



CITY OF MESA, AZ

comprehensive annual financial report

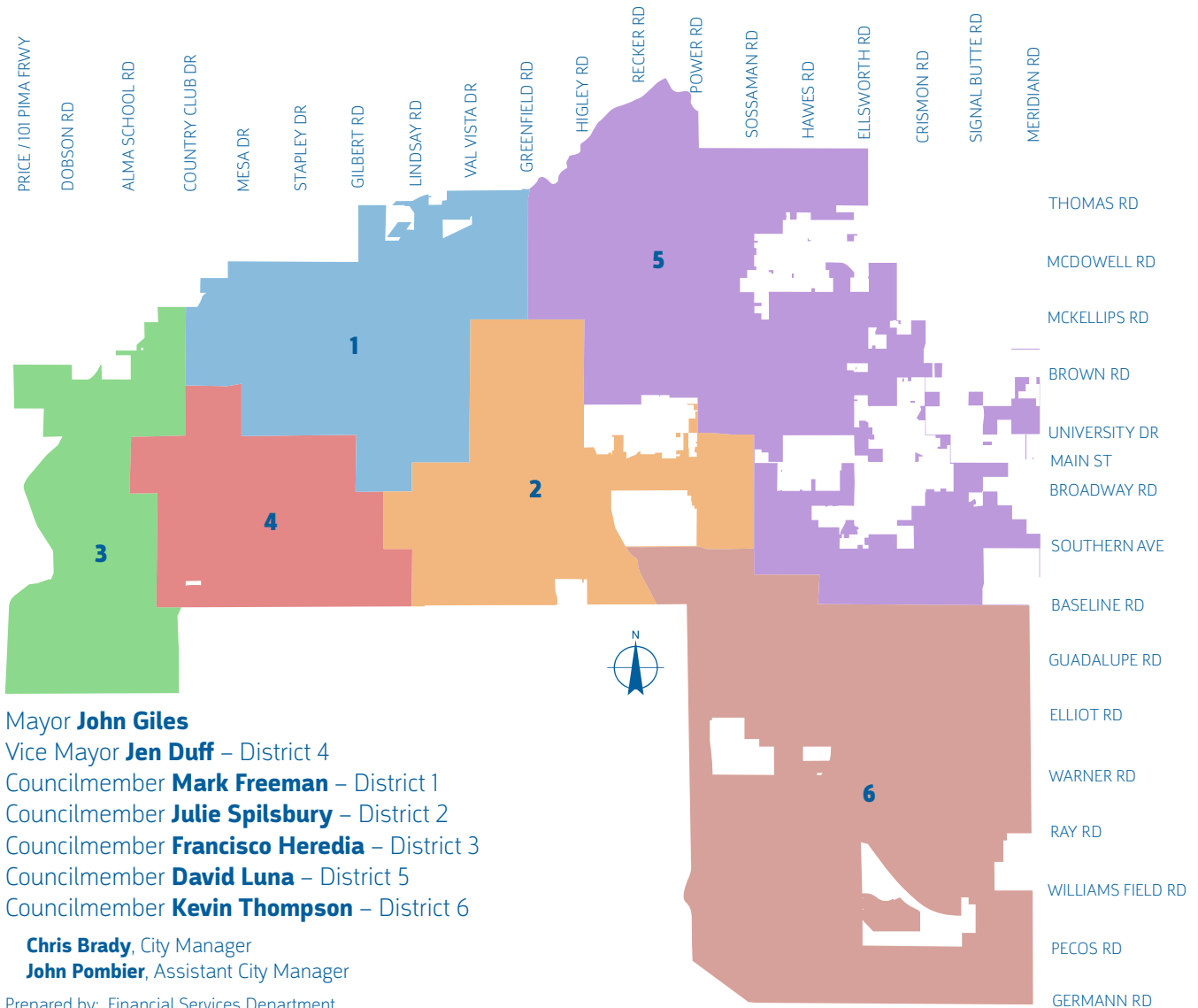


FOR THE FISCAL YEAR ENDED | JUNE 30, 2021



district map

COMPREHENSIVE ANNUAL
FINANCIAL REPORT 2021



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

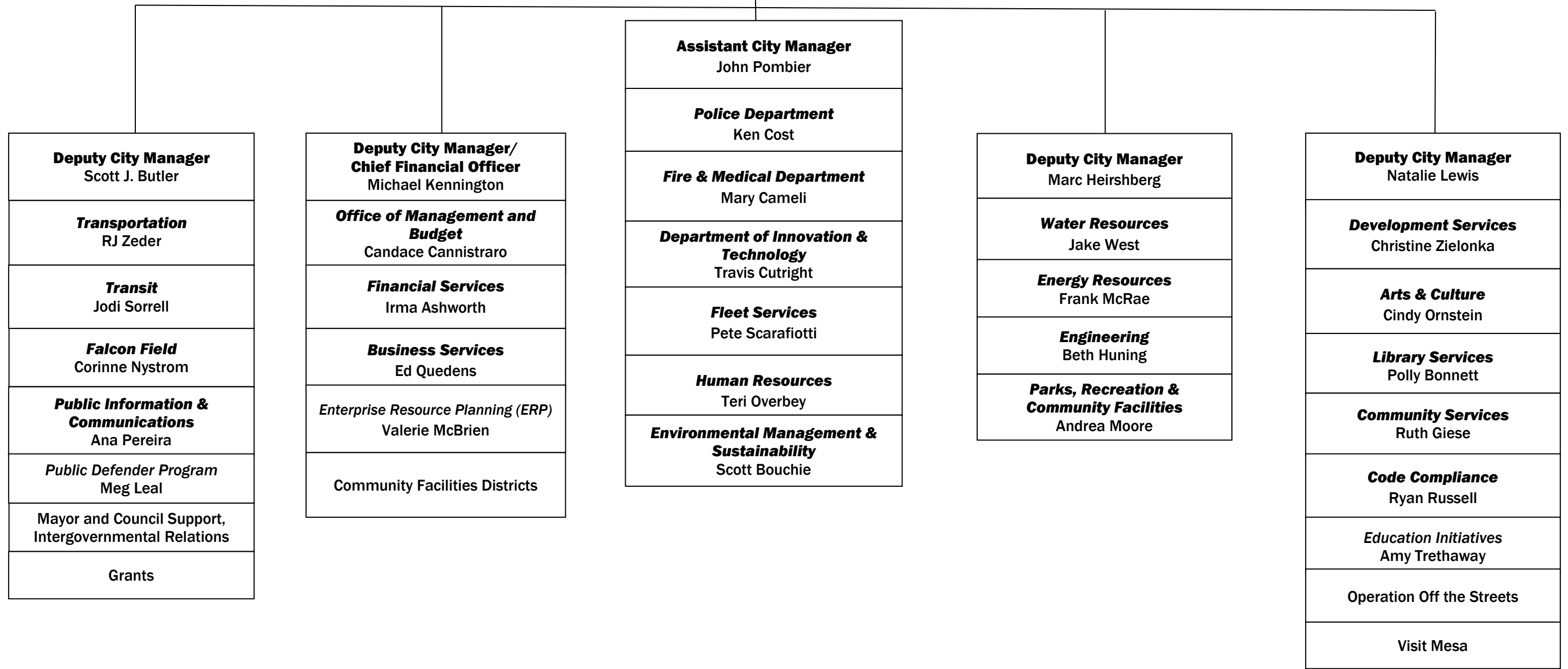
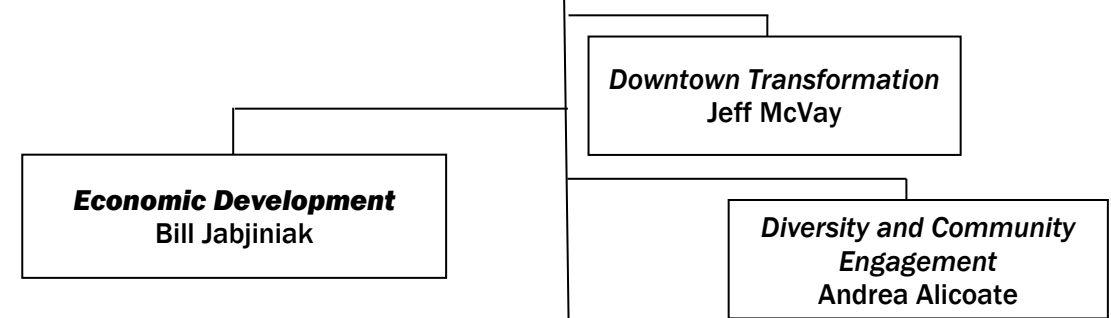
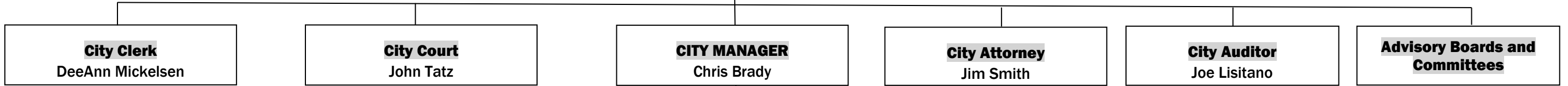
Chris Brady, City Manager
John Pombier, Assistant City Manager

Prepared by: Financial Services Department
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FOR THE FISCAL YEAR ENDED | JUNE 30, 2021

Citizens of Mesa

Mayor and City Council





introductory section

COMPREHENSIVE ANNUAL
FINANCIAL REPORT 2021



FOR THE FISCAL YEAR ENDED | JUNE 30, 2021

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December 21, 2021

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, 2021 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, 2021, 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, 2021, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor’s report is presented as the first component of the financial section of this report.

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

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

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

Profile of the City

The City was founded in 1878 and incorporated July 15, 1883 with an approximate population of 300 and an area of one square mile. Today, the City's estimated population, by the 2020 decennial census, is 504,258 compared with the 2010 decennial census count of 439,041. Total land area encompasses 138 square miles. The City is the 37th 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 4,240 full-time (equivalent) City employees working within 28 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, and an airport. 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 is annually appropriated for all funds by the City Council and 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 past year has showcased the resiliency of the community and the organization through these challenging times. As the City of Mesa continues to prosper and grow, the City continues to push and support the services needed by businesses and citizens for today and the future. The City is committed to ensuring fiscal sustainability and providing essential services to assist with the community's needs.

During this past fiscal year, the financial position of the City has strengthened with a steady increase in both local sales tax revenues due to unanticipated growth in retail and growth in development and construction activity. The City's economic indicator for commercial construction in fiscal year (FY) 2021 has almost doubled from FY 2020 or an increase of approximately \$529 million in commercial valuation. While the COVID-19 health crisis has had an impact on economic activity, the related stay-at-home policy has influenced Mesa residents to buy local and online more than they would have previously. For the year ending June 30, 2021, local retail sales tax revenue was up 24.2% while overall local sales tax revenue was up 15.4%. Not surprisingly, tourism was negatively impacted by the pandemic as evidenced by the relatively flat 2.2% increase in the transient lodging ('bed') tax.

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 2022 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 and resilient financial position was recognized this year as Fitch Ratings reaffirmed the top rating of AAA to the City's 2021 General Obligation (GO) bonds. S&P maintained their rating of AA for the City's GO bonds and their AA- rating on the City's utility revenue bonds and obligations. Moody's reaffirmed their Aa2 rating on the City's utility revenue bonds and obligations.
- Like the rest of the aviation industry, Phoenix-Mesa Gateway Airport saw a near disappearance of passenger traffic due to the COVID-19 outbreak. But passengers are now making up for lost travel. Phoenix-Mesa Gateway Airport recorded a record number of passengers for the month of June. The airport saw a total of 151,219 passengers travel through its terminal in June. The Gateway Airport is primarily used by leisure travelers, and leisure travel has been one of the bright spots for commercial airlines.
- The City of Mesa received CARES Act funding to address community impacts due to the public health emergency COVID-19. With a portion of that funding, the Mesa CARES Small Business Reemergence Program (CARES SBRP) was developed to rapidly assist Mesa-based businesses that were suffering from loss of customers and revenue due to the pandemic, and subsequent closures due to restrictions forcing customers to stay home. The CARES SBRP provided critical support to Mesa small businesses by delivering \$4.5 million in financial grants to 525 businesses, more than \$1 million in technical assistance and consulting services to 250 businesses, and \$300,000 investment in marketing campaigns. Nearly \$6 million of federal CARES funds were invested to save small businesses in the short term, accelerate recovery, and build resiliency.
- The Falcon Field airport received more than \$4.6 million in grant funding from the Federal Aviation Administration (FAA) and the Arizona Department of Transportation for improvements that will ensure safe services for airport tenants and users.
- In early 2021, Legacy Sports USA broke ground on an upcoming sports and entertainment center located in Mesa. Legacy Sports Park will cover 320 acres and include a mixture of softball fields, basketball courts, football fields, volleyball courts, arcades, fitness centers and a 20,000 square foot sports bar and restaurant. The entire complex is expected to create over 1,500 jobs.
- In February, Banner Health announced the investment of nearly \$400 million in expansion projects including the Banner Desert campus in Mesa. This project will include adding adult acute care patient beds and building a new women's tower. In addition, existing shelled space will be built out to bring on 24 adult acute care beds.
- In April, Commercial Metals Company (CMC) received City Council approval to build a new steel mill at just under 500,000 square feet just west of their current mill. CMC is expecting to double its production and hire an additional 242 employees.

- In April, Bonelli Doors + Windows relocated its manufacturing headquarters to a 50,000 square foot facility in Mesa. Bonelli is a leading aluminum door and window designer and manufacturer that is planning to create 35 new jobs with the move.
- In May, ElectraMeccanica Vehicles Corp. broke ground on its first U.S. based assembly plant in Mesa. The \$35 million plant will bring 500 jobs to the community. The 235,000 square foot complex will include light vehicle assembly plant, 22,000 square feet of offices and 19,000 square feet of comprehensive research facilities.
- In June, ATLIS Motor Vehicles announced the production of the AMV battery cell at its headquarters in Mesa. ATLIS is a start-up mobility technology company and the AMV batteries will be the first in the industry to charge in less than 15 minutes.
- In June, Boeing Co. announced the production of about two dozen AH-64 Apache attack helicopters at its facility in Mesa under a \$169.5 million contract with the U.S. Army.
- In July, Exro Technologies announced that it will establish its U.S. headquarters in a 15,000 square foot location in Mesa. Exro is a leading clean technology company that has developed a new class of power electronics for electric motors and batteries. Exro is planning on hiring 50 employees over the next 18 months.
- In August, Facebook announced its plans to build a 960,000 square foot data center in Mesa. Along with the projected \$800 million investment, the Facebook Mesa Data Center is expected to support approximately 100 jobs. The data center will house routers, switches, servers, storage systems and other equipment to keep important applications running and data secure.
- In September, the City of Mesa launched the Mesa Business Builder Small Business Technical Assistance Program. This program offers free training, education and one-on-one consulting and is targeting businesses with fewer than 25 employees.
- In November, Gulfstream Aerospace Corporation announced the construction of a new 225,000 square foot maintenance, repair and overhaul facility at the Phoenix-Mesa gateway Airport. The new facility will represent a \$70 million investment in a service center that will offer a broad range of services and add additional capacity for customers in the western United States.

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, 2020. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Michael Kennington', with a long horizontal flourish extending to the right.

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, 2020

Christopher P. Morill

Executive Director/CEO



financial section

COMPREHENSIVE ANNUAL
FINANCIAL REPORT 2021



FOR THE FISCAL YEAR ENDED | JUNE 30, 2021



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, 2021, 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During the fiscal year ended June 30, 2021, the City ceased accounting for the Cubs, Hohokam, Convention Center, and Golf Course activities within the Enterprise Fund and began accounting for these activities within the General Fund. In addition, the City began accounting for the Airport and Utility Funds as separate Enterprise Funds. As a result, the beginning balances of the Utility Fund, Airport Fund, Governmental Activities and Business-Type Activities were restated. See Note 16 for further information on the restatement. Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of the City's Proportionate Share of Net Pension Liability, Schedule of Changes in the City's Net Pension/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 Honorable Mayor and Members of City Council
City of Mesa, Arizona

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and 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 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 21, 2021, 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 21, 2021

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

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, 2021. The reader is encouraged to consider the information presented here 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 \$113.2 million from \$1.11 billion to \$1.22 billion. The increase in revenues is primarily from Sales Tax revenues (\$33.9 million), Unrestricted Intergovernmental revenues (\$23.2 million), and Charges for Services (\$52.6 million)
- The City's Relief Fund expenditures increased by \$63.5 million as the City continued to respond to the COVID-19 pandemic. The City utilized Federal Funds from the Coronavirus Aid Relief and Economic Security Act (CARES Act), Emergency Rental Assistance program (ERAP) and General Fund transfers to meet the needs of the community.
- The City's Governmental Funds reported a combined ending fund balance of \$620.2 million, a \$176 million increase from the previous year. Approximately 55.1 percent of the total governmental fund balance amount, or \$342 million, is designated by the City as committed, assigned and unassigned. The remaining 44.9 percent or \$278.2 million is designated as non-spendable or restricted.
- Total fund balance for the General Fund was \$288.6 million, which represents an increase of \$93.5 million over prior year. The increase is a combination of an increase in Sales Tax and Intergovernmental Revenues and a decrease in expenditures, specifically public safety expenditures. Certain public safety expenditures were eligible CARES Act expenditures and were expended out of the Relief Fund instead of the General Fund.
- The City's Enterprise Fund reported combined total net position of \$420.4 million, which represents a decrease of \$3.2 million over prior year. Although revenue from Charges for Services increased, the increase in operating expenses and the Transfer to the General Fund absorbed the increase in revenues.

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: (1) Government-Wide Financial Statements, (2) Fund Financial Statements, and (3) 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.

The *Statement of Net Position* presents information on all 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* shows how the 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 Government-Wide Financial Statements distinguish 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 of the City include general government, public safety, community environment and cultural-recreational. The Business-Type activities include private sector type activities such as the City-owned utilities (electric, gas, water, wastewater, solid waste and district cooling), as well as the City-owned airport.

Fund Financial Statements

The fund financial statements (pages 19-28) focus on individual parts of the City government, reporting the City's operations in more detail than the Government Wide Financial Statements. They are used to maintain control over resources that have been segregated for specific activities or objectives and to ensure compliance with finance-related legal requirements. Fund financial statements are presented for Governmental Funds and Proprietary 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, the Governmental Funds 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 in Note 2 to the basic financial statements.

Proprietary funds are generally used to account for services for which the City charges customers (either outside customers, or internal departments of the City). Proprietary Funds provide the same type of information as shown in the Government-Wide Financial Statements only with more detail. Proprietary funds utilize the same method used by the private sector businesses, the accrual basis of accounting. The City maintains the following two types of Proprietary Funds:

- Enterprise Funds are used to report the same functions as Business-Type Activities in the Government-Wide Financial Statements. The City uses separate funds to account for the operations of the City-owned utilities (electric, gas, water, wastewater, solid waste and district cooling), as well as the City-owned airport. The Utility fund is considered a major fund and the Airport is a nonmajor Enterprise Fund.
- The Internal Service Funds are used 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 Internal Service Funds

are combined into a single column on the Proprietary Fund Financial Statements. Individual fund data for the Internal Service Funds can be found in the combining statements.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to the full understanding of the data provided in the Government-Wide and Fund Financial Statements and should be read with the financial statements. The notes to the financial statements can be found on pages 29-96 of this report.

Required Supplementary Information (RSI)

In addition to the financial statements and accompanying notes, this report presents certain required supplementary information including the budgetary comparison schedule for the General Fund, changes in net pension liability, employer pension contributions, and changes in other post-employment benefits (OPEB) liability. RSI and accompanying notes can be found on pages 97-113 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following tables, graphs and analysis discuss the financial position and changes to the financial position for the City as a whole as of and for the years ending June 30, 2021, and 2020.

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

	Governmental		Business-Type		Total	
	Activities		Activities		Government	
	2021	2020 As Restated	2021	2020 As Restated	2021	2020 As Restated
Cash and Other Assets	\$ 1,212,196	\$ 1,012,497	\$ 704,269	\$ 587,000	\$ 1,916,465	\$ 1,599,497
Capital Assets	1,611,328	1,578,383	1,372,616	1,388,797	2,983,944	2,967,180
Total Assets	<u>2,823,524</u>	<u>2,590,880</u>	<u>2,076,885</u>	<u>1,975,797</u>	<u>4,900,409</u>	<u>4,566,677</u>
Deferred Amounts on Refunding	6,062	7,009	25,771	28,781	31,833	35,790
Deferred Outflows on Pensions & OPEB	314,399	284,155	26,708	22,738	341,107	306,893
Total Deferred Amounts	<u>320,461</u>	<u>291,164</u>	<u>52,479</u>	<u>51,519</u>	<u>372,940</u>	<u>342,683</u>
Non-Current Liabilities, Due Within One Year	55,935	34,608	48,701	40,278	104,636	74,886
Non-Current Liabilities, Due In More Than One Year	507,280	458,915	1,356,669	1,280,448	1,863,949	1,739,363
Net Pension & OPEB Liability	1,789,600	1,652,204	178,972	163,426	1,968,572	1,815,630
Other Liabilities	223,508	203,052	122,230	113,020	345,738	316,072
Total Liabilities	<u>2,576,323</u>	<u>2,348,779</u>	<u>1,706,572</u>	<u>1,597,172</u>	<u>4,282,895</u>	<u>3,945,951</u>
Deferred Inflows on Pensions & OPEB	21,140	42,236	2,397	6,502	23,537	48,738
Net Investment in Capital Assets	1,184,908	1,180,116	30,965	108,380	1,215,873	1,288,496
Restricted Net Position	203,284	143,839	70,940	63,113	274,224	206,952
Unrestricted Net Position	(841,670)	(832,926)	318,490	252,149	(523,180)	(580,777)
Total Net Position	<u>\$ 546,522</u>	<u>\$ 491,029</u>	<u>\$ 420,395</u>	<u>\$ 423,642</u>	<u>\$ 966,917</u>	<u>\$ 914,671</u>

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

	Governmental		Business-Type		Total	
	Activities		Activities		Government	
	2021	2020	2021	2020	2021	2020
Program Revenues:						
Charges for Services	\$ 100,747	\$ 77,659	\$ 404,362	\$ 374,855	\$ 505,109	\$ 452,514
Operating Grants & Contributions	100,923	70,633	452	1,632	101,375	72,265
Capital Grants & Contributions	10,696	24,719	34,719	35,896	45,415	60,615
General Revenues:						
Sales Taxes	253,825	219,932	-	-	253,825	219,932
Property Taxes	47,247	45,068	-	-	47,247	45,068
Occupancy Taxes	3,990	2,564	-	1,459	3,990	4,023
Unrestricted Intergovernmental	206,397	183,189	-	-	206,397	183,189
Contributions	19,052	36,912	-	-	19,052	36,912
Unrestricted Investment Income	2,308	16,002	45	7,618	2,353	23,620
Gain on Disposal of Capital Assets	17,229	-	-	(801)	17,229	(801)
Miscellaneous	21,315	16,374	192	(3,397)	21,507	12,977
Total Revenues	783,729	693,052	439,770	417,262	1,223,499	1,110,314
Governmental Activities Expenses:						
General Government	175,608	134,299	-	-	175,608	134,299
Public Safety	409,549	384,800	-	-	409,549	384,800
Community Environment	172,840	152,847	-	-	172,840	152,847
Cultural-Recreational	66,020	62,014	-	-	66,020	62,014
Interest on Long-Term Debt	18,201	17,841	-	-	18,201	17,841
Business-Type Activities:						
Electric	-	-	30,259	25,028	30,259	25,028
Gas	-	-	41,386	29,096	41,386	29,096
Water	-	-	126,797	128,244	126,797	128,244
Wastewater	-	-	77,488	80,548	77,488	80,548
Solid Waste	-	-	45,848	41,719	45,848	41,719
Airport	-	-	5,958	6,004	5,958	6,004
Golf Course	-	-	-	1,233	-	1,233
Convention Center	-	-	-	4,150	-	4,150
Hohokam Stadium/Fitch Complex	-	-	-	2,615	-	2,615
Cubs Stadium	-	-	-	408	-	408
District Cooling	-	-	1,299	1,163	1,299	1,163
Total Expenses	842,218	751,801	329,035	320,208	1,171,253	1,072,009
Increase (Decrease) in Net						
Position Before Transfers	(58,489)	(58,749)	110,735	97,054	52,246	38,305
Transfers	113,982	136,394	(113,982)	(136,394)	-	-
Change in Net Position	55,493	77,645	(3,247)	(39,340)	52,246	38,305
Net Position - As Adjusted	491,029	413,384	423,642	462,982	914,671	876,366
Net Position - Ending	\$ 546,522	\$ 491,029	\$ 420,395	\$ 423,642	\$ 966,917	\$ 914,671

Analysis of Government-Wide Net Position

The City's overall Net Position increased \$52.3 million from \$914.7 million to \$967 million at the end of fiscal year 2021. The Restricted portion of the City's Net Position increased \$67.3 million from \$207.0 million to \$274.2 million. Restricted Net Position represents resources that are subject to external restrictions on how they may be used. The restricted balances that increased in current year include restrictions for debt service, public safety, and transportation programs. The Unrestricted Net Position of (\$523.2) million is primarily due to the impact of the long-term liability associated with pensions and OPEB of (\$1.97 billion).

