	4,336	4	2.70%	4,000	3	1.72%
Wal-Mart	2,455	5	1.53%	2,410	5	1.04%
Drivetime Automotive Group Inc	1,422	6	0.89%			0.00%
24-7 Intouch	1,400	7	0.87%			0.00%
Frys Food Stores (The Kroger Company)	1,338	8	0.83%	1,276	7	0.55%
AT&T	1,276	9	0.80%			
The Home Depot	1,137	10	0.71%	943	8	0.41%
Mesa Community College			0.00%	2,201	6	0.95%
Bashas'			0.00%	835	9	0.36%
TRW Vehicle Safety Systems			0.00%	800	10	0.34%
Total	<u>34,361</u>		<u>21.43%</u>	<u>34,891</u>		<u>15.01%</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

	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
<b>Function/Program</b>						
General Government	865	826	811	860	876	880
Police	1,212	1,189	1,189	1,155	1,154	1,173
Fire	546	522	518	492	503	482
Community Environment	189	195	194	189	182	178
Cultural-Recreational	340	315	289	599	338	317
Energy Resources	117	120	118	116	116	117
Water Resources	264	257	249	238	240	238
Environmental Management & Sustainability	147	148	147	138	127	125
Airport	12	11	11	11	10	10
Total	<u>3,690</u>	<u>3,582</u>	<u>3,526</u>	<u>3,798</u>	<u>3,545</u>	<u>3,520</u>

Source: City of Mesa Human Resources

**TABLE XIV**  
(Concluded)

<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>
864	870	824	835
1,163	1,158	1,163	1,240
479	473	457	455
183	184	189	184
313	332	334	329
117	115	116	122
229	233	230	232
127	117	120	124
<u>10</u>	<u>9</u>	<u>9</u>	<u>10</u>
<u>3,485</u>	<u>3,491</u>	<u>3,442</u>	<u>3,531</u>

CITY OF MESA, ARIZONA

**TABLE XV**

OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS

<b>Function/Program</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>
Police					
Major Crimes	11,559	12,347	13,151	13,208	14,795
Traffic Accidents	6,637	6,599	6,966	6,968	6,622
Fire					
Fires	1,004	1,144	1,153	1,053	1,083
Rescue or Emergency	54,139	53,183	50,024	49,743	45,832
False Alarms	1,373	1,087	989	1,083	1,106
Hazardous Conditions	505	471	488	507	534
Other Calls	14,337	11,536	14,034	10,613	8,964
Libraries					
Number of Registered Borrowers	117,974	119,489	121,340	122,810	125,336
Total Attendance	1,129,706	1,061,875	1,067,207	1,157,394	1,166,131
Access to Electronic Resources	1,155,869	1,131,101	1,272,859	1,345,977	1,549,150
Electric Connections	17,018	17,066	16,724	16,854	16,703
Gas Connections	65,993	63,969	62,010	60,383	59,214
Water					
Connections	157,000	146,172	144,276	141,824	139,560
Average Daily Consumption (mgd)*	78.66	81.84	79.78	78.55	79.55
Peak Daily Consumption (mg)**	117.77	122.51	120.35	116.62	113.45
Wastewater					
Connections	127,000	130,343	128,782	126,359	124,142
Average Daily Sewage Treatment (mgd)*	34.50	34.06	34.28	34.60	33.30
Solid Waste					
Customers Served	134,777	131,991	129,479	127,517	122,552
Refuse Collected (tons)	241,307	232,756	232,812	236,849	233,754
Recyclables Collected (tons)	32,227	32,367	35,546	35,499	35,541
Green Waste Collected (tons)	20,236	16,688	19,639	20,602	21,151
Falcon Field					
Average Number of Aircraft Based	752	717	689	663	702
Aircraft Operations (annual)	326,255	288,122	289,801	270,702	241,848

\* mgd - millions of gallons per day

\*\* mg - millions of gallons

**TABLE XV**  
(Concluded)

<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>
14,561	16,149	16,740	16,623	17,345
6,107	6,186	6,047	5,952	5,890
1,075	929	1,012	981	1,048
44,885	43,416	42,925	38,788	34,079
1,176	1,255	1,292	1,478	1,478
477	454	446	478	701
9,403	11,803	11,192	11,840	12,819
196,020	166,492	142,943	220,812	352,607
1,166,560	1,178,137	1,143,718	1,095,196	1,367,667
1,541,323	1,515,299	1,566,775	1,691,966	2,542,927
16,460	13,815	15,841	15,064	14,738
58,011	55,544	55,828	53,434	52,832
137,910	136,640	135,138	134,072	133,701
80.85	81.03	81.60	76.23	72.67
117.13	115.68	122.30	114.30	111.14
122,623	120,953	119,615	118,413	117,831
33.10	33.60	33.40	33.70	33.60
121,674	119,142	118,949	115,811	113,079
217,745	215,463	209,116	223,217	217,295
34,629	34,616	34,443	35,486	36,490
18,854	19,878	17,882	19,149	18,588
729	700	749	789	841
276,731	190,605	222,650	221,910	248,381

CITY OF MESA, ARIZONA

**TABLE XVI**

**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

<b>Function/Program</b>	<b><u>2018-19</u></b>	<b><u>2017-18</u></b>	<b><u>2016-17</u></b>	<b><u>2015-16</u></b>	<b><u>2014-15</u></b>
Police Stations					
Stations	8	8	8	8	8
Vehicular Patrol Units	287	281	281	287	292
Fire Stations	20	20	20	20	20
Libraries	4	4	4	4	4
Parks and Recreation					
Developed Parks (acres)	1,929	1,929	2,300	1,901	1,901
Undeveloped Acres	861	861	475	633	633
Swimming Pools	9	9	9	9	9
Recreation Facilities	6	5	5	4	4
Community Environment					
Streets (miles)					
Paved	1,882	1,476	1,387	1,427	1,427
Unpaved	1	82	82	1	1
Storm Sewers (miles)	398	397	394	423	423
Gas Mains (miles)	1,363	1,346	1,325	1,311	1,311
Water					
Mains (miles)	2,435	2,401	2,398	2,364	2,364
Storage Capacity (millions of gallons)	112	112	109	112	112
Wastewater					
Mains (miles)	1,788	1,784	1,778	1,781	1,781
Treatment Capacity (millions of gallons per day)	60	60	60	60	60
Solid Waste					
Collection Trucks	77	77	75	73	74
Golf Courses	1	1	1	1	1

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

**TABLE XVI**  
(Concluded)

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







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FOR THE FISCAL YEAR ENDED | JUNE 30, 2019