Several factors contributed to the overall increase in Net Position:

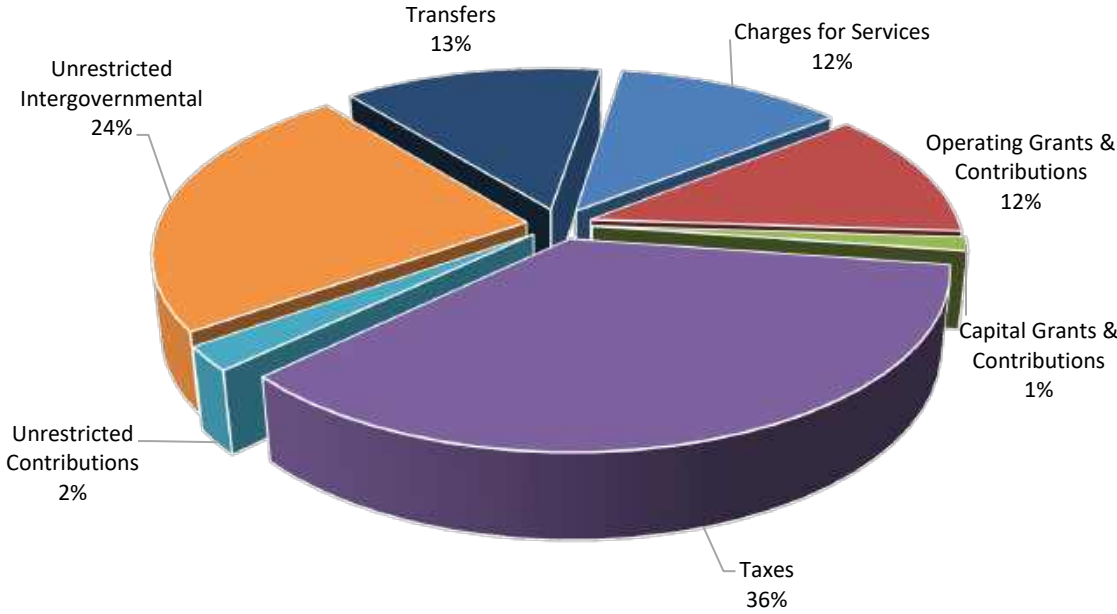
- Sales Tax revenues continued to come in strong, increasing \$33.9 million. Retail Sales Tax was the largest contributor (increasing 24.2%) as City residents shopped locally and on-line. Restaurants and Bars increased 12.3% as residents enjoyed going out and resuming their pre-COVID-19 behavior.
- Program Revenues increased \$66.5 million because of (1) Increase in the Business-type Activities Charges for Services due to rate increases (\$29.5 million); (2) The City began collecting a new In-Lieu Franchise Fee (\$13.3 million); (3) Increase in Federal funding recorded in the Relief Fund related to the CARES act and ERAP (\$22.5 million).
- Unrestricted Intergovernmental revenues increased \$23.2 million. These revenues are State Shared revenues (State Sales Tax, State Income Tax and Highway User tax) and similar to the City Sales Tax revenues, came in stronger than expected.
- Community Environment, Public Safety, and General Government all saw an increase in expenses in the current year. The increase can be attributed to CARES act Relief Fund expenditures and an increase in public safety salary and related benefits. The overall increase in revenues in fiscal year 2021 offset this increase in expenses.

Governmental Activities

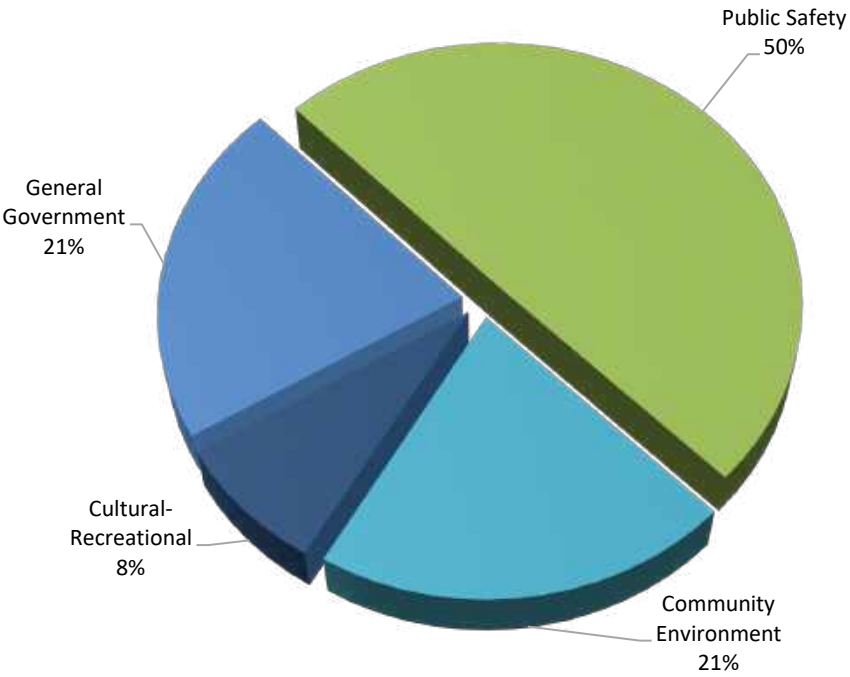
In fiscal year 2021, Governmental Activities increased their Net Position by \$55.5 million from \$491.0 million to \$546.5 million. The increase in Net Position for the Governmental Activities is from the overall increase in revenues, as described above.

As presented in the following two graphs, the largest funding sources, including transfers, for the governmental activities are Taxes (36%), Unrestricted Intergovernmental (24%) and Transfers (13%). The largest users of resources for the governmental activities are Public Safety (50%), Community Environment and General Government both at (21%).

**Governmental Activities
Revenues by Source
Fiscal Year Ended June 30, 2021**

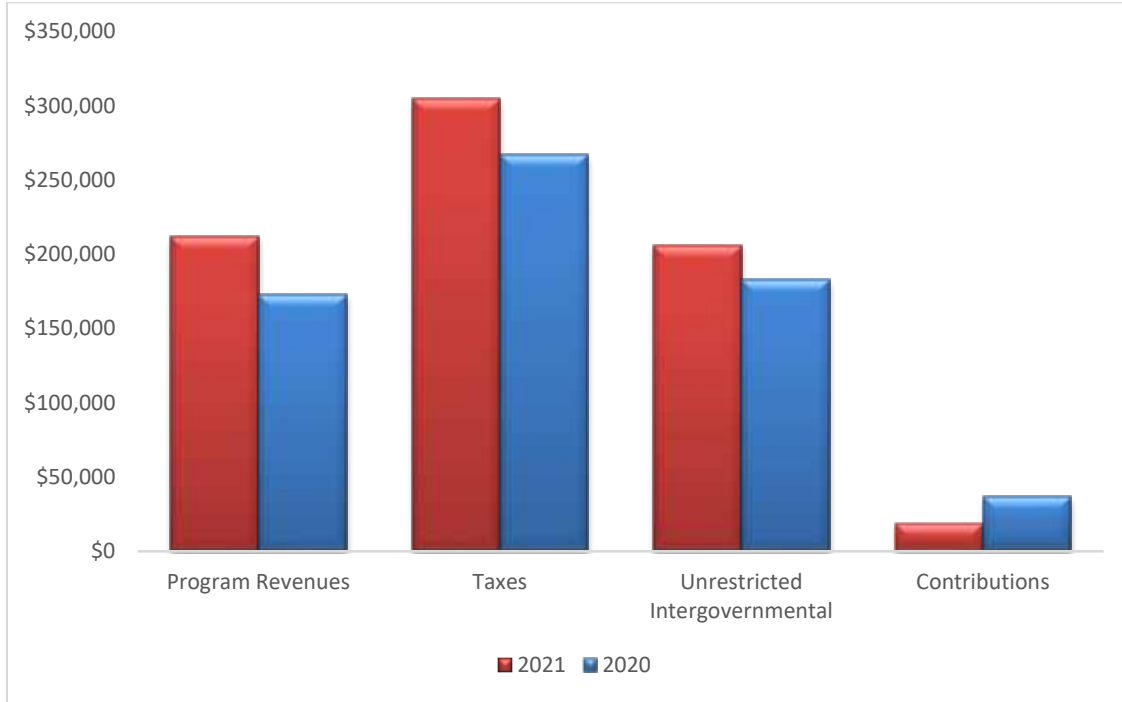


**Governmental Activities
Functional Expenses
Fiscal Year Ended June 30, 2021**

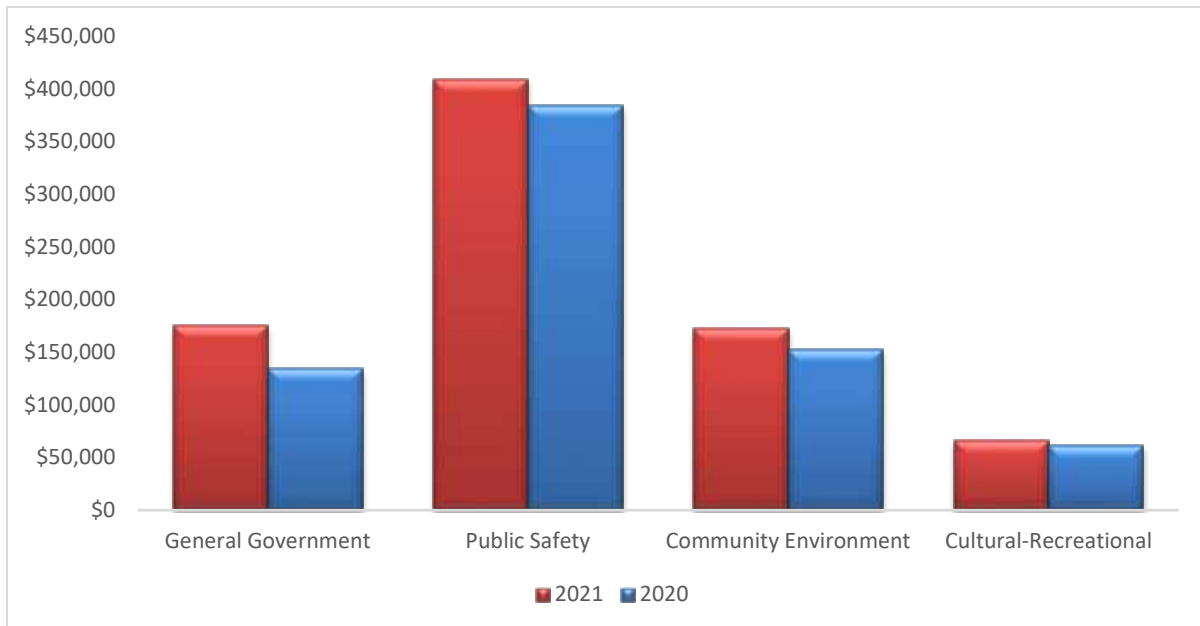


The following two graphs compare Governmental Activities revenues and expenses from fiscal year 2021 to fiscal year 2020.

Governmental Activities - Revenues by Source
Two Year Comparison
(In thousands of dollars)



Governmental Activities - Functional Expenses
Two Year Comparison
(In thousands of dollars)



Fund Financial Statement Analysis

The following is a brief discussion of some of the funds within the Governmental Activities.

General Fund

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. Total fund balance of the General Fund was \$288.6 million, while unassigned fund balance was \$188.4 million.

Total fund balance of the City's General Fund increased by \$93.5 million during the current fiscal year from \$195.1 million to \$288.6 million. The increase is due to a combination of increased revenues and decreased expenditures, see below for specifics:

- Sales Tax revenues increased \$20.3 million and 15.3%. As previously stated, sales tax related to Retail Sales and Restaurant and Bars were the largest contributors.
- Intergovernmental Revenues increased \$18.6 million due to increase in stated shared Sales Tax Revenues (\$8.2 million) and State Income Tax (\$8.8 million). State revenues have continued to be strong.
- License and Permits increased primarily due to a new In-Lieu Franchise Fee of \$13.3 million.
- Miscellaneous Revenue increased due to proceeds from the sale of City assets of \$21 million.
- Expenditures decreased by \$21.3 million primarily due to Relief Fund eligible expenses being recorded in the Relief Fund instead of the General Fund.

Relief Fund

The Relief fund is used to account for the City's response to the COVID-19 pandemic. In fiscal year 2021 the City received and expended federal funds from CARES Act and ERAP. The Fund balance of the Relief Fund decreased slightly \$0.8 million from \$1.1 million to \$0.3 million. Although the net change in the fund balance was minimal, there was a lot of activity in the Relief fund in the current year. The City recognized \$66.4 million in federal funds; \$60.2 million in CARES Act funds and \$6.2 million in ERAP funds. In addition, the General Fund transferred \$40.7 million to the Relief Fund to support its continued response to the COVID-19 pandemic. The Relief fund expenditures were \$107.6 million. Specifically, the City spent funds on the following activities:

- \$56.8 million in public safety payroll expense for patrol officers and first responders who were responding and dedicated to the COVID-19 public health emergency.
- \$25.4 million in Utility and Rental Assistance
- \$6.5 million in grants to local public schools for technology needs for K-6 students.
- \$3.5 million to support local non-profit organizations
- \$3.4 million to improve teleworking capabilities for public employees to enable compliance with COVID-19 public health precautions.

Non-Major Governmental Funds

The Non-Major Governmental Funds include special revenue, capital project and debt service funds. The fund balance of the Non-Major Governmental Funds was \$331.3 million, with much of the fund balance in either Restricted or Committed.

Total fund balance of the Non-Major Governmental Funds increased by \$83.3 million during the current fiscal year. The increase was primarily in the Special Revenue Funds and Capital Project Funds. The Public Safety Tax, Quality of Life Sales Tax, and Highway User Revenue funds contributed to the \$38.0

million increase in the Special Revenue Funds. Consistent with the General Fund, these funds saw an increase in Sales Tax Revenue and Intergovernmental Revenues. The General Capital Projects fund increased \$34.7 million due to Excise Tax Obligations that were issued during the year.

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 the Relief Fund and can be found on pages 110 - 113. These schedules compare the original adopted budget, the budget as amended throughout the year, and the actual expenditures prepared on a budgetary basis.

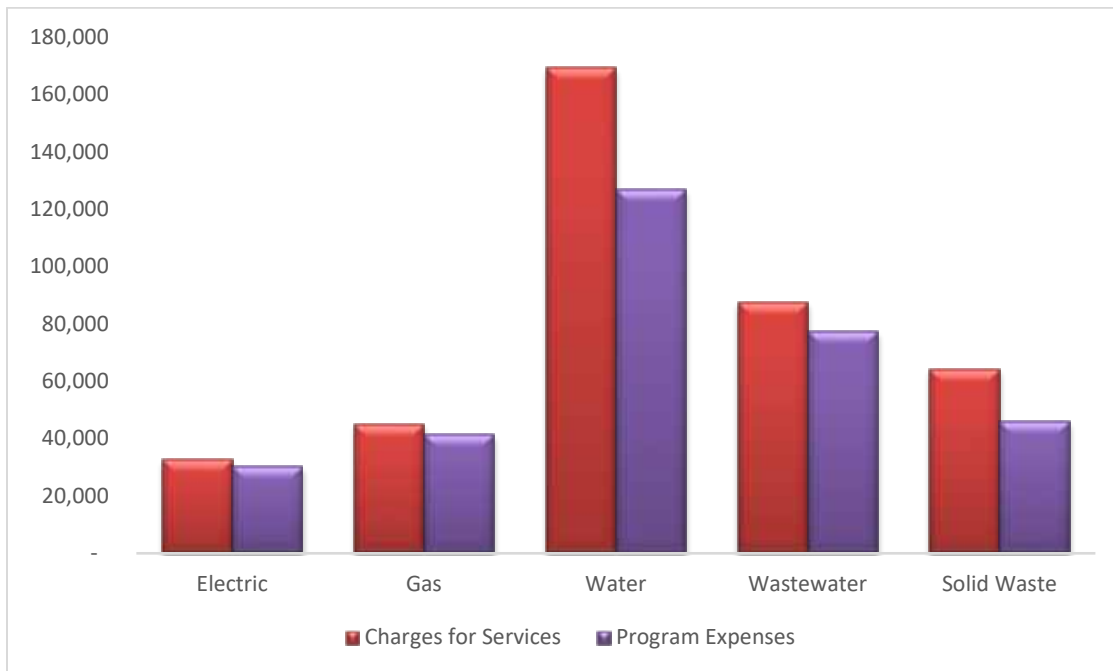
Amendments to the adopted budget may occur throughout the year in a legally permissible manner (see Note 1.f. of the notes to the financial statements for more information on budget policies). Budgeted amounts may change within funds and between funds. There were no budget amendments that increased the overall City adopted budget of \$1.91 billion during fiscal year 2021.

General Fund revenues of \$389.8 million, on a budgetary basis, were more than the budgeted revenues of \$361.1 million. The increase in Sales Tax revenues was the largest contributor, followed by miscellaneous revenues. Expenditures of \$363.1 million were less than the budgeted expenditures of \$433.6 million. Savings were across all areas, with the largest savings in Capital Outlay.

Business-type Activities

The following graphs present utility revenues and expenses for fiscal year 2021. The City’s largest utility, Water, had a net revenue/expense gain of \$42.7 million. Whereas the remaining Utilities saw a more moderate net revenue/expense gain.

**Utility Revenues
Charges for Services and Program Expenses
Fiscal Year 2021**



Total Business-Type Activities program and general revenues increased by \$22.5 million from \$417.3 million to \$439.8 million. The increase is primarily related to an increase in utility rates, which increased Charges for Services by \$29.5 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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, 2021. 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.

The following table provides a breakdown of the City's capital assets on June 30, 2021, and 2020:

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

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Government</u>	
	2021	2020 As Restated	2021	2020 As Restated	2021	2020 As Restated
Land	\$ 403,086	\$ 405,647	\$ 28,339	\$ 28,136	\$ 431,425	\$ 433,783
Infrastructure - Nondepr	3,597	3,597	17,666	17,666	21,263	21,263
Buildings	278,040	286,418	30,030	30,936	308,070	317,354
Other Improvements	122,980	127,528	40,453	41,675	163,433	169,203
Machinery & Equipment	75,047	73,017	25,219	27,297	100,266	100,314
Intangibles	1,181	420	5,152	4,025	6,333	4,445
Infrastructure	529,341	515,068	1,118,925	1,082,919	1,648,266	1,597,987
Construction-in-Progress	198,056	166,688	106,831	156,143	304,887	322,831
Total	<u>\$ 1,611,328</u>	<u>\$ 1,578,383</u>	<u>\$ 1,372,616</u>	<u>\$ 1,388,797</u>	<u>\$ 2,983,944</u>	<u>\$ 2,967,180</u>

The City's total capital asset balances on June 30, 2021, were overall consistent with prior year balances. Infrastructure assets increased \$50.2 million, primarily due to Water and Streets Infrastructure projects. Construction in Progress, Buildings and Other Improvements decreased a combined \$33.2 million. Construction in Progress decreased as it was converted to assets. Buildings and Other Improvements decreased due to depreciation expense exceeding the additions in current year.

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

Debt Administration

At the end of the fiscal year 2021, the City had total long-term bond obligations and notes payable outstanding of \$1.8 billion. Of this amount, \$334.4 million comprises debt backed by the full faith and credit of the City and the remaining \$1.5 billion represents bonds secured by specified revenue sources (i.e., Utility System Revenue, Highway User Revenue, Sales Tax). The City's outstanding long-term debt (considering new borrowings, debt retirements, and defeasance) increased \$98.6 million. The change in

debt includes new borrowings during the fiscal year totaling \$347.3 million, refundings of \$146.1 million, defeasance of \$14.9 million, and principal payments of \$87.7 million.

The City's total outstanding debt includes \$83.9 million in Community Facility District (CFD) bonds. Special Assessment revenues and secondary property tax are collected to make the annual 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 following schedule shows the outstanding long-term debt of the City as of June 30, 2021, and 2020.

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

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Government</u>	
	2020		2020		2020	
	As		As		As	
	2021	Restated	2021	Restated	2021	Restated
General Obligation Bonds	\$334,377	\$ 334,705	\$ 28	\$ 55	\$ 334,405	\$ 334,760
Utility System Revenue Bonds	-	-	1,275,640	1,242,670	1,275,640	1,242,670
Utility Revenue Obligations	-	-	14,015	-	14,015	-
Highway User Revenue Fund Bond	49,105	58,750	-	-	49,105	58,750
Excise Tax Obligations	35,365	-	-	-	35,365	-
Special Assessment Bonds						
with Governmental Commitment	-	219	-	-	-	219
Community Facility District	83,948	57,307	-	-	83,948	57,307
Notes Payable	-	-	1,285	1,431	1,285	1,431
Total	<u>\$502,795</u>	<u>\$ 450,981</u>	<u>\$ 1,290,968</u>	<u>\$ 1,244,156</u>	<u>\$ 1,793,763</u>	<u>\$ 1,695,137</u>

The City's current bond ratings are as follows:

	Standard and Poor's Corporation	Moody's Investors Service	Fitch Ratings
General Obligation Bonds	AA	Aa2	AAA
Highway User Revenue Bonds	AA	A2	N/A
Utility Systems Revenue Bonds	AA-	Aa2	N/A

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 on June 30, 2021, was \$315.1 million in the 6% capacity and \$727.6 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.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

On June 7, 2021, the City Council approved a \$2.1 billion budget, which is an increase of \$190 million compared to prior year's budget. The fiscal year 2022 budget includes \$1.75 billion for operations and \$355 million for scheduled bond capital improvements. The adopted fiscal year 2022 budget continues the City's fiscally conservative approach. The Governmental Funds financial principles include 10%-15% fund balance over a 5-year forecasted period, sustainability of programs and services, competitive wages and benefits for employees, and investment in capital and lifecycle replacement projects. The Utility Fund financial principles includes 20% or higher reserve fund balance, and affordable utility services. The City's 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 City received American Rescue Plan Act (ARPA) and Emergency Rental Assistance (ERAP) funds and will use the federal funds to respond to the negative economic impacts of COVID-19. The City is in the process of identifying eligible projects for its ARPA allocation of \$105.5 million. Many of these are new initiatives which will require additional time and resources to fully develop and deploy. The City spent \$12.2 million in ERAP funds in fiscal year 2021 and anticipates spending \$16 million in fiscal year 2022.

As of July 2021, the non-seasonally adjusted unemployment rate for Mesa was 5.5%. The City's current rate remains competitive locally, and sits below the county (5.9%), state (5.9%), and national (8.4%) unemployment rates for August.

The fiscal year 2021-22 assessed valuation increased 6.8% to \$3.99 billion. On June 7, 2021 the City Council voted to increase the City' secondary property tax rate to \$1.13 from \$1.12 per \$100 assessed valuation.

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 2021



FOR THE FISCAL YEAR ENDED | JUNE 30, 2021

City of Mesa, Arizona
Statement of Net Position
June, 30, 2021
(in thousands)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Pooled Cash and Investments	\$ 690,405	\$ 116,767	\$ 807,172
Accounts Receivable, Net	5,969	40,143	46,112
Accrued Interest Receivable	1,693	569	2,262
Due from Other Governments	57,132	3,348	60,480
Inventory	8,641	-	8,641
Prepaid and Deposits	5,167	24,119	29,286
Restricted Assets:			
Pooled Cash and Investments	12,672	139,191	151,863
Cash with Fiscal Agent	51,853	67,927	119,780
Cash with Trustee	36,494	-	36,494
Accounts Receivable, Net	23,145	-	23,145
Due from Other Governments	1,675	-	1,675
Customer Deposits	-	4,452	4,452
Joint Venture Construction Deposits	-	11,656	11,656
Investment in Joint Ventures	317,350	296,097	613,447
Capital Assets, Not Being Depreciated	604,739	152,836	757,575
Capital Assets, Being Depreciated, Net	1,006,589	1,219,780	2,226,369
Total Assets	<u>2,823,524</u>	<u>2,076,885</u>	<u>4,900,409</u>
Deferred Outflows of Resources			
Debt Refunding	6,062	25,771	31,833
Pensions and OPEB	314,399	26,708	341,107
Total Deferred Outflows of Resources	<u>320,461</u>	<u>52,479</u>	<u>372,940</u>
Liabilities			
Accounts Payable and Accrued Liabilities	43,652	8,551	52,203
Claims Payable	48,372	-	48,372
Customer and Defendant Deposits	8,731	-	8,731
Unearned Revenue	67,439	-	67,439
Liabilities Payable from Restricted Assets	55,314	113,679	168,993
Noncurrent Liabilities:			
Due Within One Year	55,935	48,701	104,636
Due in More Than One Year:			
Bonds Payable	480,885	1,352,781	1,833,666
Compensated Absences	26,395	3,888	30,283
Net Pension and OPEB Liability	1,789,600	178,972	1,968,572
Total Liabilities	<u>2,576,323</u>	<u>1,706,572</u>	<u>4,282,895</u>
Deferred Inflows of Resources			
Pensions and OPEB	21,140	2,397	23,537
Total Deferred Inflows of Resources	<u>21,140</u>	<u>2,397</u>	<u>23,537</u>
Net Position			
Net Investment in Capital Assets	1,184,908	30,965	1,215,873
Restricted For:			
Bond Indentures	-	38,377	38,377
Construction	-	11,656	11,656
Debt Service	44,268	20,907	65,175
Public Safety	65,668	-	65,668
Transportation Programs	84,939	-	84,939
Other Programs	8,409	-	8,409
Unrestricted	(841,670)	318,490	(523,180)
Total Net Position	<u>\$ 546,522</u>	<u>\$ 420,395</u>	<u>\$ 966,917</u>

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

City of Mesa, Arizona
Statement of Activities
For the Fiscal Year Ended June 30, 2021
(in thousands)

<u>Functions/Programs:</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General Government	\$ 175,608	\$ 32,240	\$ 3,508	\$ 9,114
Public Safety	409,549	40,022	8,662	437
Community Environment	172,840	20,114	86,807	1,145
Cultural-Recreational	66,020	8,371	1,946	-
Interest on Long-Term Debt	18,201	-	-	-
Total Governmental Activities	<u>842,218</u>	<u>100,747</u>	<u>100,923</u>	<u>10,696</u>
Business-type Activities:				
Electric	30,259	32,666	-	1,875
Gas	41,386	45,141	-	1,542
Water	126,797	169,473	-	18,346
Wastewater	77,488	87,573	-	12,428
Solid Waste	45,848	64,344	-	396
Airport	5,958	4,007	452	132
District Cooling	1,299	1,158	-	-
Total Business-type Activities	<u>329,035</u>	<u>404,362</u>	<u>452</u>	<u>34,719</u>
Total Government	<u>\$ 1,171,253</u>	<u>\$ 505,109</u>	<u>\$ 101,375</u>	<u>\$ 45,415</u>

General Revenues:
Sales Taxes
Property Taxes
Occupancy Taxes
Unrestricted Intergovernmental Revenues
Contributions Not Restricted to Specific Programs
Investment Income
Gain on Sale of Asset
Miscellaneous Revenues (Expenses)
Transfers
Total General Revenues and Transfers

Change in Net Position

Net Position - As Restated

Net Position - Ending

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

(Continued)

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (130,746)	\$ -	\$ (130,746)
(360,428)	-	(360,428)
(64,774)	-	(64,774)
(55,703)	-	(55,703)
(18,201)	-	(18,201)
<u>(629,852)</u>	<u>-</u>	<u>(629,852)</u>
-	4,282	4,282
-	5,297	5,297
-	61,022	61,022
-	22,513	22,513
-	18,892	18,892
-	(1,367)	(1,367)
-	(141)	(141)
<u>-</u>	<u>110,498</u>	<u>110,498</u>
(629,852)	110,498	(519,354)
253,825	-	253,825
47,247	-	47,247
3,990	-	3,990
206,397	-	206,397
19,052	-	19,052
2,308	45	2,353
17,229	-	17,229
21,315	192	21,507
113,982	(113,982)	-
<u>685,345</u>	<u>(113,745)</u>	<u>571,600</u>
55,493	(3,247)	52,246
<u>491,029</u>	<u>423,642</u>	<u>914,671</u>
<u>\$ 546,522</u>	<u>\$ 420,395</u>	<u>\$ 966,917</u>

City of Mesa, Arizona
Balance Sheet
Governmental Funds
June, 30, 2021
(in thousands)

	<u>General Fund</u>	<u>Relief Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Pooled Cash and Investments	\$ 274,859	\$ 61,708	291,681	\$ 628,248
Accounts Receivable, Net	4,035	-	1,202	5,237
Accrued Interest Receivable	674	148	723	1,545
Due from Other Governments	25,273	-	31,859	57,132
Due from Other Funds	9,723	-	-	9,723
Advances to Other Funds	-	-	2,786	2,786
Prepaid Costs	2,680	14	914	3,608
Restricted Assets:				
Pooled Cash and Investments	-	-	12,672	12,672
Cash with Fiscal Agent	-	-	51,853	51,853
Cash with Trustee	-	-	36,494	36,494
Accounts Receivable	-	-	23,145	23,145
Due from Other Governments	-	-	1,675	1,675
Total Assets	<u>\$ 317,244</u>	<u>\$ 61,870</u>	<u>\$ 455,004</u>	<u>\$ 834,118</u>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 22,347	\$ 259	\$ 18,110	\$ 40,716
Due to Other Funds	-	-	7,511	7,511
Advances from Other Funds	-	-	2,786	2,786
Customer and Defendant Deposits	1,352	-	7,379	8,731
Unearned Revenue	4,114	61,313	2,012	67,439
Payable from Restricted Assets:				
Accrued Interest Payable	-	-	9,792	9,792
Matured Bonds Payable	-	-	45,522	45,522
Total Liabilities	<u>27,813</u>	<u>61,572</u>	<u>93,112</u>	<u>182,497</u>
Deferred Inflows of Resources				
Unavailable Revenue	823	-	30,580	31,403
Total Deferred Inflows of Resources	<u>823</u>	<u>-</u>	<u>30,580</u>	<u>31,403</u>
Fund Balances				
Nonspendable	2,680	14	914	3,608
Restricted	-	284	274,339	274,623
Committed	18,529	-	66,679	85,208
Assigned	79,024	-	897	79,921
Unassigned	188,375	-	(11,517)	176,858
Total Fund Balances	<u>288,608</u>	<u>298</u>	<u>331,312</u>	<u>620,218</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 317,244</u>	<u>\$ 61,870</u>	<u>\$ 455,004</u>	<u>\$ 834,118</u>

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

City of Mesa, Arizona
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June, 30, 2021
(in thousands)

Fund Balances - total governmental funds	\$ 620,218
<p>Amounts reported for governmental activities in the statement of net position are different because (also see Note 2 to the basic financial statements):</p>	
Capital assets used in governmental activities are not financial resources and therefore not reported in the governmental funds.	1,608,964
Other assets used in governmental activities are not financial resources and therefore not reported in the governmental funds.	317,724
Deferred outflows related to deferred amounts on refunding and pensions are not financial resources and therefore not reported in the funds.	314,747
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.	(2,313,504)
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.	10,780
Internal service funds are used by management to charge the costs of certain activities to individual funds.	<u>(12,407)</u>
Net position of the governmental activities - statement of net position	<u><u>\$ 546,522</u></u>

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

City of Mesa, Arizona
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2021
(in thousands)

	<u>General Fund</u>	<u>Relief Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Sales Taxes	\$ 152,552	\$ -	\$ 101,273	\$ 253,825
Property Taxes	-	-	47,253	47,253
Occupancy Taxes	1,086	-	2,904	3,990
Special Assessments	-	-	1,832	1,832
Licenses and Permits	35,031	-	7,604	42,635
Intergovernmental	167,047	66,412	83,412	316,871
Charges for Services	18,873	-	22,521	41,394
Fines and Forfeitures	6,954	-	1,619	8,573
Investment Income (Loss)	1,468	(269)	1,088	2,287
Contributions	-	-	130	130
Miscellaneous Revenue	4,706	-	2,330	7,036
Total Revenues	<u>387,717</u>	<u>66,143</u>	<u>271,966</u>	<u>725,826</u>
Expenditures				
Current:				
General Government	91,140	-	7,283	98,423
Public Safety	205,961	56,813	45,497	308,271
Community Environment	11,894	50,687	64,840	127,421
Cultural-Recreational	33,951	-	11,645	45,596
Debt Service:				
Principal	-	-	45,793	45,793
Interest on Bonds	-	-	17,443	17,443
Service Charges	-	-	14	14
Cost of Issuance	-	-	2,038	2,038
Capital Outlay	21,963	151	134,871	156,985
Total Expenditures	<u>364,909</u>	<u>107,651</u>	<u>329,424</u>	<u>801,984</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>22,808</u>	<u>(41,508)</u>	<u>(57,458)</u>	<u>(76,158)</u>
Other Financing Sources (Uses)				
Transfers In	117,516	40,697	27,684	185,897
Transfers Out	(68,381)	-	(3,534)	(71,915)
Sale of Capital Asset	21,597	-	-	21,597
Face Amount of Bonds Issued	-	-	106,637	106,637
Premium on Issuance of Bonds (Net)	-	-	20,193	20,193
Issuance of Refunding Bonds	-	-	38,395	38,395
Payment to Escrow Agent	-	-	(48,661)	(48,661)
Total Other Financing Sources (Uses)	<u>70,732</u>	<u>40,697</u>	<u>140,714</u>	<u>252,143</u>
Net Change in Fund Balances	93,540	(811)	83,256	175,985
Fund Balance - Beginning	<u>195,068</u>	<u>1,109</u>	<u>248,056</u>	<u>444,233</u>
Fund Balances - Ending	<u>\$ 288,608</u>	<u>\$ 298</u>	<u>\$ 331,312</u>	<u>\$ 620,218</u>

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

City of Mesa, Arizona
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, 2021
(in thousands)

Net change in fund balances - total governmental funds \$ 175,985

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. 12,942

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. (85,366)

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 \$105,037 exceeded depreciation (\$67,046) in the current period. 37,991

The net effect of miscellaneous transactions involving capital assets (e.g., donations, transfers and disposals) is to increase net position. (5,339)

Change in equity in Joint Venture (1,865)

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. (50,578)

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. (18,899)

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. (9,378)

Change in net position of the governmental activities - statement of activities \$ 55,493

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

City of Mesa, Arizona
Statement of Net Position
Proprietary Funds
June, 30, 2021
(in thousands)

	Business-type Activities			Governmental Activities
	Utility	Non-Major Fund Airport	Total	Internal Service Funds
Assets				
Current Assets:				
Pooled Cash and Investments	\$ 110,220	\$ 6,547	\$ 116,767	\$ 62,157
Accounts Receivable (Net of Allowances)	40,090	53	40,143	526
Accrued Premiums Receivable	-	-	-	206
Accrued Interest Receivable	550	19	569	148
Due from Other Governments	3,284	64	3,348	-
Inventory	-	-	-	8,641
Prepaid and Deposits	24,119	-	24,119	1,185
Restricted Assets:				
Pooled Cash and Investments	138,538	653	139,191	-
Cash with Fiscal Agents	67,927	-	67,927	-
Customer Deposits	4,452	-	4,452	-
Joint Venture Construction Deposits	11,656	-	11,656	-
Total Current Assets	400,836	7,336	408,172	72,863
Noncurrent Assets:				
Investment in Joint Ventures	296,097	-	296,097	-
Capital Assets, Not Being Depreciated	144,749	8,087	152,836	-
Capital Assets, Being Depreciated, Net	1,200,525	19,255	1,219,780	2,364
Total Noncurrent Assets	1,641,371	27,342	1,668,713	2,364
Total Assets	2,042,207	34,678	2,076,885	75,227
Deferred Outflows of Resources				
Refundings	25,771	-	25,771	-
Pensions and OPEB	26,079	629	26,708	5,714
Total Deferred Outflows of Resources	51,850	629	52,479	5,714
Total Assets and Deferred Outflows of Resources	\$ 2,094,057	\$ 35,307	\$2,129,364	\$ 80,941

(Continued)

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

City of Mesa, Arizona
Statement of Net Position
Proprietary Funds
June, 30, 2021
(in thousands)

	Business-type Activities			Governmental Activities
	Utility	Non-Major Fund Airport	Total	Internal Service Funds
LIABILITIES				
Current Liabilities-Payable From Current Assets:				
Accounts Payable and Accrued Liabilities	\$ 8,422	\$ 129	\$ 8,551	\$ 2,936
Due to Other Funds	-	-	-	2,212
Claims Payable	-	-	-	48,372
Current Liabilities-Payable From Restricted Assets:				
Accounts Payable and Accrued Liabilities	4,477	-	4,477	-
Interest Payable	26,130	-	26,130	-
Matured Bonds Payable	41,797	-	41,797	-
Customer Deposits and Prepayments	40,831	444	41,275	-
Current Portion of Long-Term Liabilities:				
Current Portion of Bonds Payable	47,918	-	47,918	-
Current Portion of Notes Payable	149	-	149	-
Current Portion of Compensated Absences	604	30	634	129
Total Current Liabilities	<u>170,328</u>	<u>603</u>	<u>170,931</u>	<u>53,649</u>
Long-Term Liabilities:				
Bonds Payable	1,351,645	-	1,351,645	-
Notes Payable	1,136	-	1,136	-
Compensated Absences	3,712	176	3,888	830
Net Pension and OPEB Liability	174,742	4,230	178,972	38,352
Total Long-Term Liabilities	<u>1,531,235</u>	<u>4,406</u>	<u>1,535,641</u>	<u>39,182</u>
Total Liabilities	<u>1,701,563</u>	<u>5,009</u>	<u>1,706,572</u>	<u>92,831</u>
DEFERRED INFLOWS OF RESOURCES				
Pensions and OPEB	<u>2,340</u>	<u>57</u>	<u>2,397</u>	<u>517</u>
Total Deferred Inflows of Resources	<u>2,340</u>	<u>57</u>	<u>2,397</u>	<u>517</u>
NET POSITION				
Net Investment in Capital Assets	3,623	27,342	30,965	2,364
Restricted For:				
Bond Indentures	38,377	-	38,377	-
Construction	11,656	-	11,656	-
Debt Service	20,907	-	20,907	-
Unrestricted	315,591	2,899	318,490	(14,771)
Total Net Position	<u>\$ 390,154</u>	<u>\$ 30,241</u>	<u>\$ 420,395</u>	<u>\$ (12,407)</u>

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

City of Mesa, Arizona
Statement of Revenues, Expenditures
and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2021
(in thousands)

	Business-type Activities			Governmental
	Non-Major			Activities
	Utility	Fund Airport	Total	Internal Service Funds
Operating Revenues:				
Electric Charges	\$ 32,666	\$ -	\$ 32,666	\$ -
Gas Charges	45,141	-	45,141	-
Water Sales	169,473	-	169,473	-
Wastewater Charges	87,573	-	87,573	-
Solid Waste Charges	64,344	-	64,344	-
Airport Fees	-	4,007	4,007	-
District Cooling Charges	1,158	-	1,158	-
Charges For Services	-	-	-	30,152
Self-Insurance Contributions	-	-	-	100,491
Other Revenue	-	-	-	7,644
Total Operating Revenues	400,355	4,007	404,362	138,287
Operating Expenses:				
Electric	24,682	-	24,682	-
Gas	31,503	-	31,503	-
Water	68,767	-	68,767	-
Wastewater	42,694	-	42,694	-
Solid Waste	41,948	-	41,948	-
Airport	-	4,038	4,038	-
District Cooling	902	-	902	-
Warehouse, Maintenance & Services	-	-	-	31,396
Self-Insurance	-	-	-	116,004
Total Operating Expenses	210,496	4,038	214,534	147,400
Operating Income (Loss) Before Depreciation and Amortization	189,859	(31)	189,828	(9,113)
Depreciation and Amortization	(64,108)	(1,920)	(66,028)	(244)
Operating Income (Loss)	125,751	(1,951)	123,800	(9,357)

(Continued)

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

City of Mesa, Arizona
Statement of Revenues, Expenses
and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2021
(in thousands)

	<u>Business-type Activities</u>			<u>Governmental</u>
	<u>Utility</u>	<u>Non-Major Fund Airport</u>	<u>Total</u>	<u>Internal Service Funds</u>
Nonoperating Revenues (Expenses):				
Investment Income	\$ 15	\$ 30	\$ 45	\$ 21
Intergovernmental	227	585	812	-
Interest Expense:				
Bonds	(50,392)	-	(50,392)	-
Notes Payable	(31)	-	(31)	-
Gain/(Loss) on Disposal of Capital Assets	(4,920)	-	(4,920)	(186)
Net Gain from Joint Venture	8,227	-	8,227	-
Utility Development Fees	20,350	-	20,350	-
Bond Issuance Costs	(1,357)	-	(1,357)	-
Miscellaneous Revenue	190	2	192	-
Total Nonoperating Revenues (Expenses)	<u>(27,691)</u>	<u>617</u>	<u>(27,074)</u>	<u>(165)</u>
Income before Transfers and Capital Contributions	98,060	(1,334)	96,726	(9,522)
Capital Contributions	14,009	-	14,009	144
Transfers Out	<u>(113,982)</u>	<u>-</u>	<u>(113,982)</u>	<u>-</u>
Change in Net Position	(1,913)	(1,334)	(3,247)	(9,378)
Total Net Position - As Restated	<u>392,067</u>	<u>31,575</u>	<u>423,642</u>	<u>(3,029)</u>
Total Net Position - Ending	<u>\$ 390,154</u>	<u>\$ 30,241</u>	<u>\$ 420,395</u>	<u>\$ (12,407)</u>

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

City of Mesa, Arizona
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2021
(in thousands)

	Business-type Activities			Governmental Activities
	Non-Major			Internal
	Utility	Fund Airport	Total	Service Funds
Cash Flows From Operating Activities:				
Cash Received from Customers	\$403,505	\$ 4,306	\$407,811	\$ -
Cash Received from Users				138,604
Cash Payments to Suppliers	(181,132)	(1,858)	(182,990)	(134,830)
Cash Payments to Employees	(42,517)	(1,998)	(44,515)	(9,476)
Other Non-Operating Revenue	190	2	192	-
Net Cash Provided By (Used For) Operating Activities	180,046	452	180,498	(5,702)
Cash Flows From Noncapital Financing Activities:				
Intergovernmental	(976)	740	(236)	-
Investment in Joint Ventures	(708)	-	(708)	-
Transfers In from Other Funds	-	-	-	1,442
Transfers Out to Other Funds	(113,982)	-	(113,982)	-
Net Cash Provided by (Used For) Noncapital Financing Activities	(115,666)	740	(114,926)	1,442
Cash Flows From Capital and Related Financing Activities:				
Proceeds from Bond Sales	247,826	-	247,826	-
Payment to Refunded Bond Escrow Agent	(113,560)	-	(113,560)	-
Proceeds From Sale of Capital Assets	-	-	-	3
Acquisition and Construction of Capital Assets	(69,185)	(631)	(69,816)	-
Principal Paid on Bonds and Notes Maturities	(36,536)	-	(36,536)	-
Interest Paid on Bonds and Notes	(56,447)	-	(56,447)	-
Bond Issuance Costs	(1,357)	-	(1,357)	-
Contributions and Capital Grants	49,596	-	49,596	-
Net Cash Used For Capital and Related Financing Activities	20,337	(631)	19,706	3
Cash Flows From Investing Activities:				
Interest Received on Investments	269	37	306	129
Net Cash Provided By Investing Activities	269	37	306	129
Net Change in Pooled Cash and Investments	84,986	598	85,584	(4,128)
Total Cash and Investments at Beginning of Year	231,699	6,602	238,301	66,285
Total Cash and Investments at End of Year	\$316,685	\$ 7,200	\$323,885	\$ 62,157

(Continued)

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

City of Mesa, Arizona
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2021
(in thousands)

	Business-type Activities			Governmental Activities
	Utility	Non-Major Fund Airport	Total	Internal Service Funds
Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:				
Operating Income	\$ 125,751	\$ (1,951)	\$ 123,800	\$ (9,357)
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:				
Depreciation and Amortization	64,108	1,920	66,028	244
Miscellaneous Revenue	190	2	192	-
Changes in Assets and Liabilities:				
(Increase)/Decrease in Receivables	(724)	237	(487)	317
(Increase)/Decrease in Inventory	-	-	-	(1,054)
(Increase)/Decrease in Deposits and Prepaid Costs	(16,849)	62	(16,787)	(238)
Increase/(Decrease) in Accounts Payable	996	(170)	826	(825)
Increase/(Decrease) in Unearned Revenue	(703)	-	(703)	-
Increase/(Decrease) in Pension and OPEB Liability	14,887	659	15,546	3,170
Increase (Decrease) in Deferred Outflows	(3,837)	(133)	(3,970)	(825)
Increase (Decrease) in Deferred Inflows	(4,019)	(86)	(4,105)	(890)
Increase/(Decrease) in Other Accrued Expenses	246	(88)	158	3,756
Total Adjustments	54,295	2,403	56,698	3,655
Net Cash Provided By (Used For) Operating Activities	\$ 180,046	\$ 452	\$ 180,498	\$ (5,702)
Noncash Transactions Affecting Financial Position:				
Contributions of Capital Assets	\$ (13,179)	\$ -	(13,179)	\$ 144
Gain (Loss) on Disposal of Capital Assets	(4,920)	-	(4,920)	(189)
Amortization of Bond Premium	7,638	-	7,638	-
Amortization of Deferred Amounts on Refunding	(3,018)	-	(3,018)	-

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, 2021

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. The City's population as of the 2020 census is 504,258 within an area of approximately 138 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 and transportation. In addition, the City owns and operates an airport and a utility whose activities include operations of electricity, gas, water, wastewater, solid waste 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 three 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 currently serves as the Manager of the Districts

Although the Districts 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 #1 can be obtained from the City's Finance Department, through Accounting Services at 20 E. Main Street, 3rd Floor, Mesa, Arizona 85211. Separate financial statements for Eastmark Community Facilities District #2 and 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.

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

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

Arizona Municipal Water Users Association (“AMWUA”) is a nonprofit corporation established and funded by cities in Maricopa County for the development of an urban water policy and to represent the cities’ interests before the Arizona legislature. 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. 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. As a general rule, the effect of interfund activity has been eliminated from the Government-Wide Financial Statements; the exception is any interfund activity between Governmental and Business-Type Activities, such as transfers. Interfund services provided and used are not eliminated.

The Statement of Net Position reports all financial and capital resources of the City. 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, 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 Statement of Activities demonstrates the degree to which the direct expenses of the various functional activities 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.). Expenses reported for the various functional activities 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. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, including special assessments. Taxes and other items not properly included as program revenues are reported as general revenues. The general revenues support the net costs of the functions not covered by program revenues.

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

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 and proprietary funds. 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 two enterprise funds. The Utility Fund is reported as a major fund and the Airport Fund is a non-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.

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.

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

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

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 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, 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 on the following major Governmental Funds and Proprietary Funds:

Major Governmental Funds:

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

The **Relief Fund** accounts for federal expenditures dedicated to supporting the City's response to COVID-19.

Major Proprietary (Enterprise) Fund:

The **Utility Fund** has been established to account for all utility functions. This includes the City-owned electric, gas, water, wastewater and solid waste systems, plus district cooling.

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

Non-major Governmental Funds:

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

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

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

Proprietary Funds:

The **Airport Fund** is a Non-major Enterprise Fund and is used to account for the City-owned airport.

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. 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. Through a Home Rule option, any City can adopt its own alternative expenditure limitation if a majority of the qualified electors vote in favor of the issue at a regular election. On November 6, 2018, the City of Mesa voters approved to continue under Home Rule for the next four years.

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

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

accounting principles. For additional detail, see the Notes to Budgetary Comparison Schedule. Budgeted amounts are as originally adopted by the City Council on May 18, 2020.

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 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

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

the related accumulated depreciation are eliminated from the accounts, and any resultant gain or loss is charged to income or expense.

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

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.

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

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.

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, 2021 as reported in the Budgetary Comparison Schedule is 62.9% of General Fund expenditures budgeted for fiscal year 2020-2021.

p. **Statement of Cash Flows**

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

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

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 all monies in the State Treasurer's Local Government Investment Pools since the City may deposit or withdraw cash at any time without prior notice or penalty.

q. **Contingency Services**

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

Any balance of a contingency 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, 2021 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 levy is "unlimited" and the limited property value is used in determining the tax rate.

In fiscal year 2020-2021, current property tax collections were \$41,402,234 or 98.88% 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, 2021 was \$1,608,399 of which \$1,087,751 was recorded as revenue and \$520,648 as unavailable revenue.

s. **New Accounting Pronouncements**

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 2022.

GASB Statement No. 91, *Conduit Debt Obligations*. This Statement defines conduit debt obligations for accounting and financial reporting purposes and establishes related standards for recognition, measurement, and disclosure for issuers. The requirements of this Statement will take

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

effect for reporting periods beginning after December 31, 2020. The City will implement this Statement in fiscal year 2022.

Implementation Guide No. 2020-1, *Implementation Guidance Update – 2020*, provides guidance that clarifies, explains or elaborates on GASB Statements and Interpretations. The requirements of this Implementation Guide are effective for reporting periods beginning after June 15, 2021. The requirements of this Implementation Guide will be implemented in fiscal year 2022.

GASB Statement No. 96 *Subscription-Based Information Technology* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. The City will implement this Statement in fiscal year 2023.

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.

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

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

	Total Governmental Funds	Long-term Assets/ Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations	Statement of Net Position Total
Assets					
Pooled Cash and Investments	\$ 628,248	\$ -	\$ 62,157	\$ -	\$ 690,405
Account and Misc Receivables, Net	5,237	-	732	-	5,969
Accrued Interest Receivable	1,545	-	148	-	1,693
Due from Other Governments	57,132	-	-	-	57,132
Due from Other Funds	9,723	-	-	(9,723)	-
Advances to Other Funds	2,786	-	-	(2,786)	-
Inventory	-	-	8,641	-	8,641
Prepaid and Deposits	3,608	374	1,185	-	5,167
Restricted Assets:					
Pooled Cash and Investments	12,672	-	-	-	12,672
Cash with Fiscal Agent	51,853	-	-	-	51,853
Cash with Trustee	36,494	-	-	-	36,494
Accounts Receivable	23,145	-	-	-	23,145
Due from Other Governments	1,675	-	-	-	1,675
Investment in Joint Ventures	-	317,350	-	-	317,350
Capital Assets	-	1,608,964	2,364	-	1,611,328
Total Assets	<u>834,118</u>	<u>1,926,688</u>	<u>75,227</u>	<u>(12,509)</u>	<u>2,823,524</u>
Deferred Outflows of Resources					
Deferred Amounts on Refunding	-	6,062	-	-	6,062
Pensions and OPEB	-	308,685	5,714	-	314,399
Total Deferred Outflows of Resources	<u>-</u>	<u>314,747</u>	<u>5,714</u>	<u>-</u>	<u>320,461</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 834,118</u>	<u>\$ 2,241,435</u>	<u>\$ 80,941</u>	<u>\$ (12,509)</u>	<u>\$ 3,143,985</u>
Liabilities					
Accounts Payable and Accrued Liabilities	\$ 40,716	\$ -	\$ 2,936	\$ -	\$ 43,652
Claims Payable	-	-	48,372	-	48,372
Due To Other Funds	7,511	-	2,212	(9,723)	-
Advances from Other Funds	2,786	-	-	(2,786)	-
Customer and Defendant Deposits	8,731	-	-	-	8,731
Unearned Revenue	67,439	-	-	-	67,439
Liabilities Payable from Restricted Assets	55,314	-	-	-	55,314
Pension and OPEB	-	1,751,248	38,352	-	1,789,600
Long-term Liabilities	-	562,256	959	-	563,215
Total Liabilities	<u>182,497</u>	<u>2,313,504</u>	<u>92,831</u>	<u>(12,509)</u>	<u>2,576,323</u>
Deferred Inflows of Resources					
Unavailable Revenue	31,403	(31,403)	-	-	-
Pension	-	20,623	517	-	21,140
Total Deferred Inflows of Resources	<u>31,403</u>	<u>(10,780)</u>	<u>517</u>	<u>-</u>	<u>21,140</u>
Fund Balance/Net Position					
Total Fund Balance/Net Position	<u>620,218</u>	<u>(61,289)</u>	<u>(12,407)</u>	<u>-</u>	<u>546,522</u>
Total Liabilities and Fund Balance/Net Position	<u>\$ 834,118</u>	<u>\$ 2,241,435</u>	<u>\$ 80,941</u>	<u>\$ (12,509)</u>	<u>\$ 3,143,985</u>

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

- (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	\$	317,350
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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	\$	2,849,510
Accumulated depreciation		(1,240,546)
Total	\$	1,608,964

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	\$	502,795
Compensated absences		29,468
Post-employment benefits		810,482
Unamortized bond premiums		29,993
Pension liability		940,766
Total	\$	2,313,504

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	\$	6,062
Pensions and OPEB		308,685
Total	\$	314,747

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

Deferred Inflows – Pensions & OPEB	\$	20,623
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City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

Prepaid expense consists of items that will consume net position in a future reporting period(s):

Prepaid Cost of Issuance	\$ <u>374</u>
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Unavailable revenues shown on the governmental fund statements are not deferred on the statement of net position.

Unavailable property tax revenues	\$ (536)
Unavailable special assessment revenue	(23,145)
Receivables not yet collected	<u>(7,722)</u>
Total	<u>\$ (31,403)</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>\$ (12,407)</u>
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City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

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

	Total Governmental Funds	Long-term Revenues/ Expenses(1)	Capital - Related Items(2)	Internal Service Funds(3)	Long-term Debt (4)	Eliminations (5)	Statement of Activities
Revenues and Other Sources							
Revenues:							
Sales Taxes	\$ 253,825	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 253,825
Property Taxes	47,253	(6)	-	-	-	-	47,247
Occupancy Taxes	3,990	-	-	-	-	-	3,990
Special Assessments	1,832	6,313	-	-	-	-	8,145
Licenses and Permits	42,635	-	-	-	-	-	42,635
Intergovernmental	316,871	-	-	-	-	-	316,871
Charges for Services	41,394	-	-	-	-	-	41,394
Fines and Forfeitures	8,573	-	-	-	-	-	8,573
Investment Income	2,287	-	-	21	-	-	2,308
Contributions	130	-	-	20,067	-	-	20,197
Miscellaneous	7,036	6,635	-	7,644	-	-	21,315
Other Sources:							
Transfers In	185,897	-	-	-	-	(71,915)	113,982
Sale of Capital Assets	21,597	-	(4,368)	-	-	-	17,229
Face Amount of Bonds Issued	145,032	-	-	-	(145,032)	-	-
Premiums on Issuance of Bonds	20,193	-	-	-	(20,193)	-	-
Total Revenue and Other Sources	\$ 1,098,545	\$ 12,942	\$ (4,368)	\$ 27,732	\$ (165,225)	\$ (71,915)	\$ 897,711
Expenditures/Expenses and Other Financing Uses							
Expenditures/Expenses:							
Current:							
General Government	\$ 98,423	\$ 9,284	\$ 51,718	\$ 16,183	\$ -	\$ -	\$ 175,608
Public Safety	308,271	69,847	16,856	14,575	-	-	409,549
Community Environment	127,421	3,160	37,499	4,760	-	-	172,840
Cultural-Recreational	45,596	3,075	15,757	1,592	-	-	66,020
Debt Service:							
Principal	45,793	-	-	-	(45,793)	-	-
Interest on Bonds	17,443	-	-	-	(1,152)	-	16,291
Service Charge	14	-	-	-	-	-	14
Cost of Issuance	2,038	-	-	-	(142)	-	1,896
Capital Outlay	156,985	-	(156,985)	-	-	-	-
Other Financing Uses:							
Transfers Out	71,915	-	-	-	-	(71,915)	-
Pmt to Ref Bond Escrow Agent	48,661	-	-	-	(48,661)	-	-
Total Expenditures\Expenses & Other Financing Uses	922,560	85,366	(35,155)	37,110	(95,748)	(71,915)	842,218
Net Change for the Year	\$ 175,985	\$ (72,424)	\$ 30,787	\$ (9,378)	\$ (69,477)	\$ -	\$ 55,493

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

- (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	\$	(6)
Special assessment revenue		6,313
Unavailable revenue		6,635
Total	\$	<u>12,942</u>

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

Accrual of long-term compensated absences	\$	765
OPEB Expense		43,674
Pension Expense		40,927
Total	\$	<u>85,366</u>

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

Capital outlay for capital assets	\$	105,037
Depreciation expense		(67,046)
Total	\$	<u>37,991</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	\$	(1,865)
Donations, transfers and disposals		(5,339)
Total	\$	<u>(7,204)</u>

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

Revenue and other sources	\$	27,732
Expenditures and other uses		(37,110)
Change in net position	\$	<u>(9,378)</u>

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

- (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	(79,500)
Excise Tax Obligation Proceeds	(36,010)
Community Facilities District Bonds	(29,522)
Payments to Escrow Agent	48,661
Principal repayments	45,793
Total	<u>\$ (50,578)</u>

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

Amortization of deferred refunding amounts	\$ (2,174)
Premiums on bonds	(20,193)
Amortization of bond issuance costs	(17)
Prepaid bond issuance costs	159
Amortization of bond premiums	3,326
Total	<u>\$ (18,899)</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	\$ (71,915)
Transfers in	71,915
Total	<u>\$ -</u>

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

3. FUND BALANCE

As of June 30, 2021, the fund balance details by classification are listed below (in thousands):

Fund Balances:	General Fund	Relief Fund	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid Costs	\$ 2,680	\$ 14	\$ 914	\$ 3,608
Nonspendable Sub-total	2,680	14	914	3,608
Restricted:				
Capital Projects	-	-	100,305	100,305
Community Facility District	-	-	228	228
Coronavirus Relief	-	284	-	284
Court	-	-	1,935	1,935
Debt Service	-	-	20,587	20,587
Fire	-	-	20,416	20,416
Library	-	-	177	177
Police	-	-	45,252	45,252
Spring Training & Tourism	-	-	6,297	6,297
Transportation Programs	-	-	79,142	79,142
Restricted Sub-total	-	284	274,339	274,623
Committed To:				
Arts & Culture	-	-	1,373	1,373
Capital Projects	-	-	33,141	33,141
Cemetery	3,832	-	4,581	8,413
Economic Development	-	-	-	-
Environmental Compliance	-	-	16,621	16,621
Fire	5,442	-	-	5,442
Parks & Recreation	1,813	-	147	1,960
Police	7,442	-	-	7,442
Technology	-	-	2,351	2,351
Vehicle Replacement	-	-	8,465	8,465
Committed To Sub-total	18,529	-	66,679	85,208
Assigned To:				
Development Services	360	-	-	360
Economic Development	19,514	-	-	19,514
Fire	651	-	-	651
General Government	41,535	-	897	42,432
Parks & Recreation	1,011	-	-	1,011
Police	15,774	-	-	15,774
Sustainability	73	-	-	73
Transit	106	-	-	106
Assigned To Sub-total	79,024	-	897	79,921
Unassigned	188,375	-	(11,517)	176,858
Total Fund Balances	\$ 288,608	\$ 298	\$ 331,312	\$ 620,218

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

4. POOLED CASH AND INVESTMENTS

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

Cash on Hand	\$	137
Carrying Amount of City Deposits		71,006
Investment in Insured Cash Sweep Accounts		15,873
Investments in Local Govt Invest Pools		140,114
Cash with Custodian (1)		15,569
Cash with Fiscal Agent (2)		119,780
Cash with Trustee (3)		36,494
Long-Term Investments		716,336
Total City Pooled Cash and Investments	<u>\$</u>	<u>1,115,309</u>

(1) Represents cash sent by the City to Custodian on June 30, 2021 for investing purposes.

(2) Represents cash sent by the City to fiscal agents on June 30, 2021 for debt service payments due to bondholders on July 1, 2021.

(3) Represents bond and note proceeds held with trustee in compliance with bond / note agreements. The excise tax obligation proceeds with UMB are invested in US Treasury obligations and a US government money market mutual fund.

Deposits

At year-end, the City’s cash totaled \$71,143,489 which included \$137,151 of petty cash. The carrying amount of the City’s deposits was \$71,006,338 and the bank balance was \$76,571,864. The difference of \$5,565,526 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, 2021 are covered under House Bill 2619.

Investments

The City’s Investment Policy is consistent with the City Charter. The investment policy 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

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

Treasurer's Investment Pool, and investment grade corporate bonds, debentures, notes and other evidence of indebtedness issued or guaranteed by solvent U.S. corporations which are not in default as to principal or interest.

Interest Rate Risk

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

Credit Risk

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 and 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 Pools 5, 7, 500 and 700. Pool 5 is a short-term fund that invests in a diversified portfolio of high quality fixed income assets, including top-grade corporate debt, commercial paper, and U.S. government and agency securities, similar to a prime money market fund. Pool 5 carries a weighted average credit rating of AAA. Pool 7 is a short-term fund which invests only in products backed by the full faith and credit of the United States Government. Pool 7 carries a weighted average credit rating of AAA. Pool 500 is a medium-term diversified fund containing U.S. Government treasuries and agencies, corporate bonds and mortgages. Pool 500 carries a weighted average credit rating of AA. Pool 700 is a medium-term fund that invests in securities backed by the United States government. Pool 700 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.

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.

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

The City's investments had the following credit risk structure as of June 30, 2021 (in thousands):

Investment Type	S & P Rating	Fair value
U.S. Treasuries	AA+	\$ 234,235
U.S. Agencies	AA+	310,273
U.S Agency Collateralized Mortgage Obligation	AA+	4,938
Foreign Issues	AAA	6,323
Corporate Notes	AA+	3,021
Corporate Notes	A-	25,403
Corporate Notes	A	25,608
Corporate Notes	AA-	12,778
Corporate Notes	A+	22,047
Corporate Notes	AA	7,629
Corporate Notes	AAA	1,231
Corporate Notes	BBB+	21,187
Negotiable Certificate of Deposit	A-1	5,963
Negotiable Certificate of Deposit	AA-	4,755
Negotiable Certificate of Deposit	A+	4,623
First American Gov't Obligation MM Fund	AAAm	15,569
Municipal Bonds	A+	2,847
Municipal Bonds	AA	7,464
Municipal Bonds	AA-	6,046
Municipal Bonds	AA+	3,575
Municipal Bonds	AAA	6,390
Total		\$ 731,905

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.

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

On June 30, 2021, the City had the following recurring fair value measurements (in thousands):

<u>Investment by Fair Value Level</u>	<u>Fair Value</u> 6/30/2021	<u>Fair Value Measurements Using:</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Debt Securities</u>				
U.S. Treasuries & Agencies	\$ 544,508	\$ -	\$ 544,508	\$ -
Federal Agency Collateralized Mortgage Obligations	4,938	-	4,938	-
Corporate Notes	118,904	-	118,904	-
Negotiable Certificates of Deposit	15,341	-	15,341	-
Foreign Issues	6,323		6,323	
Municipal Bonds	26,322	-	26,322	-
Total Debt Securities at Fair Value	<u>\$ 716,336</u>	<u>\$ -</u>	<u>\$ 716,336</u>	<u>\$ -</u>
<u>Investments Measured at Fair Value</u>				
Arizona State Treasurers Investment Pools	140,114			
First American Gov't Obligation MM Fund	<u>15,569</u>			
Total Investments Measured At Fair Value	<u>\$ 872,019</u>			
<u>Amortized Cost Securities</u>				
FDIC Insured Cash Sweep Money Market Funds	<u>\$ 15,873</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 fair values. Investments valued at NAV utilized Net Asset Values as provided by State of Arizona Treasurer's Office on June 30, 2021.

The City's investment maturities on June 30, 2021 are as follows (in thousands):

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>				<u>Concentration of Credit Risk %</u>
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-3</u>	<u>3-5</u>	
U.S. Treasuries & Agencies	\$ 544,508	\$ 67,478	\$ 343,642	\$ 133,388	74.40%
Federal Agency Collateralized Mortgage Obligations	4,938		3,542	1,396	0.67%
Corporate Notes	118,904		48,632	70,272	16.25%
Negotiable Certificates of Deposit	15,341	2,346	12,995		2.10%
First American Gov't Obligation MM Fund	15,569	15,569			2.13%
Foreign Issues	6,323			6,323	0.86%
Municipal Bonds	26,322	1,847	12,836	11,639	3.60%
Total	\$ 731,905	\$ 87,240	\$ 421,647	\$ 223,018	100.00%

On June 30, 2021 the following investments had callable dates:

<u>Corporate Notes</u>	<u>Date</u>	<u>Fair Value</u>
Abbott Laboratories	Jun-25	\$ 1,785
Bank of America	Oct-23	1,204
Bank of America	Apr-24	3,009
BMW Bank North America	Jan-26	1,333
Bristol Myers Squibb	Nov-21	1,000
Bristol Myers Squibb	Jun-24	688
Burlington Northern Sante Fe	Jan-25	1,182
Charles Schwab	Feb-24	1,498
Comcast Corp	Mar-24	1,083
General Dynamics	Apr-23	929
Goldman Sachs	Nov-25	1,659
Honeywell	Jul-22	1,009
JP Morgan Chase & Co	Sep-23	675
JP Morgan Chase & Co	Feb-24	974
Lockheed Martin	Dec-24	1,792
Merck and Co Inc	Nov-24	1,225
Microsoft Corp	Nov-24	1,231
Mitsubishi Ufj Financial Group	Sep-23	1,681
Morgan Stanley	Oct-24	1,000
Morgan Stanley	May-24	2,396
National Bank of Canada	Nov-23	1,400
Pepsico	Jan-25	1,175
PNC Financial Services	Nov-21	1,164
The Bank of NY Mellon	Jan-23	409
The Bank of NY Mellon	Mar-25	1,538
The Bank of NY Mellon	Dec-25	986
US Bancorp	Dec-24	1,227
Wells Fargo & Co	May-24	930
Total		\$ 36,182

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

<u>U.S. Treasuries & Agencies</u>	<u>Date</u>	<u>Fair Value</u>
Fannie Mae	Jul-22	\$ 3,480
Fannie Mae	Aug-22	7,197
Fannie Mae	Nov-22	4,313
Fannie Mae DEB	Oct-21	1,486
Fannie Mae M T N	Oct-21	3,963
Fannie Mae M T N	Dec-21	5,490
Fannie Mae M T N	Aug-22	595
Fannie Mae M T N	Oct-22	1,243
Federal Farm Credit Banks	Nov-21	6,632
Federal Farm Credit Banks	Dec-21	6,976
Federal Farm Credit Banks	Sep-21	994
Federal Farm Credit Banks	Mar-23	1,987
Federal Home Loan Banks	Jul-21	2,500
Federal Home Loan Banks	Aug-21	4,971
Federal Home Loan Banks	Sep-21	4,479
Federal Home Loan Banks	Mar-22	992
Federal Home Loan Mortgage Corp.	Sep-21	1,536
Federal Home Loan Mortgage Corp.	Oct-21	1,990
Federal Home Loan Mortgage Corp.	Nov-21	3,985
Federal Home Loan Mortgage Corp.	Dec-21	14,380
Federal Home Loan Mortgage Corp.	Jun-22	997
Federal Home Loan Mortgage Corp.	Sep-22	456
Total		<u>\$ 80,642</u>

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

5. ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS

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

Fund	Receivables	Allowance	Net
Governmental Activities:			
General Fund:			
Other Customers	9,848	(5,813)	4,035
Due from Other Governments:	25,273	-	25,273
Non-Major Governmental Funds:			
Other Customers	1,202	-	1,202
Restricted-Spec. Assessments	23,145	-	23,145
Restricted-Due from Other Governments	1,675	-	1,675
Due from Other Governments			
Sales Tax Revenues	18,379	-	18,379
Other	13,480	-	13,480
Internal Service Funds:			
Premiums	206	-	206
Other Customers	526	-	526
Total Governmental Activities	<u>\$ 93,734</u>	<u>\$ (5,813)</u>	<u>\$87,921</u>
Business-Type Activities:			
Utility Customers	\$ 37,396	\$ (1,169)	\$36,227
Other Customers	3,917	(1)	3,916
Due from Other Governments	3,348	-	3,348
Total Business-type Activities	<u>\$ 44,661</u>	<u>\$ (1,170)</u>	<u>\$43,491</u>

Unbilled Accounts Receivable

Unbilled utility service receivables are recorded in the year in which the services are provided. At June 30, 2021, unbilled utility service receivables are recorded in the Enterprise Fund as follows (in thousands):

Electric	\$ 2,213
Gas	1,586
Water	10,362
Wastewater	4,734
Solid Waste	3,015
	<u>\$21,910</u>

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

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):

	Governmental Activities		
	General Fund	Relief Fund	Non-Major Funds
<u>Unearned Revenue</u>			
Advance ticket sales	\$2,545	\$ -	\$ 206
Grants received prior to meeting all eligibility requirements	-	61,313	1,707
Amounts paid in advance	1,569	-	99
	<u>\$4,114</u>	<u>\$ 61,313</u>	<u>\$ 2,012</u>

	General Fund	Non-Major Funds
<u>Unavailable Revenue</u>		
Receivables not yet collected	\$ 823	\$ 6,899
Delinquent Property Taxes	-	536
Special Assessments not yet due	-	23,145
	<u>\$ 823</u>	<u>\$ 30,580</u>

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The following interfund activities are included in the fund financial statements at June 30, 2021 (in thousands):

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 9,723	\$ -
Non-major Governmental Funds	-	7,511
Proprietary Funds	-	2,212
Total Governmental Funds	<u>\$ 9,723</u>	<u>\$ 9,723</u>

Interfund balances at June 30, 2021 are short-term loans used to cover temporary cash deficits in various funds and are expected to be repaid within one year.

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

Fund	Advances to Other Funds	Advances from Other Funds
Governmental Funds:		
Ambulance Transport	\$ -	\$ 2,786
Public Safety Sales Tax	<u>2,786</u>	<u>-</u>
Total Governmental Funds	<u>\$ 2,786</u>	<u>\$ 2,786</u>

The Advances on June 30, 2021, are an advance from the Public Safety Sales Tax Fund to the Ambulance Transport Fund for property acquisition. The advances outstanding at June 30, 2021 are not expected to be repaid within one year.

The following interfund transfers are reflected in the fund financial statements for the year ended June 30, 2021 (in thousands):

		Transfers Out			
		Non-major			
Transfers In	Fund	General Fund	Governmental Funds	Enterprise Fund	Total
		General Fund	\$ -	\$ 3,534	\$ 113,982
	Relief Fund	40,697	-	-	40,697
	Non-major Governmental Funds	27,684	-	-	27,684
	Total	<u>\$ 68,381</u>	<u>\$ 3,534</u>	<u>\$ 113,982</u>	<u>\$ 185,897</u>

The transfer from business-type activities to governmental activities on the government-wide statement of activities is a \$113,982,000 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. The transfer from the General Fund to the Relief Fund was for continued support for the City's response to the COVID-19 pandemic.

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

7. CAPITAL ASSETS

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2021 follows (in thousands):

	Restated Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-depreciable Assets:				
Land	\$ 405,647	\$ 1,408	\$ (3,969)	\$ 403,086
Infrastructure	3,597	-	-	3,597
Construction-in-Progress	166,688	131,172	(99,804)	198,056
Total Non-depreciable Assets	<u>575,932</u>	<u>132,580</u>	<u>(103,773)</u>	<u>604,739</u>
Depreciable Assets:				
Buildings	431,269	-	-	431,269
Other Improvements	275,414	4,444	(331)	279,527
Machinery & Equipment	255,260	16,553	(1,443)	270,370
Intangibles	24,485	-	-	24,485
Infrastructure	1,200,975	50,556	(490)	1,251,041
Total Depreciable Assets	<u>2,187,403</u>	<u>71,553</u>	<u>(2,264)</u>	<u>2,256,692</u>
Less Accumulated Depreciation for:				
Buildings	(144,851)	(8,378)	-	(153,229)
Other Improvements	(147,886)	(8,992)	331	(156,547)
Machinery & Equipment	(182,243)	(13,509)	429	(195,323)
Intangibles	(24,065)	(178)	939	(23,304)
Infrastructure	(685,907)	(36,232)	439	(721,700)
Total Accum. Depreciation	<u>(1,184,952)</u>	<u>(67,289)</u>	<u>2,138</u>	<u>(1,250,103)</u>
Total Depreciable Assets, net	<u>1,002,451</u>	<u>4,264</u>	<u>(126)</u>	<u>1,006,589</u>
Governmental Activities				
Capital Assets, net	<u>\$ 1,578,383</u>	<u>\$ 136,844</u>	<u>\$ (103,899)</u>	<u>\$ 1,611,328</u>

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

General Government	\$ 4,794
Public Safety	11,070
Community Environment	37,291
Cultural-Recreational	13,890
Capital assets held by the City's Internal Service funds are charged to the various functions based on their usage of assets	244
	<u>\$ 67,289</u>

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

	Restated Beginning Balance	Additions	Retirements	Ending Balance
Business-type Activities:				
Non-depreciable Assets:				
Land	\$ 28,136	\$ 203	\$ -	\$ 28,339
Water Rights	17,560	-	-	17,560
Collections of Art	106	-	-	106
Construction-in-Progress	156,143	48,062	(97,374)	106,831
Total Non-depreciable Assets	<u>201,945</u>	<u>48,265</u>	<u>(97,374)</u>	<u>152,836</u>
Depreciable Assets:				
Buildings	46,702	-	-	46,702
Other Improvements	84,618	1,245	-	85,863
Machinery & Equipment	82,885	3,508	(280)	86,113
Intangibles	27,189	-	-	27,189
Infrastructure	2,043,045	94,164	(1,527)	2,135,682
Total Depreciable Assets	<u>2,284,440</u>	<u>98,917</u>	<u>(1,807)</u>	<u>2,381,550</u>
Less Accumulated Depreciation for:				
Buildings	(15,766)	(906)	-	(16,672)
Other Improvements	(42,943)	(2,467)	-	(45,410)
Machinery & Equipment	(55,588)	(5,586)	280	(60,894)
Intangibles	(23,164)	(111)	1,238	(22,037)
Infrastructure	(960,127)	(56,630)		(1,016,757)
Total Accum. Depreciation	<u>(1,097,588)</u>	<u>(65,700)</u>	<u>1,518</u>	<u>(1,161,770)</u>
Total Depreciable Assets, net	<u>1,186,852</u>	<u>33,217</u>	<u>(289)</u>	<u>1,219,780</u>
Business-type Activities				
Capital Assets, net	<u>\$ 1,388,797</u>	<u>\$ 81,482</u>	<u>\$ (97,663)</u>	<u>\$ 1,372,616</u>

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

Gas	4,913
Water	33,295
Wastewater	17,901
Solid Waste	3,581
Airport	1,883
District Cooling	397
	<u>\$ 65,700</u>

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

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

Governmental Activities	Construction in Progress	Commitments
General Government	\$ 177,404	\$ 90,525
Public Safety	8,919	370
Community Environment	10,264	7
Cultural-Recreational	1,469	1,472
Total	\$ 198,056	\$ 92,374
Business-type Activities	Construction in Progress	Commitments
Electric	\$ 21,869	\$ 2,237
Gas	22,856	2,049
Water	11,721	13,079
Wastewater	43,328	2,763
Solid Waste	1,029	434
Airport	6,028	419
Total	\$ 106,831	\$ 20,981

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

8. LONG-TERM OBLIGATIONS

a. Changes in Long-Term Obligations

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

	Restated Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 334,705	\$ 79,500	\$ (79,828)	\$ 334,377	\$ 38,047
Highway User Revenue Bonds	58,750	-	(9,645)	49,105	10,075
Excise Tax Revenue Obligations	-	36,010	(645)	35,365	1,185
Special Assessment Bonds with Governmental Commitment	219	-	(219)	-	-
Community Facility District	<u>57,307</u>	<u>29,522</u>	<u>(2,881)</u>	<u>83,948</u>	<u>2,596</u>
Total Bonds Payable	<u>450,981</u>	<u>145,032</u>	<u>(93,218)</u>	<u>502,795</u>	<u>51,903</u>
Unamortized Premiums	13,125	20,193	(3,325)	29,993	-
Compensated Absences	<u>29,417</u>	<u>26,785</u>	<u>(25,775)</u>	<u>30,427</u>	<u>4,032</u>
Governmental Activities Total	<u>\$ 493,523</u>	<u>\$ 192,010</u>	<u>\$ (122,318)</u>	<u>\$ 563,215</u>	<u>\$ 55,935</u>
Business-type Activities:					
Bonds Payable:					
Utility Revenue Bonds	\$ 1,242,670	\$ 188,300	\$ (155,330)	\$ 1,275,640	\$ 47,890
Utility Revenue Obligations	-	14,015	-	14,015	-
General Obligation Bonds	55	-	(27)	28	28
Total Bonds Payable	<u>1,242,725</u>	<u>202,315</u>	<u>(155,357)</u>	<u>1,289,683</u>	<u>47,918</u>
Notes Payable	1,431	-	(146)	1,285	149
Unamortized Bond Premiums	72,007	45,511	(7,638)	109,880	-
Compensated Absences	<u>4,563</u>	<u>3,596</u>	<u>(3,637)</u>	<u>4,522</u>	<u>634</u>
Business-type Activities Total	<u>\$ 1,320,726</u>	<u>\$ 251,422</u>	<u>\$ (166,778)</u>	<u>\$ 1,405,370</u>	<u>\$ 48,701</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, \$959,000 of internal service funds compensated absences are included in the above amounts.

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

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

b. Bonds Payable

At June 30, 2021, long-term bonds payable consisted of:

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

<u>General Obligation Bonds</u>	<u>Bonds Outstanding (In Thousands)</u>
\$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.	\$ 700
\$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.	19,175
\$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.	2,297
\$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.	6,980
\$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.	43,275
\$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.	24,850
\$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.	5,615
\$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.	30,950
\$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.	19,425
\$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-	

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

annual interest ranging from 0.85 percent to 3 percent through July 1, 2029.	\$ 15,185
\$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.	36,780
\$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.	41,300
\$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.	6,775
\$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.	15,725
\$22,075,000 2020 general obligation serial and term bonds due in annual installments ranging from \$465,000 to \$1,920,000, plus semi-annual interest ranging from 1.875 percent to 3 percent through July 1, 2040.	10,745
\$23,390,000 2020 general obligation refunding serial bonds due in annual installments ranging from \$730,000 to \$12,480,000, plus semi-annual interest ranging from 4 percent to 5 percent through July 1, 2030.	22,200
\$19,030,000 2021 general obligation serial and term bonds due in annual installments ranging from \$80,000 to \$17,080,000, plus semi-annual interest ranging from 3 percent to 5 percent through July 1, 2041.	19,030
\$14,495,000 2021 general obligation refunding serial bonds due in annual installments ranging from \$665,000 to \$6,380,000, plus semi-annual interest ranging of 5 percent through July 1, 2031.	<u>13,370</u>
Total General Obligation Bonds	<u>\$ 334,377</u>

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.	225
\$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.	8,000

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

\$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.	\$ 300
\$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.	9,700
\$8,500,000 2013 street and highway user revenue refunding bonds, due in one installment of \$8,500,000 plus semi-annual interest of 5 percent through July 1, 2024.	8,500
\$17,555,000 2015 street and highway user revenue refunding bonds, due in annual installments ranging from \$15,000 to \$9,880,000 plus semi-annual interest of 3 to 5 percent through July 1, 2027.	<u>17,555</u>
Total Street and Highway User Revenue Bonds	<u>\$ 49,105</u>

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.	1,993
\$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.	2,650
\$3,367,000 2014 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 2 Special Assessment Revenue	

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

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.	\$ 2,636
\$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.	1,611
\$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.	5,700
\$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.	731
\$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.	885
\$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.	449
\$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.	7,185
\$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.	1,214
\$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.	682

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

\$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.	\$ 324
\$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.	9,100
\$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.	920
945	
\$287,000 2019 Cadence Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 2 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$7,000 to \$20,000, plus semi-annual interest ranging from 3.25 percent to 4.50 percent through July 1, 2043.	260
\$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.	1,764
\$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.	235
\$2,012,000 2019 Cadence Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 1 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$55,000 to \$130,000, plus semi-annual interest ranging from 2.25 percent to 4.50 percent through July 1, 2043.	1,865
\$1,235,000 2019 Second Series, Cadence Community Facilities District (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$35,000 to \$350,000, plus semi-annual interest ranging from 3.00 percent to 4.00 percent through July 15, 2044.	1,165
\$14,120,000 2019 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$285,000 to \$3,950,000, plus semi-annual interest ranging from 3.00 percent to 4.00 percent through July 15, 2044.	13,455

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

\$707,000 2020 Eastmark Community Facilities District No. 2 (City of Mesa, Arizona) Assessment District "A" Special Assessment Revenue Bonds, due in annual principal installments ranging from \$20,000 to \$270,000, plus semi-annual interest ranging from 2.00 percent to 4.00 percent through July 1, 2044.	\$ 675
\$2,803,000 2020 Cadence Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 3 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$78,000 to \$170,000, plus semi-annual interest ranging from 1.50 percent to 4.00 percent through July 1, 2045.	2,725
\$5,935,000 2020 Cadence Community Facilities District (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$180,000 to \$1,410,000, plus semi-annual interest ranging from 2.00 percent to 3.00 percent through July 15, 2044.	5,715
\$14,000,000 2020 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$425,000 to \$3,250,000, plus semi-annual interest ranging from 2.00 percent to 4.00 percent through July 15, 2044.	13,300
\$2,315,000 2020 Eastmark Community Facilities District No. 2 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$65,000 to \$1,105,000, plus semi-annual interest ranging from 2.00 percent to 4.00 percent through July 15, 2044.	2,240
\$4,469,000 2021 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 12 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$134,000 to \$2,300,000, plus semi-annual interest ranging from 1.60 percent to 3.75 percent through July 1, 2045.	<u>4,469</u>
Total Community Facilities District Bonds	<u>\$ 83,948</u>
<u>Excise Tax Revenue Obligation</u>	
\$36,010,000 2020 excise tax revenue serial obligations, due in annual principal installments ranging from \$645,000 to \$2,595,000, plus semi-annual interest ranging from 3.00 percent to 5.00 percent through July 1, 2040.	<u>\$ 35,365</u>
Total bonds payable recorded in governmental activities	<u>\$ 502,795</u>

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

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

General Obligation Bonds

\$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. \$ 28

Total General Obligation Bonds \$ 28

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

\$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. 53,490

\$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

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

\$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
\$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.	85,945
\$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.	28,170
\$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.	88,475
\$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.	121,875
\$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.	103,120
\$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.	87,825
\$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.	53,815

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

\$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.	\$ 73,235
\$71,070,000 2020 utility systems revenue serial bonds, due in annual principal installments ranging from \$1,000,000 to \$10,100,000, plus semi-annual interest ranging from 3 percent to 5 percent through July 1, 2044.	68,980
\$37,675,000 2020 utility systems revenue refunding serial bond due in a single principal installment of \$37,675,000 plus semi-annual interest of 4 percent through July 1, 2034.	37,675
\$34,685,000 2021 utility systems revenue serial and term bonds, due in annual principal installments ranging from \$1,000,000 to \$11,395,000 plus semi-annual interest ranging from 3 percent to 5 percent through July 1, 2045.	34,685
\$44,870,000 2021 utility systems revenue refunding serial bond due in a single principal installment of \$44,870,000 plus semi-annual interest of 4 percent through July 1, 2035.	<u>44,870</u>
Total Utility Systems Revenue Bonds	\$ <u>1,275,640</u>

Utility System Revenue Obligations

\$14,015,000 2021 utility revenue serial and term obligations, due in annual principal installments ranging from \$1,000,000 to \$4,780,000, plus semi-annual interest ranging from 4.00 percent to 5.00 percent through July 1, 2045.	\$ <u>14,015</u>
Total bonds payable recorded in business-type activities	\$ <u>1,289,655</u>

The following tables summarize the City's debt service requirements to maturity for its long-term bonds payable at June 30, 2021 (in thousands). The deferred amounts on refundings are not included.

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

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>
2022	\$ 38,047	\$ 11,576	\$ 49,623	2022	\$ 10,075	\$ 2,315	\$ 12,390
2023	21,330	10,038	31,368	2023	10,000	1,812	11,812
2024	22,165	9,331	31,496	2024	10,490	1,312	11,802
2025	23,795	8,597	32,392	2025	10,880	785	11,665
2026	25,240	7,765	33,005	2026	3,755	344	4,099
2027-2031	122,040	25,263	147,303	2027-2031	3,905	156	4,061
2032-2036	71,060	6,682	77,742	2032-2036	-	-	-
2037-2041	10,700	548	11,248	2037-2041	-	-	-
TOTALS	\$ 334,377	\$ 79,800	\$ 414,177	TOTALS	\$ 49,105	\$ 6,724	\$ 55,829

<u>Excise Tax Revenue Obligations</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>
2022	\$ 1,185	\$ 1,511	\$ 2,696	2022	\$ 2,596	\$ 3,193	\$ 5,789
2023	1,245	1,451	2,696	2023	2,687	3,116	5,803
2024	1,305	1,389	2,694	2024	2,769	3,028	5,797
2025	1,375	1,324	2,699	2025	2,886	2,935	5,821
2026	1,440	1,255	2,695	2026	2,997	2,836	5,833
2027-2031	8,365	5,120	13,485	2027-2031	16,827	12,355	29,182
2032-2036	10,545	2,938	13,483	2032-2036	20,486	8,767	29,253
2037-2041	9,905	882	10,787	2037-2041	22,122	4,308	26,430
2042-2045	-	-	-	2042-2045	10,578	689	11,267
TOTALS	\$ 35,365	\$ 15,870	\$ 51,235	TOTALS	\$ 83,948	\$ 41,227	\$ 125,175

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>
2022	\$ 28	\$ 1	\$ 29	2022	\$ 47,890	\$ 53,469	\$ 101,359
2023	-	-	-	2023	47,935	50,737	98,672
2024	-	-	-	2024	49,390	48,351	97,741
2025	-	-	-	2025	50,840	45,891	96,731
2026	-	-	-	2026	52,185	43,612	95,797
2027-2031	-	-	-	2027-2031	298,455	182,935	481,390
2032-2036	-	-	-	2032-2036	336,805	116,906	453,711
2037-2041	-	-	-	2037-2041	311,940	50,995	362,935
2042-2045	-	-	-	2042-2045	80,200	6,467	86,667
TOTALS	\$ 28	\$ 1	\$ 29	TOTALS	\$ 1,275,640	\$ 599,364	\$ 1,875,004

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

<u>Utility Revenue Obligations</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ 665	\$ 665
2023	1,000	641	1,641
2024	1,000	591	1,591
2025	1,000	541	1,541
2026	1,000	490	1,490
2027-2031	4,000	1,703	5,703
2032-2036	1,235	1,153	2,388
2037-2041	-	956	956
2042-2045	4,780	585	5,365
TOTALS	<u>\$ 14,015</u>	<u>\$ 7,325</u>	<u>\$ 21,340</u>

General Obligation Bonds

The general obligation bonds are backed by the ultimate taxing power and general revenues of the City; however, \$27,667 of these bonds on June 30, 2021 is carried as a liability of the Enterprise Fund to reflect the intention of retirement from resources of that fund.

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 June 30, 2021 is (in thousands):

6% Bonds	\$ 315,079
20% Bonds	<u>727,623</u>
Total Available	<u>\$ 1,042,702</u>

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, 2021, total principal and interest outstanding for CFD general obligation bonds was \$89,102,513.

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

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, 2021, 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 \$36,071,928. Principal and interest paid for the current year and total assessments collected were \$1,616,101, and \$1,599,580 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, 2021, the amount provided in the Replacement and Extension Funds equaled \$7,996,180 which is in compliance with the bond provisions. As of June 30, 2021, the amount available is \$38,640,262.

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 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.

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

The following table reflects the annual requirements to amortize all notes outstanding as of June 30, 2021 (in thousands):

Fiscal Year	Business-type Activities		
	Principal	Interest & Fees	Total
2022	\$ 149	\$ 28	\$ 177
2023	153	25	178
2024	156	22	178
2025	159	18	177
2026	163	15	178
2027-2029	505	22	527
Totals	<u>\$ 1,285</u>	<u>\$ 130</u>	<u>\$1,415</u>

d. **Short-term Debt**

The City had no short-term debt activity for the fiscal year ended June 30, 2021.

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 \$1.29 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 2045. Annual principal and interest payments on the bonds were 48.9 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1.875 billion. Principal and interest paid for the current year and total customer net revenues were \$92,868,345 and \$189,602,693, respectively.

Highway User Revenue Bonds

The City has pledged future Highway User Taxes Revenue to repay \$49.105 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

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

payable through 2027. Annual principal and interest payments on the bonds were 27.6 percent of eligible revenues. The total principal and interest remaining to be paid on the bonds is \$55,829,163. Principal and interest paid for the current year and total highway user tax revenues were \$12,440,613 and \$45,049,168, respectively.

9. REFUNDED, REFINANCED AND DEFEASED OBLIGATIONS

On July 9, 2020 the City called for the early redemption of \$14,920,000 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 \$16,048,681 provided to a defeasance escrow agent for the purchase of United States Government securities, and Utility Systems Net Revenues of \$40,000 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 \$16,161,250. As a result, the liability for the defeased bonds has been removed from the debt of the City.

On December 10, 2020 the City issued \$37,675,000 of utility revenue bonds with an original issue premium of \$8,734,572 to advance refund \$44,690,000 of outstanding taxable utility revenue bonds. The refunding bonds were issued with an interest rate of 4.0 percent. Net proceeds in the amount of \$46,133,103 (after payment of \$91,410 in underwriters' fees) were provided to a refunding escrow agent to 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 current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,003,165. This difference, reported in the accompanying financial statements as a deduction from utility revenue bonds payable, is charged to operations. 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 \$12,178,123 over the next 14 years producing an economic gain (difference between the present value of old and new debt service payments) of \$10,513,434.

On December 10, 2020 the City issued \$23,900,000 of general obligation bonds with an original issue premium of \$6,973,049 to advance refund \$29,750,000 of outstanding general obligation bonds. The refunding bonds were issued with an interest rate ranging between 4.0 to 5.0 percent. Net proceeds in the amount of \$30,630,609 (after payment of \$71,825 in underwriters' fees) were provided to a refunding escrow agent to 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 current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$679,689. This difference, reported in the accompanying financial statements as a deduction from general obligation bonds payable, is charged to operations. 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 \$5,627,811 over the next 10 years producing an economic gain (difference between the present value of old and new debt service payments) of \$5,295,651.

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

On May 27, 2021 the City issued \$44,870,000 of utility revenue bonds with an original issue premium of \$10,707,777 to advance refund \$53,950,000 of outstanding utility revenue bonds. The refunding bonds were issued with an interest rate of 4.0 percent. Net proceeds in the amount of \$55,298,750 (after payment of \$93,267 in underwriters' fees) were provided to a refunding escrow agent to 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 current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$816,334. This difference, reported in the accompanying financial statements as a deduction from utility revenue bonds payable, is being charged to operations. 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 \$22,897,041 over the next 15 years producing an economic gain (difference between the present value of old and new debt service payments) of \$20,047,976.

On May 27, 2021 the City issued \$14,495,000 of general obligation bonds with an original issue premium of \$3,721,704 to advance refund \$17,675,000 of outstanding general obligation bonds. The refunding bonds were issued with an interest rate of 5.0 percent. Net proceeds in the amount of \$18,030,109 (after payment of \$56,526 in underwriters' fees) were provided to a refunding escrow agent to 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 current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$157,151. This difference, reported in the accompanying financial statements as a deduction from general obligation bonds payable, is being charged to operations. 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 \$3,480,723 over the next 11 years producing an economic gain (difference between the present value of old and new debt service payments) of \$3,296,572.

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 or a Defeasance. 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. Under a Defeasance City resources 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.

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

In accordance with GASB Statement No. 7, the refunded debt outstanding on June 30, 2021 as reflected below is not included in the City’s financial statements (in thousands).

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	73,690
Utility System Revenue Refunding Bond Issue dated September 25, 2014	5,120
Utility System Revenue Bond Issue Dated June 5, 2014	9,230
Excise Tax Revenue Obligations dated March 27, 2013	<u>49,025</u>
 Total Refunded and Defeased Bonds Outstanding	 <u>\$ 152,780</u>

10. SELF-INSURANCE INTERNAL SERVICE FUND

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

The Property and Public Liability, Workers’ Compensation and Employee Benefits Internal Service Funds do not have stop loss receivables at June 30, 2021 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.

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

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, 6/30/19	\$ 14,594	\$ 25,896	\$ 5,532	\$ 46,022
Adjustments to Reserves	282	1,243	68,683	70,208
Claim Expense	692	(872)	(71,389)	(71,569)
Unpaid Claims, 6/30/20	15,568	26,267	2,826	44,661
Adjustments to Reserves	(817)	2,062	70,965	72,210
Claims Expense	190	194	(68,883)	(68,499)
Unpaid Claims, 6/30/21	<u>\$ 14,941</u>	<u>\$ 28,523</u>	<u>\$ 4,908</u>	<u>\$ 48,372</u>

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

11. COMMITMENTS AND CONTINGENT LIABILITIES

a. Pending Litigation

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

b. Sick Leave Benefits

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

The total sick leave balance recorded as a liability on June 30, 2021, is \$10,291,398.

12. NET POSITION

a. **Restricted Net Position**

The government-wide statement of net position reports \$274,224,000 of restricted net position, of which \$146,832,000 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 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 deficit in the Ambulance Transport, Grants and Mesa Housing Authority Special Revenue Funds will be covered by future revenues.

13. ENTERPRISE ACTIVITIES OPERATIONS DETAIL

The Enterprise Fund includes operations of electricity, gas, water, wastewater, solid waste, airport 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, 2021 for these services are as follows (in thousands):

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

Functions	Operating Revenues	Operating Expenses		Operating Income (Loss)
		Depreciation	Other	
Electric	\$ 32,666	\$ 3,730	\$ 24,682	\$ 4,254
Gas	45,141	4,913	31,503	8,725
Water	169,473	33,295	68,767	67,411
Wastewater	87,573	17,901	42,694	26,978
Solid Waste	64,344	3,581	41,948	18,815
Airport	4,007	1,883	4,038	(1,914)
District Cooling	1,158	397	902	(141)
Total	\$ 404,362	\$ 65,700	\$ 214,534	\$ 124,128

14. JOINT VENTURES

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

The City's investment in these Joint Ventures as of June 30, 2021, is as follows (in thousands):

	Governmental Activities	Business-Type Activities	Total
Valley Metro Rail Inc.	\$ 311,341	\$ -	\$ 311,341
TOPAZ Regional Wireless Cooperative	6,009	-	6,009
Subregional Operating Group	-	79,621	79,621
Val Vista Water Treatment Plant	-	51,486	51,486
Greenfield Water Reclamation Plant	-	164,990	164,990
Joint Ventures Construction Deposits	-	11,656	11,656
Total Investment in Joint Ventures	\$ 317,350	\$ 307,753	\$ 625,103

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. The City's equity in the joint venture is \$311,340,889 and is reflected in the governmental activities.

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

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

Separate financial statements 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 \$6,008,990 and is reflected in the governmental activities. Separate financial statements are not prepared.

Total investment in the joint venture as of June 30, 2021, is (in thousands):

TOPAZ Regional Wireless Cooperative	
City of Mesa	\$ 6,009
Town of Gilbert	1,433
City of Apache Junction	514
Superstition Fire and Medical	160
Town of Queen Creek	106
Fort McDowell	37
Rio Verde Fire District	12
Total Joint Venture	<u>\$ 8,271</u>

Wastewater

Subregional Operating Group

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

The City of Phoenix acts as the lead agency in SROG and is responsible for the planning, budgeting, construction, operation and maintenance of the plant in addition to providing all management personnel and financing arrangements. The various cities participate in ownership of the plant and are charged for operating expenses based on gallons of flow. The different agencies participate in each facility at varying rates depending on their needs at the time each facility was constructed. The City's equity in the joint venture is \$79,620,806 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.

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

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 was completed May 28th, 2021. 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 \$164,990,022 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, 2021, is (in thousands):

Greenfield Water Reclamation Project	
Mesa's Share	\$ 164,990
Gilbert's Share	107,456
Queen Creek's Share	32,300
Total Joint Venture	<u>\$ 304,746</u>

Water

Val Vista Water Treatment Plant

The City also participates with the City of Phoenix in the Val Vista Water Treatment Plant and Transmission Line. The City of Phoenix is responsible for the planning, budgeting, construction, operation and maintenance of the plant. As lead agency, Phoenix provides all management personnel and financing arrangements. Phoenix and Mesa participate in ownership of the plant and are charged for operating expenses based on gallons of water treated. The City's investment in the joint venture is \$51,486,624 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.

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

On June 30, 2021, the City reported the following aggregate amounts related to pensions for all plans to which it contributes (in thousands):

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net Pension Liabilities	\$ 953,668	\$ 61,143	\$ 1,014,811
Net OPEB Liabilities	835,933	117,829	953,762
Deferred Outflows of Resources - Pension	202,024	10,976	213,000
Deferred Outflows of Resources - OPEB	112,375	15,732	128,107
Deferred Inflows of Resources - Pension	5,226	139	5,365
Deferred Inflows of Resources - OPEB	15,914	2,258	18,172
Pension Expense	116,410	5,398	121,808
OPEB Expense	61,870	8,647	70,517

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.

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

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.

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, 2021, the city and covered employees were required by state statute to contribute at the actuarially determined rate of 12.22% (12.04% pension plus 0.18% long-term disability) of the active members' annual covered payroll. The City's contributions to the System for the year ending June 30, 2021 was \$21,322,017, 73.6% paid from governmental funds, 4.6% paid from internal service funds, and 21.80% 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

City of Mesa, Arizona

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For the Fiscal Year Ended June 30, 2021

who return to work may have on the ASRS Trust Fund. The contribution rate for the year ended June 30, 2021 was 10.21% (10.14% pension plus, 0.07% long-term disability). The City's ACR contributions to the System for the year ending June 30, 2021 were \$77,565.

c. Pension Liability

On June 30, 2021, the City reported a liability of \$280,473,043 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2020. 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, 2019, to the measurement date of June 30, 2020.

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, 2021. The City's proportion measured as of June 30, 2021, was 1.61875%, which was a decrease of 0.0021% from its proportion measured as of June 30, 2019.

d. Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2021, the City recognized pension expense for ASRS of \$24,761,985. On June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,537	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	27,052	-
Changes in proportion and differences between City contributions	-	641
City contributions subsequent to the measurement date	20,763	-
Total	<u>\$ 50,352</u>	<u>\$ 641</u>

City of Mesa, Arizona

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For the Fiscal Year Ended June 30, 2021

The \$20,762,579 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows (in thousands):

	<u>Year Ended June 30,</u>	
2022	\$	2,615
2023		8,181
2024		9,785
2025		8,367
	\$	<u>28,948</u>

e. **Actuarial Assumptions**

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

Actuarial Assumptions

Actuarial Valuation Date	June 30, 2019
Actuarial Roll Forward Date	June 30, 2020
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, 2019 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 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:

City of Mesa, Arizona
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For the Fiscal Year Ended June 30, 2021

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Equity	50%	6.39%
Credit	20%	5.44%
Interest Rate Sensitive Bonds	10%	0.22%
Real Estate	20%	5.85%
Total	100%	

f. **Discount Rate**

The discount rate used to measure the ASRS total pension liability was 7.5%. 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	\$ 383,543	\$ 280,473	\$ 194,312

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-

City of Mesa, Arizona
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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, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool).

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.

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:

	Initial Membership Date		
	<u>Before January 1, 2012</u>	<u>On or after January 1, 2012 and before July 1, 2017</u>	<u>On or After July 1, 2017</u>
<u>Retirement and Disability</u>			
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	
<u>Survivor Benefit</u>			
Retired Members		80% to 100% of retired member's pension benefit	
Active Members		80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

* With actuarially reduced benefits

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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.

Employees Covered by Benefit Terms

On June 30, 2021, the following employees were covered by the agent plans' benefit terms:

	<u>PSPRS Fire</u>	<u>PSPRS Police</u>	
	<u>Pension</u>	<u>Pension</u>	<u>Health</u>
Inactive employees or beneficiaries			
currently receiving benefits	270	628	628
Inactive employees entitled to but			
not yet receiving benefits	87	206	99
Active employees	369	695	695
Total	<u>726</u>	<u>1,529</u>	<u>1,422</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, 2021, 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%	57.88%	0.47%
PSPRS - Police	7.65% - 11.65%	58.80%	1.29%
PSPRS Tier 3 - Fire	10.84%	10.66%	0.18%
PSPRS Tier 3 - Police	10.23%	10.11%	0.12%

City of Mesa, Arizona

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For the Fiscal Year Ended June 30, 2021

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 44.37% and 44.78% for City fire and police employees respectively, who were PSPRS Tier 3 members.

The City's contributions to the plans for the year ended June 30, 2021, were:

	<u>Pension</u>	<u>OPEB</u>
PSPRS - Fire	\$ 17,678,482	\$ 143,554
PSPRS - Police	31,951,593	700,979
PSPRS Tier 3 - Fire	1,938,168	6,579
PSPRS Tier 3 - Police	5,532,627	12,095

The City's contribution to the system was paid from the general fund.

The City is also required to pay a PSPRS Alternate Contribution Rate (ACR) for retired members who return to work in any capacity and in a position ordinarily filled by an employee of the City, unless the retired member is required to participate in another state retirement system and the retired member returned to work before July 20, 2011. The ACR rate is equal to the portion of the total required contribution that is applied to the amortization of the unfunded actuarial accrued liability for the fiscal year beginning July 1, based on the actuarial calculation of the total required contribution for the preceding fiscal year ended on June 30. The contribution rate for the year ended June 30, 2020 was 42.37% and 44.78% for fire and police, respectively. The City did not have any ACR contributions for the year ending June 30, 2021.

d. **Liability**

At June 30, 2021, the City reported the following pension liabilities of \$246,841,273 and \$487,497,043 for fire and police, respectively. The City also reported an OPEB liability of \$11,128,245 for police. The net liabilities were measured as of June 30, 2020, 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, 2021, the City recognized pension expense of \$33,375,439 and \$63,670,683 for fire and police, respectively. City also recognized OPEB expense of \$1,338,129 for police.

City of Mesa, Arizona
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On June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources (in thousands):

PSPRS - Fire Pension	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,550	\$ 3,933
Changes in assumptions	17,042	-
Net difference between projected and actual earnings on pension plan investments	10,958	-
City contributions subsequent to the measurement date	19,617	-
Total	\$ 57,167	\$ 3,933

	Pension		OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
PSPRS - Police				
Differences between expected and actual experience	\$ 24,607	\$ 791	\$ 684	\$ -
Changes in assumptions	24,178	-	316	115
Net difference between projected and actual earnings on plan investments	19,212	-	538	-
City contributions subsequent to the measurement date	37,484	-	713	-
Total	\$ 105,481	\$ 791	\$ 2,251	\$ 115

City of Mesa, Arizona
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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, 2022. 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 Fire Pension	PSPRS Police Pension	PSPRS Police OPEB
2022	\$ 7,324	\$ 19,010	311
2023	8,570	17,929	394
2024	8,369	14,391	382
2025	6,513	12,698	273
2026	2,873	3,178	63
Thereafter	(32)	-	-
	<u>\$ 33,617</u>	<u>\$ 67,206</u>	<u>\$ 1,423</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, 2020
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.3% for contribution rates,
Wage Inflation	3.5%, N/A for OPEB
Price Inflation	2.5%, N/A for OPEB
Cost-of-living adjustment	1.75%, N/A for OPEB
Mortality Rates for Pension and OPEB	PubS-2010 tables
Healthcare cost trend rate	N/A

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.3 % 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:

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Asset Class	Target Allocation	Long-Term Expected Geometric Real
Cash - Mellon	1%	-0.60%
Core Bonds	2%	0.22%
Capital Appreciation	7%	5.61%
Diversifying Strategies	12%	3.22%
International Equity	15%	6.09%
Global Private Equity	18%	8.42%
Private Credit	22%	5.31%
U.S. Equity	23%	4.93%
Total	100%	

g. **Discount Rate**

A discount rate of 7.30% for Tier 1 and Tier 2 members was used to measure the total pension/OPEB liability. 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.

City of Mesa, Arizona
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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):

Fire	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability
Balance - Beginning of Year	\$ 433,957	\$ 202,777	\$ 231,180
Adjustment to Beginning of Year	-	-	-
Changes for the Year:			
Service Cost	7,871	-	7,871
Interest on the Total Liability	31,397	-	31,397
Changes of Benefit Terms	-	-	-
Differences Between Expected & Actual Experience in the Measurement of the Liability	(221)	-	(221)
Changes of Assumptions / Other Inputs	-	-	-
Contributions - Employer	-	18,107	(18,107)
Contributions - Employee	-	2,845	(2,845)
Net Investment Income	-	2,587	(2,587)
Benefit Payments, Including Refunds of Employee Contributions	(23,473)	(23,473)	-
Administrative Expenses	-	(211)	211
Other Changes	-	58	(58)
Net Changes	<u>15,574</u>	<u>(87)</u>	<u>15,661</u>
Balances - End of Year	<u>\$ 449,531</u>	<u>\$ 202,690</u>	<u>\$ 246,841</u>

City of Mesa, Arizona
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Police	Total	Plan	Net	Total	Plan	
	Pension Liability	Fiduciary Net Position	Position Liability	OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance - Beginning of Year	\$ 795,963	\$ 354,780	\$ 441,183	\$ 20,372	\$ 10,331	\$ 10,041
Adjustment to Beginning of Year	-	-	-	-	-	-
Changes for the Year:						
Service Cost	14,016	-	14,016	322	-	322
Interest on the Total Liability	57,794	-	57,794	1,477	-	1,477
Changes of Benefit Terms	-	-	-	-	-	-
Differences Between Expected & Actual Experience in the Measurement of the Liability	19,067	-	19,067	381	-	381
Changes of Assumptions / Other Inputs	-	-	-	-	-	-
Contributions - Employer	-	34,340	(34,340)	-	934	(934)
Contributions - Employee	-	6,045	(6,045)	-	46	(46)
Net Investment Income	-	4,551	(4,551)	-	123	(123)
Benefit Payments, Including Refunds						
of Employee Contributions	(36,572)	(36,572)	-	(1,455)	(1,455)	-
Administrative Expenses	-	(371)	371	-	(10)	10
Other Changes	-	(2)	2	-	-	-
Net Changes	54,305	7,991	46,314	725	(362)	1,087
Balances - End of Year	\$ 850,268	\$ 362,771	\$ 487,497	\$ 21,097	\$ 9,969	\$ 11,128

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 (6.3%) or 1 percentage point higher (8.3%) than the current rate (in thousands):

	1% Decrease	Current	1% Increase
		Discount Rate	
Fire Net Pension Liability	\$ 305,703	\$ 246,841	\$ 198,526
Police Net Pension Liability	605,731	487,497	391,411
Police OPEB Liability	13,346	11,128	9,260

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 benefits provided.

City of Mesa, Arizona
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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 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, 2019 (Date of most recent valuation), membership consisted of:

Active Employees	3,356
Retirees	2,179
Spouses	<u>1,353</u>
Total	<u><u>6,888</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, 2021 is \$942,634,229.

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The impact of changes from the June 30, 2019 results include the following:

- The discount rate was decreased from 2.79% to 2.66% as of June 30, 2020. The 2.66% rate was selected based on the S&P Municipal Bond 20-Year High Grade Rate Index as of June 30, 2020. This caused an increase in liability of \$18.9 million.

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$69,179,513. On June 30, 2021, 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	\$ 22,229	\$ 2,668
Changes of assumptions	84,678	15,389
City contributions subsequent to the measurement date	<u>18,948</u>	<u>-</u>
Total	<u>\$ 125,855</u>	<u>\$ 18,057</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, 2022. 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>
2022	\$ 19,589
2023	19,983
2024	27,347
2025	19,754
2026	<u>2,177</u>
	<u>\$ 88,850</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
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Actuarial Assumptions:

Actuarial Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Discount Rate	2.66%
Consumer Price Index	3.00%
Projected Salary Increases	2.70 - 7.50%
Mortality Rates	Based on the rates used for the June 30, 2019 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, 2019 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 2.66%. 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, 2020.

g. **Changes in OPEB Liability**

The below table outlines the changes in OPEB Liability for the fiscal year ending June 30, 2020 (in thousands):

OPEB Liability at Beginning of Year	\$ 897,376
Service Cost	24,165
Interest	25,425
Differences between Expected and Actual Experience	(2,548)
Changes in Assumptions	18,858
Employer contributions *	(20,641)
Net Change in Total OPEB Liability	<u>45,259</u>
OPEB Liability at End of Year	<u>\$ 942,635</u>

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

The City’s contribution to the plan was paid 84.8% from governmental funds, 2.7% from internal service funds, and 12.5% from enterprise funds.

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

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	\$ 1,108,951	\$ 942,634	\$ 811,040

	<u>1% Decrease</u>	<u>Current Healthcare Trend Rate</u>	<u>1% Increase</u>
City OPEB Plan	\$ 805,173	\$ 942,634	\$ 1,118,211

16. RESTATEMENT OF BEGINNING NET POSITION

As of July 1, 2021, the City changed its accounting policy in regard to its Cubs, Hohokam, Convention Center and Golf Course activities and ceased accounting for them as part of the Enterprise Fund and began accounting for these activities within the General Fund. In addition, the City changed its accounting policy in regard to the Airport and Utility Funds and began accounting for them as separate Enterprise Funds. As a result, the beginning balances of the Governmental Activities, Airport and Business Type Activities were restated as follows:

	<u>Governmental Activities</u>	<u>Utility</u>	<u>Airport</u>	<u>Business-type Activities</u>
Beginning Net Position	\$ 385,721	\$ 528,950	\$ -	\$ 528,950
Adjustments:				
Capital Assets (Net)	105,597	(105,597)	-	(105,597)
Compensated Absences	(200)	200	-	200
Debt and Deferral Balances	(89)	89	-	89
Airport Net Position	-	(31,575)	31,575	-
Adjusted Beginning Net Position	<u>\$ 491,029</u>	<u>\$ 392,067</u>	<u>\$ 31,575</u>	<u>\$ 423,642</u>

17. SUBSEQUENT EVENTS

On November 10, 2021, the Cadence Community Facility District issued 2021 Cadence Community Facilities District (City of Mesa, Arizona) General Obligation Bonds in the amount of \$1,580,000. These bonds are due in annual principal installments ranging from \$65,000 to \$695,000, plus semi-annual interest ranging from 3 percent to 4 percent through July 15, 2044.

(Concluded)





required supplementary information

COMPREHENSIVE ANNUAL
FINANCIAL REPORT 2021



FOR THE FISCAL YEAR ENDED | JUNE 30, 2021



City of Mesa, Arizona
Schedule of the City's Proportionate Share Of Net Pension Liability
Cost-Sharing Pension Plan
June 30, 2021
 (in thousands)

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)		
	<u>2021</u> (2020)	<u>2020</u> (2019)	<u>2019</u> (2018)
City's Proportion of Net Pension Liability	1.6188%	1.6209%	1.6293%
City's Proportionate Share of Net Pension Liability	\$ 280,473	\$ 235,853	\$ 227,233
City's Covered Payroll	\$ 175,767	\$ 169,900	\$ 162,089
City's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	159.57%	138.82%	140.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.33%	73.24%	73.40%

See accompanying notes to pension plan schedules.

Reporting Fiscal Year
(Measurement Date)

2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2012
1.6416%	1.6605%	1.6393%	1.6341%	Information not available
\$ 255,729	\$ 268,013	\$ 255,337	\$ 241,792	
\$ 158,958	\$ 155,868	\$ 151,154	\$ 147,402	
160.88%	171.95%	168.93%	164.04%	
69.92%	67.06%	68.35%	69.49%	

City of Mesa, Arizona
Schedule of Changes in the City's Net Pension/OPEB Liability and Related Ratios
Agent Plans
June 30, 2021
(in thousands)

Public Safety Personnel Retirement System - Fire

	Reporting Fiscal Year (Measurement Date)		
	2021 (2020)	2020 (2019)	2019 (2018)
Total Pension Liability			
Service Cost	\$ 7,871	\$ 7,663	\$ 7,271
Interest on the Total Pension Liability	31,397	29,147	27,446
Changes of Benefit Terms	-	-	-
Diff Between Expected and Actual Experience in the Measurement of the Pension Liability	(221)	11,844	1,951
Changes of Assumptions or Other Inputs	-	8,488	-
Benefit Payments, Including Refunds of Employee Contributions	(23,473)	(18,809)	(16,608)
Net Change in Total Pension Liability	<u>15,574</u>	<u>38,333</u>	<u>20,060</u>
Total Pension Liability - Beginning	<u>433,957</u>	<u>395,624</u>	<u>375,564</u>
Total Pension Liability - Ending (a)	<u>449,531</u>	<u>433,957</u>	<u>395,624</u>
Plan Fiduciary Net Position			
Contributions - Employer	18,107	16,708	16,733
Contributions - Employee	2,845	2,805	3,035
Net Investment Income	2,587	10,339	12,464
Benefit Payments, Including Refunds of Employee Contributions	(23,473)	(18,809)	(16,608)
Hall/Parker Settlement	-	-	(5,150)
Administrative Expense	(211)	(181)	(190)
Other Changes	58	-	2
Net Change in Plan Fiduciary Net Position	<u>(87)</u>	<u>10,862</u>	<u>10,286</u>
Plan Fiduciary Net Position - As Previously Reported	202,777	191,986	181,700
Adjustment to Beginning Balance	-	(71)	-
Plan Fiduciary Net Position - Beginning	<u>202,777</u>	<u>191,915</u>	<u>181,700</u>
Plan Fiduciary Net Position - Ending (b)	<u>202,690</u>	<u>202,777</u>	<u>191,986</u>
City's Net Pension Liability - Ending (a) - (b)	<u>\$ 246,841</u>	<u>\$ 231,180</u>	<u>\$ 203,638</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	45.09%	46.73%	48.53%
City's Covered Payroll	\$ 32,562	\$ 34,136	\$ 32,445
City's Net Pension Liability as a Percentage of its Covered Payroll	758.06%	677.23%	627.64%

See accompanying notes to pension plan schedules.

Reporting Fiscal Year
(Measurement Date)

2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2012
\$ 7,724	\$ 6,439	\$ 6,127	\$ 6,281	Information not available
25,687	23,654	23,086	20,708	
2,125	21,380	-	4,044	
(2,670)	(4,423)	(3,518)	(6,961)	
12,613	11,970	-	23,097	
<u>(17,095)</u>	<u>(19,893)</u>	<u>(17,323)</u>	<u>(16,309)</u>	
28,384	39,127	8,372	30,860	
<u>347,180</u>	<u>308,053</u>	<u>299,681</u>	<u>268,821</u>	
<u>375,564</u>	<u>347,180</u>	<u>308,053</u>	<u>299,681</u>	
13,558	12,735	9,828	9,157	
3,923	4,396	3,847	3,488	
19,308	954	5,878	19,840	
(17,095)	(19,893)	(17,323)	(16,309)	
-	-	-	-	
(174)	(138)	(144)	(160)	
43	(12)	45	(113)	
<u>19,563</u>	<u>(1,958)</u>	<u>2,131</u>	<u>15,903</u>	
162,137	164,095	161,964	146,061	
-	-	-	-	
<u>162,137</u>	<u>164,095</u>	<u>161,964</u>	<u>146,061</u>	
<u>181,700</u>	<u>162,137</u>	<u>164,095</u>	<u>161,964</u>	
<u>\$ 193,864</u>	<u>\$ 185,043</u>	<u>\$ 143,958</u>	<u>\$ 137,717</u>	
48.38%	46.70%	53.27%	54.05%	
\$ 32,941	\$ 32,453	\$ 31,661	\$ 30,782	
588.52%	570.19%	454.69%	447.39%	

City of Mesa, Arizona
Schedule of Changes in the City's Net Pension/OPEB Liability and Related Ratios
Agent Plans
June 30, 2021
(in thousands)

Public Safety Personnel Retirement System - Police Pension

	Reporting Fiscal Year (Measurement Date)		
	2021 (2020)	2020 (2019)	2019 (2018)
Total Pension Liability			
Service Cost	\$ 14,016	\$ 15,015	\$ 13,826
Interest on the Total Liability	57,794	53,953	50,926
Changes of Benefit Terms	-	-	-
Diff Between Expected and Actual Experience in the Measurement of the Liability	19,067	10,259	3,862
Changes of Assumptions or Other Inputs	-	21,092	-
Benefit Payments, Including Refunds of Employee Contributions	(36,572)	(36,864)	(34,755)
Net Change in Total Pension Liability	54,305	63,455	33,859
Total Pension Liability - Beginning	795,963	732,508	698,649
Total Pension Liability - Ending (a)	850,268	795,963	732,508
Plan Fiduciary Net Position			
Contributions - Employer	34,340	32,387	31,596
Contributions - Employee	6,045	5,718	6,058
Net Investment Income	4,551	18,270	21,889
Benefit Payments, Including Refunds of Employee Contributions	(36,572)	(36,864)	(34,754)
Hall/Parker Settlement	-	-	(10,096)
Administrative Expense	(371)	(319)	(333)
Other Changes	(2)	340	514
Net Change in Plan Fiduciary Net Position	7,991	19,532	14,874
Plan Fiduciary Net Position - As Previously Reported	354,780	335,631	320,757
Adjustment to Beginning Balance	-	(383)	-
Plan Fiduciary Net Position - Beginning	354,780	335,248	320,757
Plan Fiduciary Net Position - Ending (b)	362,771	354,780	335,631
City's Net Pension Liability - Ending (a) - (b)	\$ 487,497	\$ 441,183	\$ 396,877
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	42.67%	44.57%	45.82%
City's Covered Payroll	\$ 63,232	\$ 63,993	\$ 63,003
City's Net Pension Liability as a Percentage of its Covered Payroll	770.97%	689.42%	629.93%

See accompanying notes to pension plan schedules.

Reporting Fiscal Year
(Measurement Date)

2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2012
\$ 15,841	\$ 12,438	\$ 12,216	\$ 12,481	Information not available
47,572	43,573	41,908	36,514	
5,718	34,005	-	8,728	
365	(4,001)	(2,173)	(11,331)	
19,037	23,614	-	51,228	
<u>(32,522)</u>	<u>(31,689)</u>	<u>(29,998)</u>	<u>(27,566)</u>	
56,011	77,940	21,953	70,054	
642,638	564,698	542,745	472,691	
<u>698,649</u>	<u>642,638</u>	<u>564,698</u>	<u>542,745</u>	
26,819	24,067	19,680	17,443	
7,693	8,157	7,613	6,784	
34,221	1,667	10,065	33,360	
(32,522)	(31,689)	(29,998)	(27,566)	
-	-	-	-	
(306)	(240)	(246)	(269)	
420	382	28	288	
<u>36,325</u>	<u>2,344</u>	<u>7,142</u>	<u>30,040</u>	
284,432	282,088	274,946	244,906	
-	-	-	-	
<u>284,432</u>	<u>282,088</u>	<u>274,946</u>	<u>244,906</u>	
<u>320,757</u>	<u>284,432</u>	<u>282,088</u>	<u>274,946</u>	
<u>\$ 377,892</u>	<u>\$ 358,206</u>	<u>\$ 282,610</u>	<u>\$ 267,799</u>	
45.91%	44.26%	49.95%	50.66%	
\$ 64,740	\$ 61,211	\$ 62,461	\$ 59,688	
583.71%	585.20%	452.46%	448.66%	

City of Mesa, Arizona
Schedule of Changes in the City's Net Pension/OPEB Liability and Related Ratios
Agent Plans
June 30, 2021
(in thousands)

Public Safety Personnel Retirement System - Police OPEB

	Reporting Fiscal Year (Measurement Date)				2017 through 2012
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
Total Liability					Information not available
Service Cost	\$ 322	\$ 200	\$ 190	\$ 213	
Interest on the Total Liability	1,477	1,416	1,359	1,356	
Changes of Benefit Terms	-	-	-	35	
Difference Between Expected and Actual Experience in the Measurement of the Liability	381	43	472	312	
Changes of Assumptions or Other Inputs	-	474	-	(335)	
Benefit Payments, Including Refunds of Employee Contributions	(1,455)	(1,391)	(1,325)	(1,239)	
Net Change in Total OPEB Liability	725	742	696	342	
Total OPEB Liability - Beginning	20,372	19,630	18,934	18,592	
Total OPEB Liability - Ending (a)	21,097	20,372	19,630	18,934	
Plan Fiduciary Net Position					
Contributions - Employer	934	736	231	639	
Contributions - Employee	46	14	-	-	
Net Investment Income	123	530	695	1,141	
Benefit Payments, Including Refunds of Employee Contributions	(1,455)	(1,391)	(1,325)	(1,239)	
Administrative Expense	(10)	(9)	(11)	(10)	
Net Change in Plan Fiduciary Net Position	(362)	(120)	(410)	531	
Plan Fiduciary Net Position - As Previously Reported	10,331	10,067	10,477	9,946	
Adjustment to Beginning Balance	-	384	-	-	
Plan Fiduciary Net Position - Beginning	10,331	10,451	10,477	9,946	
Plan Fiduciary Net Position - Ending (b)	9,969	10,331	10,067	10,477	
City's Net OPEB Liability - Ending (a) - (b)	\$ 11,128	\$ 10,041	\$ 9,563	\$ 8,457	
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	51.29%	51.29%	51.29%	55.33%	
City's Covered Payroll	\$ 63,232	\$ 63,993	\$ 63,003	\$ 64,740	
City's Net OPEB Liability as a Percentage of its Covered Payroll	17.60%	15.69%	15.18%	13.06%	



City of Mesa, Arizona
Schedule of City Pension Contributions
June 30, 2021
(in thousands)

Arizona State Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily Required Contribution	\$ 20,763	\$ 20,258	\$ 19,124	\$ 17,650
City's Contribution in Relation to the Statutorily Required Contribution	20,763	20,258	19,124	17,650
City's Contribution (Deficiency) / Excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 178,405	\$ 175,767	\$ 169,900	\$ 162,089
City's Contributions as a Percentage of Covered Payroll	11.64%	11.53%	11.26%	10.89%

Public Safety Personnel Retirement System - Fire Pension

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 19,617	\$ 18,035	\$ 16,431	\$ 14,289
City's Contribution in Relation to the Actuarially Determined Contribution	19,617	18,035	16,431	15,509
City's Contribution (Deficiency) / Excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,220</u>
City's Covered Payroll	\$ 34,198	\$ 32,562	\$ 34,136	\$ 32,446
City's Contributions as a Percentage of Covered Payroll	57.36%	55.39%	48.13%	47.80%

See accompanying notes to plan schedules.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013 through 2012</u>
\$ 17,423	\$ 16,955	\$ 16,146	\$ 15,750	Information not available
17,423	16,955	16,146	15,750	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ 158,958	\$ 155,868	\$ 151,154	\$ 147,402	
10.96%	10.88%	10.67%	10.68%	

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013 through 2012</u>
\$ 13,490	\$ 11,197	\$ 9,827	\$ 9,157	Information not available
13,490	12,735	9,827	9,157	
<u>\$ -</u>	<u>\$ 1,538</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ 32,941	\$ 32,453	\$ 31,661	\$ 30,782	
40.95%	39.24%	31.04%	29.75%	

City of Mesa, Arizona
Schedule of City Pension Contributions
June 30, 2021
(in thousands)

Public Safety Personnel Retirement System - Police Pension

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 37,484	\$ 34,308	\$ 29,314	\$ 29,048
City's Contribution in Relation to the Actuarially Determined Contribution	37,484	34,308	29,314	21,726
City's Contribution (Deficiency) / Excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,322)</u>
City's Covered Payroll	\$ 64,297	\$ 63,232	\$ 63,993	\$ 63,003
City's Contributions as a Percentage of Covered Payroll	58.30%	54.26%	45.81%	34.48%

Public Safety Personnel Retirement System - Police OPEB

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 713	\$ 815	\$ 733	\$ 772
City's Contribution in Relation to the Actuarially Determined Contribution	713	815	733	772
City's Contribution (Deficiency) / Excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 64,297	\$ 63,232	\$ 63,993	\$ 63,003
City's Contributions as a Percentage of Covered Payroll	1.11%	1.29%	1.15%	1.23%

See accompanying notes to plan schedules.

2017	2016	2015	2014	2013 through 2012
\$ 26,809	\$ 21,697	\$ 19,680	\$ 17,443	Information not available
26,809	24,067	19,680	17,443	
<u>\$ -</u>	<u>\$ 2,370</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ 64,740	\$ 61,211	\$ 62,461	\$ 59,688	
41.41%	39.32%	31.51%	29.22%	

2017	2016 through 2012
\$ 641	Information not available
641	
<u>\$ -</u>	
\$ 64,740	
0.99%	

City of Mesa, Arizona
Notes to Pension Plan Schedules
June 30, 2021
(in thousands)

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	18 years for unfunded actuarial accrued liability, 18 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%.</p> <p>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
Schedule of Changes in the City's Total OPEB Liability
June 30, 2021
(in thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017 through 2012</u>
Total Liability					Information
Service Cost	\$ 24,165	\$ 20,818	\$ 19,997	\$ 21,431	not
Interest on the Total Liability	25,425	22,584	22,447	20,112	available
Differences Between Expected and Actual Experience in the Measurement of the Liability	(2,548)	34,022	(1,133)	-	
Changes of Assumptions or Other Inputs	18,858	92,823	17,023	(46,955)	
Benefit Payments, Including Refunds of Employee Contributions *	<u>(20,641)</u>	<u>(19,687)</u>	<u>(17,232)</u>	<u>(19,013)</u>	
Net Change in Total OPEB Liability	45,259	150,560	41,102	(24,425)	
Total OPEB Liability - Beginning	<u>897,376</u>	<u>746,816</u>	<u>705,714</u>	<u>730,139</u>	
Total OPEB Liability - Ending	<u>\$ 942,635</u>	<u>\$ 897,376</u>	<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
Budgetary Comparison Schedule (Non-GAAP Basis)
General Fund
For the Fiscal Year Ended June 30, 2021
(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	\$ 122,904	\$ 122,904	\$ 152,552	\$ 29,648
Occupancy Taxes	1,705	1,705	1,086	(619)
Licenses and Permits	30,339	30,339	35,174	4,835
Intergovernmental	165,924	165,924	167,043	1,118
Charges for Services	28,857	28,857	18,806	(10,051)
Fines and Forfeitures	8,629	8,629	6,877	(1,752)
Investment Income	886	886	3,623	2,736
Contributions	-	-	-	-
Miscellaneous Revenues	1,849	1,849	4,661	2,812
Total Revenues	<u>361,092</u>	<u>361,092</u>	<u>389,821</u>	<u>28,728</u>
Expenditures:				
Current:				
General Government	104,486	101,945	90,699	11,246
Public Safety	264,420	213,769	204,905	8,864
Community Environment	24,846	15,683	11,872	3,811
Cultural-Recreational	52,243	50,917	33,661	17,256
Capital Outlay	49,525	51,296	21,963	29,333
Total Expenditures	<u>495,520</u>	<u>433,610</u>	<u>363,101</u>	<u>70,509</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(134,428)	(72,518)	26,720	99,238
Other Financing Sources (Uses):				
Transfers In	-	-	117,516	117,516
Transfers Out	-	(140,160)	(68,381)	71,779
Sale of Capital Asset	-	-	21,597	21,597
Total Other Financing Sources (Uses)	<u>-</u>	<u>(140,160)</u>	<u>70,732</u>	<u>210,892</u>
Net Change in Fund Balances	(134,428)	(212,678)	97,452	310,130
Fund Balance - Beginning	<u>196,739</u>	<u>196,739</u>	<u>196,739</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 62,312</u>	<u>\$ (15,938)</u>	<u>\$ 294,191</u>	<u>\$ 310,130</u>

See accompanying note to budgetary comparison schedule.

City of Mesa, Arizona
Notes to Budgetary Comparison Schedule
June 30, 2021
(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, 2021 on the “GAAP basis” to the “budget basis” as follows:

Net Change in Fund Balance-Budget Basis -	\$	97,452
Basis Differences:		
Compensated Absences		(341)
Payroll Accrual		(1,467)
Recognized Revenue		137
Unavailable Revenue		(86)
Unrealized Gain on Investments		(2,155)
		<hr/>
Net Change in Fund Balance-GAAP Basis -	\$	<u>93,540</u>

City of Mesa, Arizona
Budgetary Comparison Schedule (Non-GAAP Basis)
Relief Fund
For the Fiscal Year Ended June 30, 2021
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual - Budgetary Basis</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 70,000	\$ 70,000	\$ 79,757	\$ 9,757
Investment Income	-	-	392	392
Total Revenues	<u>70,000</u>	<u>70,000</u>	<u>80,149</u>	<u>10,149</u>
Expenditures:				
Current:				
Public Safety	-	61,692	56,813	4,879
Community Environment	70,000	62,104	50,825	11,279
Capital Outlay	-	215	151	64
Total Expenditures	<u>70,000</u>	<u>124,011</u>	<u>107,789</u>	<u>16,222</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(54,011)	(27,639)	26,372
Other Financing Sources (Uses):				
Transfers In	-	-	40,697	40,697
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>40,697</u>	<u>40,697</u>
Net Change in Fund Balances	-	(54,011)	13,058	67,069
Fund Balance - Beginning	<u>46,907</u>	<u>46,907</u>	<u>46,907</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 46,907</u>	<u>\$ (7,104)</u>	<u>\$ 59,965</u>	<u>\$ 67,069</u>

See accompanying note to budgetary comparison schedule.

City of Mesa, Arizona
Notes to Budgetary Comparison Schedule
June 30, 2021
(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, 2021 on the “GAAP basis” to the “budget basis” as follows:

Net Change in Fund Balance-Budget Basis -	\$ 13,058
Basis Differences:	
Payroll Accrual	138
Deferred Revenue	(13,345)
Unrealized Gain on Investments	<u>(662)</u>
Net Change in Fund Balance-GAAP Basis -	<u><u>\$ (811)</u></u>





combining statements

COMPREHENSIVE ANNUAL
FINANCIAL REPORT 2021



FOR THE FISCAL YEAR ENDED | JUNE 30, 2021

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.

Ambulance Transport accounts for the expenditures of the Mesa Fire and Medical Ambulance Transport program.

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 1, Eastmark 2 and Cadence Community Facilities Districts 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, libraries, fire facilities and equipment, police facilities and equipment, 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 accounts for federal and state grant expenditures. 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 federal expenditures of the City's housing assistance programs that provide rent subsidy payments to private sector owners of dwelling units.

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.

Restricted Programs Fund accounts for expenditures of legally imposed fees and taxes.

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 bond proceeds to be used for the costs of construction of drains, basins, channels and other storm sewer improvements and street improvements in the Eastmark 1, Eastmark 2 and Cadence Community Facilities Districts.

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 bonds, excise tax obligations and transfers from the City's General Fund

Parks accounts for the bond proceeds to be used for the costs of park facilities and improvements.

Public Safety accounts for the bond proceeds to be used for the cost of public safety facilities.

Streets accounts for the bond proceeds to be used 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 1, Eastmark 2 and Cadence 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.

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

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
Combining Balance Sheet
Non-Major Governmental Funds
June, 30, 2021

(in thousands)

Special Revenue Funds

	Ambulance Transport	Cemetery	Community Facilities District	Development Impact Fees	Environmental Compliance
Assets					
Pooled Cash and Investments	\$ -	\$ 4,560	\$ 342	\$ 10,389	\$ 17,170
Accounts Receivable, Net	-	11	-	-	-
Accrued Interest Receivable	-	11	1	-	1
Due from Other Governments	-	-	3	-	-
Advances to Other Funds	-	-	-	-	-
Prepaid Costs	-	-	-	-	578
Restricted Assets:					
Pooled Cash and Investments	-	-	-	-	-
Cash with Fiscal Agent	-	-	-	-	-
Cash with Trustee	-	-	-	-	-
Accounts Receivable	-	-	-	-	-
Due from Other Governments	-	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ 4,582</u>	<u>\$ 346</u>	<u>\$ 10,389</u>	<u>\$ 17,749</u>
Liabilities					
Accounts Payable and Accrued Liabilities	\$ 88	\$ -	\$ 52	\$ -	\$ 550
Due to Other Funds	399	-	-	-	-
Advances from Other Funds	2,786	-	-	-	-
Customer and Defendant Deposits	-	-	-	-	-
Unearned Revenue	-	-	70	-	-
Payable from Restricted Assets:					
Accrued Interest Payable	-	-	-	-	-
Matured Bonds Payable	-	-	-	-	-
Total Liabilities	<u>3,273</u>	<u>-</u>	<u>122</u>	<u>-</u>	<u>550</u>
Deferred Inflows of Resources					
Unavailable Revenue	-	1	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances					
Nonspendable	-	-	-	-	578
Restricted	-	-	228	10,389	-
Committed	-	4,581	-	-	16,621
Assigned	-	-	-	-	-
Unassigned	(3,273)	-	(4)	-	-
Total Fund Balances	<u>(3,273)</u>	<u>4,581</u>	<u>224</u>	<u>10,389</u>	<u>17,199</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ -</u>	<u>\$ 4,582</u>	<u>\$ 346</u>	<u>\$ 10,389</u>	<u>\$ 17,749</u>

Special Revenue Funds

Grants	Highway User Revenue	Mesa Arts Center Restoration	Mesa Housing Authority	Public Safety Sales Tax	Quality of Life Sales Tax	Restricted Funds	Street Sales Tax	Total Special Revenue Funds
\$ -	\$ 28,039	\$ 1,573	\$ -	\$ 35,878	\$ 11,804	\$ 16,602	\$ 49,378	\$ 175,735
321	-	-	25	-	-	126	719	1,202
-	98	6	-	98	27	39	118	399
1,390	4,083	-	2,249	5,718	5,719	228	6,942	26,332
-	-	-	-	2,786	-	-	-	2,786
23	-	-	-	-	-	5	75	681
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>\$ 1,734</u>	<u>\$ 32,220</u>	<u>\$ 1,579</u>	<u>\$ 2,274</u>	<u>\$ 44,480</u>	<u>\$ 17,550</u>	<u>\$ 17,000</u>	<u>\$ 57,232</u>	<u>\$ 207,135</u>
\$ 782	\$ 1,196	\$ -	\$ 1,456	\$ 137	\$ -	\$ 1,458	\$ 1,391	\$ 7,110
6,022	-	-	1,090	-	-	-	-	7,511
-	-	-	-	-	-	-	-	2,786
-	-	-	-	-	-	-	7,379	7,379
660	-	206	1,047	-	-	25	-	2,008
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>7,464</u>	<u>1,196</u>	<u>206</u>	<u>3,593</u>	<u>137</u>	<u>-</u>	<u>1,483</u>	<u>8,770</u>	<u>26,794</u>
1,074	-	-	-	-	-	27	269	1,371
<u>1,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27</u>	<u>269</u>	<u>1,371</u>
23	-	-	-	-	-	5	75	681
-	31,024	-	-	44,343	17,550	12,184	48,118	163,836
-	-	1,373	-	-	-	2,498	-	25,073
-	-	-	-	-	-	897	-	897
(6,827)	-	-	(1,319)	-	-	(94)	-	(11,517)
<u>(6,804)</u>	<u>31,024</u>	<u>1,373</u>	<u>(1,319)</u>	<u>44,343</u>	<u>17,550</u>	<u>15,490</u>	<u>48,193</u>	<u>178,970</u>
<u>\$ 1,734</u>	<u>\$ 32,220</u>	<u>\$ 1,579</u>	<u>\$ 2,274</u>	<u>\$ 44,480</u>	<u>\$ 17,550</u>	<u>\$ 17,000</u>	<u>\$ 57,232</u>	<u>\$ 207,135</u>

City of Mesa, Arizona
Combining Balance Sheet
Non-Major Governmental Funds
June, 30, 2021
(in thousands)

	Capital Projects Funds					Total Capital Projects Funds
	Community Facilities District	General Capital Projects	Parks	Public Safety	Streets	
Assets						
Pooled Cash and Investments	\$ 297	\$ 40,987	\$ 9,443	\$ 8,177	\$ 57,042	\$ 115,946
Accounts Receivable, Net	-	-	-	-	-	-
Accrued Interest Receivable	-	110	22	19	142	293
Due from Other Governments	-	-	-	-	5,527	5,527
Advances to Other Funds	-	-	-	-	-	-
Prepaid Costs	-	233	-	-	-	233
Restricted Assets:						
Pooled Cash and Investments	-	-	-	-	-	-
Cash with Fiscal Agent	-	-	-	-	-	-
Cash with Trustee	-	36,494	-	-	-	36,494
Accounts Receivable	-	-	-	-	-	-
Due from Other Governments	-	-	-	-	-	-
Total Assets	<u>\$ 297</u>	<u>\$ 77,824</u>	<u>\$ 9,465</u>	<u>\$ 8,196</u>	<u>\$ 62,711</u>	<u>\$ 158,493</u>
Liabilities						
Accounts Payable and Accrued Liabilities	\$ -	\$ 8,246	\$ 1,529	\$ 194	\$ 958	\$ 10,927
Due to Other Funds	-	-	-	-	-	-
Advances from Other Funds	-	-	-	-	-	-
Customer and Defendant Deposits	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-
Payable from Restricted Assets:						
Accrued Interest Payable	-	-	-	-	-	-
Matured Bonds Payable	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>8,246</u>	<u>1,529</u>	<u>194</u>	<u>958</u>	<u>10,927</u>
Deferred Inflows of Resources						
Unavailable Revenue	-	-	-	-	5,528	5,528
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,528</u>	<u>5,528</u>
Fund Balances						
Nonspendable	-	233	-	-	-	233
Restricted	403	27,739	7,936	8,002	56,225	100,305
Committed	-	41,606	-	-	-	41,606
Assigned	-	-	-	-	-	-
Unassigned	(106)	-	-	-	-	(106)
Total Fund Balances	<u>297</u>	<u>69,578</u>	<u>7,936</u>	<u>8,002</u>	<u>56,225</u>	<u>142,038</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 297</u>	<u>\$ 77,824</u>	<u>\$ 9,465</u>	<u>\$ 8,196</u>	<u>\$ 62,711</u>	<u>\$ 158,493</u>

Debt Service Funds

Community Facilities District	Excise Tax Obligation	General Obligation Bonds	Highway User Revenue Bonds	Special Assessment Bonds	Total Debt Service Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 291,681
-	-	-	-	-	-	1,202
15	-	16	-	-	31	723
-	-	-	-	-	-	31,859
-	-	-	-	-	-	2,786
-	-	-	-	-	-	914
6,134	-	6,538	-	-	12,672	12,672
1,139	1,506	38,165	11,043	-	51,853	51,853
-	-	-	-	-	-	36,494
23,145	-	-	-	-	23,145	23,145
67	-	1,608	-	-	1,675	1,675
<u>\$ 30,500</u>	<u>\$ 1,506</u>	<u>\$ 46,327</u>	<u>\$ 11,043</u>	<u>\$ -</u>	<u>\$ 89,376</u>	<u>\$ 455,004</u>
\$ -	\$ -	\$ 73	\$ -	\$ -	\$ 73	\$ 18,110
-	-	-	-	-	-	7,511
-	-	-	-	-	-	2,786
-	-	-	-	-	-	7,379
4	-	-	-	-	4	2,012
1,771	861	5,762	1,398	-	9,792	9,792
2,829	645	32,403	9,645	-	45,522	45,522
<u>4,604</u>	<u>1,506</u>	<u>38,238</u>	<u>11,043</u>	<u>-</u>	<u>55,391</u>	<u>93,112</u>
23,160	-	521	-	-	23,681	30,580
<u>23,160</u>	<u>-</u>	<u>521</u>	<u>-</u>	<u>-</u>	<u>23,681</u>	<u>30,580</u>
-	-	-	-	-	-	914
2,630	-	7,568	-	-	10,198	274,339
-	-	-	-	-	-	66,679
-	-	-	-	-	-	897
106	-	-	-	-	106	(11,517)
<u>2,736</u>	<u>-</u>	<u>7,568</u>	<u>-</u>	<u>-</u>	<u>10,304</u>	<u>331,312</u>
<u>\$ 30,500</u>	<u>\$ 1,506</u>	<u>\$ 46,327</u>	<u>\$ 11,043</u>	<u>\$ -</u>	<u>\$ 89,376</u>	<u>\$ 455,004</u>

City of Mesa, Arizona
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2021
(in thousands)

Special Revenue Funds

	Ambulance Transport	Cemetery	Community Facilities District	Development Impact Fees	Environmental Compliance
Revenues:					
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	-	338	-	-
Occupancy Taxes	-	-	-	-	-
Special Assessments	-	-	-	-	-
Licenses and Permits	-	-	-	6,563	-
Intergovernmental	-	-	-	-	-
Charges for Services	3,672	134	-	-	16,905
Fines and Forfeitures	-	-	-	-	-
Investment Income (Loss)	(23)	7	1	-	43
Contributions	-	-	-	-	-
Miscellaneous Revenues	-	-	-	-	65
Total Revenues	3,649	141	339	6,563	17,013
Expenditures:					
Current:					
General Government	155	-	225	-	1,128
Public Safety	3,819	-	-	-	55
Community Environment	-	-	-	-	4,995
Cultural-Recreational	-	-	-	-	7,670
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest on Bonds	-	-	-	-	-
Service Charges	-	-	4	-	-
Cost of Issuance	-	-	-	-	-
Capital Outlay	2,538	-	-	-	3,823
Total Expenditures	6,512	-	229	-	17,671
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,863)	141	110	6,563	(658)
Other Financing Sources (Uses):					
Transfers In	-	-	-	-	-
Transfers Out	-	(3,442)	-	(3,487)	-
Face Amount of Bonds Issued	-	-	-	-	-
Face Amount of Notes Issued	-	-	-	-	-
Premium on Issuance of Bonds (Net)	-	-	-	-	-
Issuance of Refunding Bonds	-	-	-	-	-
Payment to Refunding Bond Agent	-	-	-	-	-
Total Other Financing Sources (Uses)	-	(3,442)	-	(3,487)	-
Net Change in Fund Balances	(2,863)	(3,301)	110	3,076	(658)
Fund Balances - Beginning	(410)	7,882	114	7,313	17,857
Fund Balances - Ending	\$ (3,273)	\$ 4,581	\$ 224	\$ 10,389	\$ 17,199

Special Revenue Funds

Grants	Highway User Revenue	Mesa Arts Center Restoration	Mesa Housing Authority	Public Safety Sales Tax	Quality of Life Sales Tax	Restricted Funds	Street Sales Tax	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 31,640	\$ 31,651	\$ -	\$ 37,982	\$ 101,273
-	-	-	-	-	-	-	-	338
-	-	-	-	-	-	2,904	-	2,904
-	-	-	-	-	-	-	-	-
-	-	-	-	-	125	671	245	7,604
4,697	45,049	-	20,903	-	-	2,429	421	73,499
-	-	-	-	-	-	523	1,281	22,515
-	-	8	-	-	-	887	-	895
-	30	2	1	328	173	90	41	693
-	-	-	-	-	-	130	-	130
104	-	94	-	-	-	1,409	403	2,075
<u>4,801</u>	<u>45,079</u>	<u>104</u>	<u>20,904</u>	<u>31,968</u>	<u>31,949</u>	<u>9,043</u>	<u>40,373</u>	<u>211,926</u>
549	-	-	-	-	-	2,197	3,029	7,283
2,109	-	-	-	11,844	25,605	1,778	287	45,497
41	15,581	-	21,717	-	-	148	22,358	64,840
3,088	-	-	-	-	-	887	-	11,645
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	4
-	-	-	-	-	-	-	-	-
5,790	4,143	152	305	1,323	-	4,108	11,569	33,751
<u>11,577</u>	<u>19,724</u>	<u>152</u>	<u>22,022</u>	<u>13,167</u>	<u>25,605</u>	<u>9,118</u>	<u>37,243</u>	<u>163,020</u>
(6,776)	25,355	(48)	(1,118)	18,801	6,344	(75)	3,130	48,906
-	-	-	436	-	-	255	-	691
-	(12,472)	-	(395)	-	-	-	-	(19,796)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	(12,472)	-	41	-	-	255	-	(19,105)
(6,776)	12,883	(48)	(1,077)	18,801	6,344	180	3,130	29,801
(28)	18,141	1,421	(242)	25,542	11,206	15,310	45,063	149,169
<u>\$ (6,804)</u>	<u>\$ 31,024</u>	<u>\$ 1,373</u>	<u>\$ (1,319)</u>	<u>\$ 44,343</u>	<u>\$ 17,550</u>	<u>\$ 15,490</u>	<u>\$ 48,193</u>	<u>\$ 178,970</u>

City of Mesa, Arizona
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2021
(in thousands)

	Capital Projects Funds					Total Capital Projects Funds
	Community Facilities District	General Capital Projects	Parks	Public Safety	Streets	
Revenues:						
Sales Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	-	-	-	-	-
Occupancy Taxes	-	-	-	-	-	-
Special Assessments	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	9,909	9,909
Charges for Services	-	-	-	-	6	6
Fines and Forfeitures	-	-	-	-	-	-
Investment Income (Loss)	-	61	26	5	125	217
Contributions	-	-	-	-	-	-
Miscellaneous Revenues	-	57	-	-	198	255
Total Revenues	-	118	26	5	10,238	10,387
Expenditures:						
Current:						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Community Environment	-	-	-	-	-	-
Cultural-Recreational	-	-	-	-	-	-
Debt Service:						
Principal Retirement	-	-	-	-	-	-
Interest on Bonds	-	-	-	-	-	-
Service Charges	-	-	-	-	-	-
Cost of Issuance	1,036	274	47	106	167	1,630
Capital Outlay	28,343	36,930	4,865	4,913	26,069	101,120
Total Expenditures	29,379	37,204	4,912	5,019	26,236	102,750
Excess (Deficiency) of Revenues Over (Under) Expenditures	(29,379)	(37,086)	(4,886)	(5,014)	(15,998)	(92,363)
Other Financing Sources (Uses):						
Transfers In	-	25,703	-	-	-	25,703
Transfers Out	-	-	-	-	(89)	(89)
Face Amount of Bonds Issued	28,993	38,921	4,916	12,780	20,498	106,108
Face Amount of Notes Issued	-	-	-	-	-	-
Premium on Issuance of Bonds (Net)	443	7,211	203	523	926	9,306
Issuance of Refunding Bonds	-	-	-	-	-	-
Payment to Refunding Bond Agent	-	-	-	-	-	-
Total Other Financing Sources (Uses)	29,436	71,835	5,119	13,303	21,335	141,028
Net Change in Fund Balances	57	34,749	233	8,289	5,337	48,665
Fund Balances - Beginning	240	34,829	7,703	(287)	50,888	93,373
Fund Balances - Ending	\$ 297	\$ 69,578	\$ 7,936	\$ 8,002	\$ 56,225	\$ 142,038

Debt Service Funds

Community Facilities District	Excise Tax Obligation	General Obligation Bonds	Highway User Revenue Bonds	Special Assessment Bonds	Total Debt Service Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 101,273
4,340	-	42,575	-	-	46,915	47,253
-	-	-	-	-	-	2,904
1,600	-	-	-	232	1,832	1,832
-	-	-	-	-	-	7,604
-	-	4	-	-	4	83,412
-	-	-	-	-	-	22,521
-	-	724	-	-	724	1,619
5	-	201	(29)	1	178	1,088
-	-	-	-	-	-	130
-	-	-	-	-	-	2,330
<u>5,945</u>	<u>-</u>	<u>43,504</u>	<u>(29)</u>	<u>233</u>	<u>49,653</u>	<u>271,966</u>
-	-	-	-	-	-	7,283
-	-	-	-	-	-	45,497
-	-	-	-	-	-	64,840
-	-	-	-	-	-	11,645
-	-	-	-	-	-	-
2,881	645	32,403	9,645	219	45,793	45,793
3,029	861	10,751	2,796	6	17,443	17,443
3	-	5	2	-	10	14
1	-	407	-	-	408	2,038
-	-	-	-	-	-	134,871
<u>5,914</u>	<u>1,506</u>	<u>43,566</u>	<u>12,443</u>	<u>225</u>	<u>63,654</u>	<u>329,424</u>
<u>31</u>	<u>(1,506)</u>	<u>(62)</u>	<u>(12,472)</u>	<u>8</u>	<u>(14,001)</u>	<u>(57,458)</u>
-	1,506	4,397	12,472	-	18,375	44,769
-	-	(731)	-	(3)	(734)	(20,619)
529	-	-	-	-	529	106,637
-	-	-	-	-	-	-
192	-	10,695	-	-	10,887	20,193
-	-	38,395	-	-	38,395	38,395
-	-	(48,661)	-	-	(48,661)	(48,661)
<u>721</u>	<u>1,506</u>	<u>4,095</u>	<u>12,472</u>	<u>(3)</u>	<u>18,791</u>	<u>140,714</u>
752	-	4,033	-	5	4,790	83,256
1,984	-	3,535	-	(5)	5,514	248,056
<u>\$ 2,736</u>	<u>\$ -</u>	<u>\$ 7,568</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,304</u>	<u>\$ 331,312</u>

INTERNAL SERVICE FUNDS

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

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

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

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

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

City of Mesa, Arizona
Internal Service Funds
Combining Statement of Net Position
June, 30, 2021
(in thousands)

	Warehouse, Maintenance and Services	Property and Public Liability Self Insurance	Workers' Compensation Self Insurance	Employee Benefits Self Insurance	Total
Assets					
Current Assets:					
Pooled Cash and Investments	\$ -	\$ 11,082	\$ 7,383	\$ 43,692	\$ 62,157
Accounts Receivable	427	-	-	99	526
Accrued Premiums Receivable	-	-	-	206	206
Accrued Interest Receivable	-	26	18	104	148
Inventory	8,641	-	-	-	8,641
Deposits and Prepaid Costs	8	873	235	69	1,185
Total Current Assets	<u>9,076</u>	<u>11,981</u>	<u>7,636</u>	<u>44,170</u>	<u>72,863</u>
Noncurrent Assets:					
Capital Assets, Being Depreciated, Net	2,356	-	-	8	2,364
Total Noncurrent Assets	<u>2,356</u>	<u>-</u>	<u>-</u>	<u>8</u>	<u>2,364</u>
Total Assets	<u>11,432</u>	<u>11,981</u>	<u>7,636</u>	<u>44,178</u>	<u>75,227</u>
Deferred Outflows of Resources					
Pensions and OPEB	4,229	629	403	453	5,714
Total Deferred Outflows of Resources	<u>4,229</u>	<u>629</u>	<u>403</u>	<u>453</u>	<u>5,714</u>
Total Assets and Deferred Outflows of Resources	<u>15,661</u>	<u>12,610</u>	<u>8,039</u>	<u>44,631</u>	<u>80,941</u>
Liabilities					
Current Liabilities					
Accounts Payable and Accrued Liabilities	585	128	108	2,115	2,936
Claims Payable	-	14,941	28,523	4,908	48,372
Due to Other Funds	2,212	-	-	-	2,212
Current Portion of Compensated Absences	90	15	9	15	129
Total Current Liabilities	<u>2,887</u>	<u>15,084</u>	<u>28,640</u>	<u>7,038</u>	<u>53,649</u>
Long-Term Liabilities					
Compensated Absences	623	93	41	73	830
Net Pension and OPEB Liability	28,389	4,230	2,726	3,007	38,352
Total Long-Term Liabilities	<u>29,012</u>	<u>4,323</u>	<u>2,767</u>	<u>3,080</u>	<u>39,182</u>
Total Liabilities	<u>31,899</u>	<u>19,407</u>	<u>31,407</u>	<u>10,118</u>	<u>92,831</u>
Deferred Inflows of Resources					
Pensions and OPEB	383	57	38	39	517
Total Deferred Inflows of Resources	<u>383</u>	<u>57</u>	<u>38</u>	<u>39</u>	<u>517</u>
Net Position					
Net Investment in Capital Assets	2,356	-	-	8	2,364
Unrestricted	(18,977)	(6,854)	(23,406)	34,466	(14,771)
Total Net Position	<u>\$ (16,621)</u>	<u>\$ (6,854)</u>	<u>\$ (23,406)</u>	<u>\$ 34,474</u>	<u>\$ (12,407)</u>

City of Mesa, Arizona
Internal Service Funds
Combining Statement of Revenues, Expenses
and Changes in Net Position
For the Fiscal Year Ended June 30, 2021
(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	\$ 8,391	\$ -	\$ -	\$ -	\$ 8,391
Fleet Support Services	21,060	-	-	-	21,060
Printing and Graphics	701	-	-	-	701
Self-Insurance Contributions:					
Employee	-	-	-	15,184	15,184
City	-	5,936	5,488	69,000	80,424
State Retirement System	-	-	-	4,883	4,883
Other	-	-	130	7,514	7,644
Total Operating Revenues	<u>30,152</u>	<u>5,936</u>	<u>5,618</u>	<u>96,581</u>	<u>138,287</u>
Operating Expenses:					
Warehouse, Maintenance & Services:					
Warehouse	8,555	-	-	-	8,555
Fleet Support Services	21,757	-	-	-	21,757
Printing and Graphics	1,084	-	-	-	1,084
Self-Insurance:					
Administrative Costs	-	1,646	1,714	7,096	10,456
Claims and Premiums Paid	-	5,835	6,779	92,934	105,548
Total Operating Expenses	<u>31,396</u>	<u>7,481</u>	<u>8,493</u>	<u>100,030</u>	<u>147,400</u>
Operating Income (Loss) Before Depreciation	(1,244)	(1,545)	(2,875)	(3,449)	(9,113)
Depreciation	<u>(243)</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(244)</u>
Operating Income (Loss)	<u>(1,487)</u>	<u>(1,545)</u>	<u>(2,875)</u>	<u>(3,450)</u>	<u>(9,357)</u>
Nonoperating Revenues (Expense):					
Investment Income	(79)	8	12	80	21
Gain/(Loss) on Disposal of Capital Assets	(186)	-	-	-	(186)
Total Nonoperating Revenues (Expenses)	<u>(265)</u>	<u>8</u>	<u>12</u>	<u>80</u>	<u>(165)</u>
Income (Loss) Before Capital Contributions	(1,752)	(1,537)	(2,863)	(3,370)	(9,522)
Capital Contributions	<u>144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>144</u>
Change in Net Position	(1,608)	(1,537)	(2,863)	(3,370)	(9,378)
Total Net Position - Beginning	<u>(15,013)</u>	<u>(5,317)</u>	<u>(20,543)</u>	<u>37,844</u>	<u>(3,029)</u>
Total Net Position - Ending	<u>\$ (16,621)</u>	<u>\$ (6,854)</u>	<u>\$ (23,406)</u>	<u>\$ 34,474</u>	<u>\$ (12,407)</u>

City of Mesa, Arizona
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2021
(in thousands)

	Warehouse, Maintenance and Services	Property and Public Liability Self Insurance	Workers' Compensation Self Insurance	Employee Benefits Self Insurance	Total
Cash Flows from Operating Activities:					
Cash Received from Users	\$ 30,552	\$ 5,936	\$ 5,618	\$ 96,498	\$ 138,604
Cash Payments to Suppliers	(22,926)	(8,377)	(6,038)	(97,489)	(134,830)
Cash Payments to Employees	(8,997)	637	12	(1,128)	(9,476)
Net Cash Provided by (Used For) Operating Activities	<u>(1,371)</u>	<u>(1,804)</u>	<u>(408)</u>	<u>(2,119)</u>	<u>(5,702)</u>
Cash Flows From Noncapital Financing Activities:					
Operating Transfers-In From Other Funds	1,442	-	-	-	1,442
Net Cash Provided By (Used For) Noncapital Financing Activities	<u>1,442</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,442</u>
Cash Flows from Capital and Related Financing Activities:					
Proceeds from the Sale of Capital Assets	3	-	-	-	3
Net Cash Provided By (Used For) Capital and Related Financing Activities	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>
Cash Flows from Investing Activities:					
Interest Received on Investments	(74)	31	23	149	129
Net Cash Provided By (Used For) Investing Activities	<u>(74)</u>	<u>31</u>	<u>23</u>	<u>149</u>	<u>129</u>
Net Change in Cash and Cash Equivalents	-	(1,773)	(385)	(1,970)	(4,128)
Pooled Cash and Investments at Beginning of Year	-	12,855	7,768	45,662	66,285
Pooled Cash and Investments at End of Year	<u>\$ -</u>	<u>\$ 11,082</u>	<u>\$ 7,383</u>	<u>\$ 43,692</u>	<u>\$ 62,157</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating Income (Loss)	\$ (1,487)	\$ (1,545)	\$ (2,875)	\$ (3,450)	\$ (9,357)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation	243	-	-	1	244
Changes in Assets and Liabilities:					
(Increase)/Decrease in Receivables	400			(83)	317
(Increase)/Decrease in Inventory	(1,054)				(1,054)
(Increase)/Decrease in Deposits and Prepaid Costs	(8)	(191)	(39)	-	(238)
(Decrease)/Increase in Accounts Payable	(522)	119	(58)	(364)	(825)
(Decrease)/Increase in Pension and OPEB Liability	2,320	637	428	(215)	3,170
(Decrease)/Increase in Deferred Outflows	(602)	(130)	(84)	(9)	(825)
(Decrease)/Increase in Deferred Inflows	(655)	(87)	(54)	(94)	(890)
(Decrease)/Increase in Other Accrued Expenses	(6)	(607)	2,274	2,095	3,756
Total Adjustments	<u>116</u>	<u>(259)</u>	<u>2,467</u>	<u>1,331</u>	<u>3,655</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (1,371)</u>	<u>\$ (1,804)</u>	<u>\$ (408)</u>	<u>\$ (2,119)</u>	<u>\$ (5,702)</u>
Noncash Transactions Affecting Financial Position:					
Contributions of Capital Assets	\$ 144	\$ -	\$ -	\$ -	\$ 144
Gain/(Loss) on Disposal of Capital Assets	(189)	-	-	-	(189)





supplemental information

COMPREHENSIVE ANNUAL
FINANCIAL REPORT 2021



FOR THE FISCAL YEAR ENDED | JUNE 30, 2021

City of Mesa, Arizona
Supplemental Information
Budgetary Comparison Schedule (Non-GAAP Basis)
Ambulance Transport
For the Fiscal Year Ended June 30, 2021
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual - Budgetary Basis</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for Services	\$ 3,532	\$ 3,532	\$ 3,672	\$ 140
Investment Income	-	-	(23)	(23)
Total Revenues	<u>3,532</u>	<u>3,532</u>	<u>3,649</u>	<u>117</u>
Expenditures:				
Current:				
General Government	-	165	147	18
Public Safety	3,928	4,750	3,761	989
Capital Outlay	659	3,280	2,538	742
Total Expenditures	<u>4,587</u>	<u>8,195</u>	<u>6,446</u>	<u>1,750</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,055)</u>	<u>(4,663)</u>	<u>(2,797)</u>	<u>1,867</u>
Net Change in Fund Balances	(1,055)	(4,663)	(2,797)	1,867
Fund Balances - Beginning	<u>(392)</u>	<u>(392)</u>	<u>(392)</u>	-
Fund Balance - Ending	<u>\$ (1,448)</u>	<u>\$ (5,056)</u>	<u>\$ (3,189)</u>	<u>\$ 1,867</u>

City of Mesa, Arizona
Supplemental Information
Budgetary Comparison Schedule (Non-GAAP Basis)
Community Facilities Districts
For the Fiscal Year Ended June 30, 2021
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual - Budgetary Basis</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$ 339	\$ 339	\$ 338	\$ (1)
Investment Income	-	-	4	4
Contributions	165	165	-	(165)
Total Revenues	<u>504</u>	<u>504</u>	<u>342</u>	<u>(162)</u>
Expenditures:				
Current:				
General Government	4,785	2,693	225	2,468
Debt Service:				
Service Charges	-	4	4	-
Cost of Issuance	1,430	1,610	1,036	574
Capital Outlay	28,439	30,254	28,343	1,911
Total Expenditures	<u>34,654</u>	<u>34,561</u>	<u>29,608</u>	<u>4,953</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(34,150)</u>	<u>(34,057)</u>	<u>(29,266)</u>	<u>4,791</u>
Other Financing Uses:				
Face Amount of Bonds Issued	-	34,149	28,993	5,156
Premium on Issuance of Bonds	-	-	443	(443)
Total Other Financing Uses	<u>-</u>	<u>34,149</u>	<u>29,436</u>	<u>4,713</u>
Net Change in Fund Balances	(34,150)	92	170	78
Fund Balance - Beginning	<u>396</u>	<u>396</u>	<u>396</u>	<u>-</u>
Fund Balance - Ending	<u>\$ (33,754)</u>	<u>\$ 488</u>	<u>\$ 566</u>	<u>\$ 78</u>

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

City of Mesa, Arizona
Supplemental Information
Budgetary Comparison Schedule (Non-GAAP Basis)
Development Impact Fee
For the Fiscal Year Ended June 30, 2021
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual - Budgetary Basis</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Licenses and Permits	\$ 3,355	\$ 3,355	\$ 6,563	\$ 3,208
Investment Income	95	95	-	(95)
Total Revenues	<u>3,450</u>	<u>3,450</u>	<u>6,563</u>	<u>3,113</u>
Expenditures:				
Current:				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,450</u>	<u>3,450</u>	<u>6,563</u>	<u>3,113</u>
Other Financing Sources (Uses):				
Transfers Out	<u>-</u>	<u>3,750</u>	<u>(3,487)</u>	<u>(7,237)</u>
Total Other Financing Uses	<u>-</u>	<u>3,750</u>	<u>(3,487)</u>	<u>(7,237)</u>
Net Change in Fund Balances	3,450	7,200	3,076	(4,124)
Fund Balances - Beginning	<u>7,322</u>	<u>7,322</u>	<u>7,322</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 10,773</u>	<u>\$ 14,523</u>	<u>\$ 10,398</u>	<u>\$ (4,124)</u>

City of Mesa, Arizona
Supplemental Information
Budgetary Comparison Schedule (Non-GAAP Basis)
Environmental Compliance Fee
For the Fiscal Year Ended June 30, 2021
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual - Budgetary Basis</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for Services	\$ 16,696	\$ 16,696	16,905	\$ 209
Investment Income	65	65	308	243
Miscellaneous Revenues	-	-	65	65
Total Revenues	<u>16,761</u>	<u>16,761</u>	<u>17,278</u>	<u>517</u>
Expenditures:				
Current:				
General Government	1,275	1,289	1,126	163
Public Safety	51	58	56	2
Community Environment	6,754	5,562	4,987	575
Cultural-Recreational	7,424	8,279	7,664	615
Capital Outlay	<u>4,922</u>	<u>5,658</u>	<u>3,823</u>	<u>1,835</u>
Total Expenditures	<u>20,426</u>	<u>20,846</u>	<u>17,657</u>	<u>3,189</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,665)</u>	<u>(4,085)</u>	<u>(379)</u>	<u>3,706</u>
Net Change in Fund Balances	(3,665)	(4,085)	(379)	3,706
Fund Balances - Beginning	<u>17,651</u>	<u>17,651</u>	<u>17,651</u>	-
Fund Balance - Ending	<u>\$ 13,986</u>	<u>\$ 13,566</u>	<u>\$ 17,272</u>	<u>\$ 3,706</u>

City of Mesa, Arizona
Supplemental Information
Budgetary Comparison Schedule (Non-GAAP Basis)
Grants
For the Fiscal Year Ended June 30, 2021
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual - Budgetary Basis</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Occupancy Taxes	\$ 2,995	\$ 2,995	-	\$ (2,995)
Licenses and Permits	482	482	-	(482)
Intergovernmental	24,017	24,017	1,398	(22,619)
Fines and Forfeitures	1,051	1,051	-	(1,051)
Contributions	922	922	-	(922)
Miscellaneous Revenues	3,203	3,203	138	(3,065)
Total Revenues	<u>32,670</u>	<u>32,670</u>	<u>1,536</u>	<u>(31,134)</u>
Expenditures:				
Current:				
General Government	728	782	547	235
Public Safety	4,864	3,960	2,103	1,857
Community Environment	-	114	41	73
Cultural-Recreational	778	3,602	3,087	515
Capital Outlay	18,966	20,368	5,790	14,578
Total Expenditures	<u>25,336</u>	<u>28,826</u>	<u>11,569</u>	<u>17,257</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>7,334</u>	<u>3,844</u>	<u>(10,033)</u>	<u>(13,877)</u>
Net Change in Fund Balances	7,334	3,844	(10,033)	(13,877)
Fund Balances - Beginning	<u>636</u>	<u>636</u>	<u>636</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 7,970</u>	<u>\$ 4,480</u>	<u>\$ (9,397)</u>	<u>\$ (13,877)</u>

City of Mesa, Arizona
Supplemental Information
Budgetary Comparison Schedule (Non-GAAP Basis)
Highway User Revenue Fund
For the Fiscal Year Ended June 30, 2021
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual - Budgetary Basis</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 38,210	\$ 38,210	\$ 45,049	\$ 6,839
Investment Income	2	2	446	444
Total Revenues	<u>38,212</u>	<u>38,212</u>	<u>45,495</u>	<u>7,283</u>
Expenditures:				
Current:				
Community Environment	17,767	16,590	15,537	1,053
Capital Outlay	<u>18,589</u>	<u>19,603</u>	<u>4,143</u>	<u>15,460</u>
Total Expenditures	<u>36,356</u>	<u>36,193</u>	<u>19,680</u>	<u>16,513</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,856</u>	<u>2,019</u>	<u>25,816</u>	<u>23,797</u>
Other Financing Uses:				
Transfers Out	-	(12,600)	(12,472)	128
Total Other Financing Uses	<u>-</u>	<u>(12,600)</u>	<u>(12,472)</u>	<u>128</u>
Net Change in Fund Balances	1,856	(10,581)	13,344	23,925
Fund Balances - Beginning	<u>17,854</u>	<u>17,854</u>	<u>17,854</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 19,710</u>	<u>\$ 7,273</u>	<u>\$ 31,197</u>	<u>\$ 23,925</u>

City of Mesa, Arizona
Supplemental Information
Budgetary Comparison Schedule (Non-GAAP Basis)
Mesa Housing Authority
For the Fiscal Year Ended June 30, 2021
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual - Budgetary Basis</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 35,456	\$ 35,456	21,160	\$ (14,296)
Investment Income	64	64	1	(63)
Total Revenues	<u>35,520</u>	<u>35,520</u>	<u>21,161</u>	<u>(14,359)</u>
Expenditures:				
Current:				
General Government	16	16	-	16
Community Environment	34,860	38,165	21,707	16,458
Capital Outlay	943	953	305	648
Total Expenditures	<u>35,819</u>	<u>39,134</u>	<u>22,012</u>	<u>17,122</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(299)</u>	<u>(3,614)</u>	<u>(850)</u>	<u>2,764</u>
Other Financing Sources (Uses):				
Transfers In	-	-	436	436
Transfers Out	-	-	(395)	(395)
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>41</u>	<u>41</u>
Net Change in Fund Balances	(299)	(3,614)	(809)	2,805
Fund Balances - Beginning	<u>(414)</u>	<u>(414)</u>	<u>(414)</u>	<u>-</u>
Fund Balance - Ending	<u>\$ (712)</u>	<u>\$ (4,028)</u>	<u>\$ (1,223)</u>	<u>\$ 2,805</u>

City of Mesa, Arizona
Supplemental Information
Budgetary Comparison Schedule (Non-GAAP Basis)
Public Safety Sales Tax
For the Fiscal Year Ended June 30, 2021
(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	\$ 25,605	\$ 25,605	\$ 31,640	\$ 6,035
Investment Income	-	-	492	492
Total Revenues	<u>25,605</u>	<u>25,605</u>	<u>32,132</u>	<u>6,527</u>
Expenditures:				
Current:				
Public Safety	16,166	14,979	11,756	3,223
Capital Outlay	<u>9,864</u>	<u>10,713</u>	<u>1,323</u>	<u>9,390</u>
Total Expenditures	<u>26,030</u>	<u>25,693</u>	<u>13,079</u>	<u>12,614</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(425)</u>	<u>(88)</u>	<u>19,053</u>	<u>19,140</u>
Net Change in Fund Balances	(425)	(88)	19,053	19,140
Fund Balances - Beginning	<u>25,476</u>	<u>25,476</u>	<u>25,476</u>	-
Fund Balance - Ending	<u>\$ 25,051</u>	<u>\$ 25,389</u>	<u>\$ 44,529</u>	<u>\$ 19,140</u>

City of Mesa, Arizona
Supplemental Information
Budgetary Comparison Schedule (Non-GAAP Basis)
Quality of Life Sales Tax
For the Fiscal Year Ended June 30, 2021
(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	\$ 25,605	\$ 25,605	\$ 31,651	\$ 6,046
Licenses and Permits	-	-	125	125
Investment Income	-	-	252	252
Total Revenues	<u>25,605</u>	<u>25,605</u>	<u>32,028</u>	<u>6,423</u>
Expenditures:				
Current:				
Public Safety	<u>25,605</u>	<u>25,605</u>	<u>25,605</u>	<u>-</u>
Total Expenditures	<u>25,605</u>	<u>25,605</u>	<u>25,605</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>6,423</u>	<u>6,423</u>
Net Change in Fund Balances	-	-	6,423	6,423
Fund Balances - Beginning	<u>11,115</u>	<u>11,115</u>	<u>11,115</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 11,115</u>	<u>\$ 11,115</u>	<u>\$ 17,538</u>	<u>\$ 6,423</u>

City of Mesa, Arizona
Supplemental Information
Budgetary Comparison Schedule (Non-GAAP Basis)
Street Sales Tax
For the Fiscal Year Ended June 30, 2021
(in thousands)

	<u>Budgeted Amounts</u>		Actual - Budgetary Basis	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Sales Taxes	\$ 30,727	\$ 30,727	\$ 37,982	\$ 7,255
Licenses and Permits	222	222	245	23
Intergovernmental	-	-	421	421
Charges for Services	400	400	1,281	881
Investment Income	170	170	799	629
Miscellaneous Revenues	372	372	291	(81)
Total Revenues	<u>31,891</u>	<u>31,891</u>	<u>41,019</u>	<u>9,128</u>
Expenditures:				
Current:				
General Government	3,788	3,812	3,028	784
Public Safety	444	397	285	112
Community Environment	24,399	24,058	22,351	1,707
Capital Outlay	32,911	33,154	11,569	21,585
Total Expenditures	<u>61,542</u>	<u>61,421</u>	<u>37,234</u>	<u>24,187</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(29,651)</u>	<u>(29,530)</u>	<u>3,784</u>	<u>33,314</u>
Net Change in Fund Balances	(29,651)	(29,530)	3,784	33,314
Fund Balances - Beginning	<u>44,682</u>	<u>44,682</u>	<u>44,682</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 15,031</u>	<u>\$ 15,152</u>	<u>\$ 48,467</u>	<u>\$ 33,314</u>

City of Mesa, Arizona
Supplemental Information
Budgetary Comparison Schedule (Non-GAAP Basis)
Streets
For the Fiscal Year Ended June 30, 2021
(in thousands)

	<u>Budgeted Amounts</u>		Actual - Budgetary Basis	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 3,774	\$ 3,774	\$ 9,875	\$ 6,101
Charges for Services	-	-	6	6
Investment Income	-	-	720	720
Miscellaneous Revenues	-	-	198	198
Total Revenues	<u>3,774</u>	<u>3,774</u>	<u>10,799</u>	<u>7,025</u>
Expenditures:				
Debt Service:				
Cost of Issuance	392	407	167	240
Capital Outlay	68,897	68,897	26,069	42,828
Total Expenditures	<u>69,289</u>	<u>69,304</u>	<u>26,236</u>	<u>43,068</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(65,515)</u>	<u>(65,530)</u>	<u>(15,437)</u>	<u>50,093</u>
Other Financing Sources (Uses):				
Transfers Out	-	90	(89)	179
Face Amount of Bonds Issued	-	47,193	20,498	26,695
Premium on Issuance of Bonds (Net)	-	-	926	(926)
Total Other Financing Uses	<u>-</u>	<u>47,283</u>	<u>21,335</u>	<u>25,948</u>
Net Change in Fund Balances	(65,515)	(18,247)	5,898	24,145
Fund Balances - Beginning	<u>50,496</u>	<u>50,496</u>	<u>50,496</u>	<u>-</u>
Fund Balance - Ending	<u>\$ (15,019)</u>	<u>\$ 32,250</u>	<u>\$ 56,394</u>	<u>\$ 24,145</u>





statistical section

COMPREHENSIVE ANNUAL
FINANCIAL REPORT 2021



FOR THE FISCAL YEAR ENDED | JUNE 30, 2021

STATISTICAL SECTION

This part of the City of Mesa’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	136
Revenue Capacity These schedules contain information to help readers assess the City’s most significant local revenue source, the sales tax.	148
Debt Capacity These schedules present information to help the reader assess the affordability of the City’s current level of outstanding debt and the City’s ability to issue additional debt in the future.	151
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	159
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	161

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>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
GOVERNMENTAL ACTIVITIES				
Net Investment in Capital Assets	\$ 1,184,908	\$ 1,075,182	\$ 1,038,928	\$ 1,019,888
Restricted	203,284	143,839	103,164	88,305
Unrestricted	<u>(841,670)</u>	<u>(833,300)</u>	<u>(834,016)</u>	<u>(858,392)</u>
Total Governmental Activities Net Position	<u>\$ 546,522</u>	<u>\$ 385,721</u>	<u>\$ 308,076</u>	<u>\$ 249,801</u>
BUSINESS-TYPE ACTIVITIES				
Net Investment in Capital Assets	\$ 30,965	\$ 213,576	\$ 170,427	\$ 266,012
Restricted	70,940	63,113	47,857	40,440
Unrestricted	<u>318,490</u>	<u>252,261</u>	<u>350,006</u>	<u>199,531</u>
Total Business-type Activities	<u>\$ 420,395</u>	<u>\$ 528,950</u>	<u>\$ 568,290</u>	<u>\$ 505,983</u>
PRIMARY GOVERNMENT				
Net Investment in Capital Assets	\$ 1,215,873	\$ 1,288,758	\$ 1,209,355	\$ 1,285,900
Restricted	274,224	206,952	151,021	128,745
Unrestricted	<u>(523,180)</u>	<u>(581,039)</u>	<u>(484,010)</u>	<u>(658,861)</u>
Total Primary Government	<u>\$ 966,917</u>	<u>\$ 914,671</u>	<u>\$ 876,366</u>	<u>\$ 755,784</u>

Table I
(Concluded)

<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
\$ 986,354	\$ 965,148	\$ 932,660	\$ 866,332	\$ 902,397	\$ 913,702
88,721	81,941	72,170	60,555	56,719	41,257
<u>(711,367)</u>	<u>(666,986)</u>	<u>(666,758)</u>	<u>(120,803)</u>	<u>(184,355)</u>	<u>(96,986)</u>
<u>\$ 363,708</u>	<u>\$ 380,103</u>	<u>\$ 338,072</u>	<u>\$ 806,084</u>	<u>\$ 774,761</u>	<u>\$ 857,973</u>
\$ 247,598	\$ 302,521	\$ 327,743	\$ 393,720	\$ 346,352	\$ 412,016
43,046	49,139	47,576	43,023	37,795	69,739
<u>228,160</u>	<u>158,756</u>	<u>160,934</u>	<u>178,702</u>	<u>271,619</u>	<u>254,189</u>
<u>\$ 518,804</u>	<u>\$ 510,416</u>	<u>\$ 536,253</u>	<u>\$ 615,445</u>	<u>\$ 655,766</u>	<u>\$ 735,944</u>
\$ 1,233,952	\$ 1,267,669	\$ 1,260,403	\$ 1,260,052	\$ 1,248,749	\$ 1,325,718
131,767	131,080	119,746	103,578	94,514	110,996
<u>(483,207)</u>	<u>(508,230)</u>	<u>(505,824)</u>	<u>57,899</u>	<u>87,264</u>	<u>157,203</u>
<u>\$ 882,512</u>	<u>\$ 890,519</u>	<u>\$ 874,325</u>	<u>\$ 1,421,529</u>	<u>\$ 1,430,527</u>	<u>\$ 1,593,917</u>

City of Mesa, Arizona
Table II
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(in thousands)

EXPENSES	2020-21	2019-20	2018-19	2017-18
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 175,608	\$ 134,299	\$ 119,819	\$ 105,140
Public Safety	409,549	384,800	355,752	334,905
Community Environment	172,840	152,847	119,506	113,916
Cultural-Recreational	66,020	62,014	58,345	54,828
Interest on Long-term Debt	18,201	17,841	18,078	19,514
Total Governmental Activities Expenses	842,218	751,801	671,500	628,303
BUSINESS-TYPE ACTIVITIES:				
Electric	30,259	25,028	22,475	25,573
Gas	41,386	29,096	33,124	31,636
Water	126,797	128,244	103,821	101,005
Wastewater	77,488	80,548	57,468	74,157
Solid Waste	45,848	41,719	38,524	37,988
Airport	5,958	6,004	5,029	5,308
Golf Course	-	1,233	2,117	1,965
Convention Center	-	4,150	4,413	4,481
Hohokam Stadium/Fitch Complex	-	2,615	2,748	3,174
Cubs Stadium	-	408	7,867	5,870
District Cooling	1,299	1,163	1,186	1,181
Interest on Long-term Debt	-	-	-	-
Total Business-type Activities Expenses	329,035	320,208	278,772	292,338
Total Primary Government Expenses	\$ 1,171,253	\$ 1,072,009	\$ 950,272	\$ 920,641

Table II
(Continued)

<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
\$ 101,301	\$ 96,860	\$ 102,396	\$ 103,819	\$ 105,410	\$ 57,472
379,505	305,376	302,633	277,614	287,451	287,918
104,173	117,120	101,531	125,700	129,164	97,593
55,739	54,967	52,430	49,275	61,717	57,171
19,279	20,424	23,939	24,431	23,443	21,631
<u>659,997</u>	<u>594,747</u>	<u>582,929</u>	<u>580,839</u>	<u>607,185</u>	<u>521,785</u>
26,561	27,647	28,495	30,044	28,897	29,751
37,109	31,549	32,104	35,020	35,653	34,275
95,608	95,574	101,863	93,871	103,432	74,162
71,782	73,877	71,161	65,637	91,739	68,540
37,911	36,586	36,979	32,908	33,694	32,485
5,125	4,865	2,863	4,343	4,300	3,737
2,028	2,575	2,210	2,555	3,353	2,589
4,711	4,252	3,715	3,060	3,946	3,486
3,687	2,913	1,200	2,879	9,094	8,525
6,042	5,271	8,581	6,201	-	54
1,268	1,182	885	1,153	1,081	974
-	-	4,124	-	3,653	-
<u>291,832</u>	<u>286,291</u>	<u>294,180</u>	<u>277,671</u>	<u>318,842</u>	<u>258,578</u>
<u>\$ 951,829</u>	<u>\$ 881,038</u>	<u>\$ 877,109</u>	<u>\$ 858,510</u>	<u>\$ 926,027</u>	<u>\$ 780,363</u>

City of Mesa, Arizona
Table II (Continued)
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(in thousands)

PROGRAM REVENUES	2020-21	2019-20	2018-19	2017-18
GOVERNMENTAL ACTIVITIES:				
Charges for services:				
Licenses and Permits	\$ 42,635	\$ 24,126	\$ 23,812	\$ 25,119
Charges for Services	41,394	40,489	43,214	40,222
Fines and Forfeitures	8,573	9,253	10,838	10,436
Other activities	8,145	3,791	3,439	2,979
Operating Grants and Contributions	100,923	70,633	25,326	34,446
Capital Grants and Contributions	10,696	24,719	13,780	23,618
Total Governmental Activities Program Revenues	212,366	173,011	120,409	136,820
BUSINESS-TYPE ACTIVITIES:				
Charges for services:				
Electric	32,666	29,855	29,986	31,425
Gas	45,141	39,986	43,547	39,171
Water	169,473	152,266	144,896	147,667
Wastewater	87,573	81,464	84,220	83,078
Solid Waste	64,344	63,267	62,432	60,522
Airport	4,007	4,018	4,339	3,983
Golf Course	-	-	1,608	1,635
Convention Center	-	2,595	3,153	2,809
Hohokam Stadium/Fitch Complex	-	40	75	51
Cubs Stadium	-	221	250	238
District Cooling	1,158	1,143	1,148	1,215
Economic Investment	-	-	-	-
Operating Grants and Contributions	452	1,632	2,316	2,406
Capital Grants and Contributions	34,719	35,896	19,692	23,474
Total Business-type Activities Program Revenues	439,533	412,383	397,662	397,674
Total Primary Government Program Revenues	\$ 651,899	\$ 585,394	\$ 518,071	\$ 534,494
NET (EXPENSE) REVENUE				
Governmental Activities	\$ (629,852)	\$ (578,790)	\$ (551,091)	\$ (491,483)
Business-type Activities	110,498	92,175	118,890	105,336
Total Primary Government Net Expense	\$ (519,354)	\$ (486,615)	\$ (432,201)	\$ (386,147)

Table II
(Continued)

<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
\$ 23,152	\$ 23,254	\$ 20,892	\$ 18,797	\$ 17,693	\$ 13,359
38,348	38,178	36,260	32,106	27,675	25,779
9,873	11,049	10,505	9,890	9,885	11,294
1,330	9,385	5,741	400	2,945	18
26,955	26,361	26,418	29,514	55,312	60,355
24,451	35,925	75,907	20,714	25,049	23,503
124,109	144,152	175,723	111,421	138,559	134,308
33,534	32,254	33,601	31,198	31,075	34,625
39,752	38,962	39,422	38,600	39,125	39,139
138,335	130,674	121,205	112,003	111,933	113,418
79,056	79,523	77,172	66,457	64,413	64,544
58,117	55,354	52,748	47,452	47,369	47,631
3,846	3,623	3,454	3,813	3,484	3,271
1,545	1,645	1,737	1,622	1,472	2,169
3,299	2,798	2,475	2,057	2,597	2,122
54	63	2	36	5,496	6,074
291	201	202	174	-	825
1,231	1,234	1,274	1,142	975	1,092
-	-	-	-	148	-
158	267	157	9,056	9,401	2,126
28,711	16,929	18,107	17,331	7,997	15,814
387,929	363,527	351,556	330,941	325,485	332,850
\$ 512,038	\$ 507,679	\$ 527,279	\$ 442,362	\$ 464,044	\$ 467,158
\$ (535,888)	\$ (450,595)	\$ (407,206)	\$ (469,418)	\$ (468,626)	\$ (387,477)
96,097	77,236	57,376	53,270	6,643	74,272
\$ (439,791)	\$ (373,359)	\$ (349,830)	\$ (416,148)	\$ (461,983)	\$ (313,205)

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>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
GOVERNMENTAL ACTIVITIES:				
Sales Taxes	\$ 253,825	\$ 219,932	\$ 189,871	\$ 169,024
Property Taxes	47,247	45,068	36,013	35,571
Occupancy Taxes	3,990	2,564	3,246	2,628
Unrestricted Intergovernmental Revenues	206,397	183,189	175,278	167,540
Contributions Not Restricted to Specific Programs	19,052	36,912	65,189	80,312
Investment Income	2,308	16,002	13,729	1,912
Miscellaneous	21,315	16,374	11,531	5,418
Gain (Loss) on Sale of Capital Assets	17,229	-	(27)	(2,462)
Transfers	113,982	136,394	114,535	116,006
Total Governmental Activities	<u>685,345</u>	<u>656,435</u>	<u>609,365</u>	<u>575,949</u>
BUSINESS-TYPE ACTIVITIES:				
Occupancy Taxes	-	1,459	1,602	1,192
Investment Income	45	7,618	8,004	1,691
Gain (Loss) on Sale of Capital Assets	-	(801)	44,056	261
Miscellaneous	192	(3,397)	4,290	1,915
Transfers	(113,982)	(136,394)	(114,535)	(116,006)
Total Business-type Activities	<u>(113,745)</u>	<u>(131,515)</u>	<u>(56,583)</u>	<u>(110,947)</u>
Total Primary Government	<u>\$ 571,600</u>	<u>\$ 524,920</u>	<u>\$ 552,782</u>	<u>\$ 465,002</u>
Change in Net Position				
Governmental Activities	\$ 55,493	\$ 77,645	\$ 58,275	\$ 84,466
Business-type Activities	(3,247)	(39,340)	62,307	(5,611)
Total Primary Government	<u>\$ 52,246</u>	<u>\$ 38,305</u>	<u>\$ 120,582</u>	<u>\$ 78,855</u>

Table II
(Concluded)

<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
\$ 159,735	\$ 151,826	\$ 146,337	\$ 140,567	\$ 137,280	\$ 126,644
34,684	33,825	33,241	22,549	14,354	14,234
2,536	2,331	2,081	1,919	1,903	2,019
158,916	149,350	145,266	135,075	104,462	86,103
46,817	44,928	47,761	88,646	49,569	17,171
448	2,210	1,786	966	1,692	1,503
11,161	6,008	7,844	5,550	7,424	8,939
(1,411)	-	-	-	-	-
<u>106,607</u>	<u>102,148</u>	<u>94,427</u>	<u>109,520</u>	<u>83,615</u>	<u>83,615</u>
<u>519,493</u>	<u>492,626</u>	<u>478,743</u>	<u>504,792</u>	<u>400,299</u>	<u>340,228</u>
1,085	1,161	999	851	825	-
983	3,020	1,141	1,453	860	850
16,364	(6,145)	5,157	18,697	-	-
466	1,039	233	288	-	-
<u>(106,607)</u>	<u>(102,148)</u>	<u>(94,427)</u>	<u>(109,520)</u>	<u>(83,615)</u>	<u>(83,615)</u>
<u>(87,709)</u>	<u>(103,073)</u>	<u>(86,897)</u>	<u>(88,231)</u>	<u>(81,930)</u>	<u>(82,765)</u>
<u>\$ 431,784</u>	<u>\$ 389,553</u>	<u>\$ 391,846</u>	<u>\$ 416,561</u>	<u>\$ 318,369</u>	<u>\$ 257,463</u>
\$ (16,395)	\$ 42,031	\$ 71,537	\$ 35,374	\$ (68,327)	\$ (47,249)
<u>8,388</u>	<u>(25,837)</u>	<u>(29,521)</u>	<u>(34,961)</u>	<u>(75,287)</u>	<u>(8,493)</u>
<u>\$ (8,007)</u>	<u>\$ 16,194</u>	<u>\$ 42,016</u>	<u>\$ 413</u>	<u>\$ (143,614)</u>	<u>\$ (55,742)</u>

City of Mesa, Arizona
Table III
Fund Balance, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(in thousands)

	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
GENERAL FUND				
Nonspendable	2,680	\$ 2,301	\$ 794	\$ 2,304
Restricted	-	-	26	-
Committed	18,529	19,910	14,016	10,377
Assigned	79,024	42,515	30,869	28,346
Unassigned	<u>188,375</u>	<u>130,342</u>	<u>90,190</u>	<u>89,347</u>
Total General Fund	<u>\$ 288,608</u>	<u>\$ 195,068</u>	<u>\$ 135,895</u>	<u>\$ 130,374</u>
ALL OTHER GOVERNMENTAL FUNDS				
Nonspendable	928	\$ 576	\$ 1,196	\$ 135
Restricted (1)	274,623	184,980	159,745	132,462
Committed	66,679	63,866	57,432	41,641
Assigned	897	786	459	22
Unassigned	<u>(11,517)</u>	<u>(1,043)</u>	<u>(134)</u>	<u>(176)</u>
Total All Other Governmental Funds	<u>\$ 331,610</u>	<u>\$ 249,165</u>	<u>\$ 218,698</u>	<u>\$ 174,084</u>

(1) 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>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
\$ 2,145	\$ 4,035	\$ 3,490	\$ 2,956	\$ 1,724	\$ 754
146	184	184	188	284	2,012
528	227	126	1,484	1,185	4,992
19,367	10,703	-	-	-	-
92,240	79,657	74,145	72,683	50,426	78,035
<u>\$ 114,426</u>	<u>\$ 94,806</u>	<u>\$ 77,945</u>	<u>\$ 77,311</u>	<u>\$ 53,619</u>	<u>\$ 85,793</u>
\$ 37	\$ 77	\$ 138	\$ 23	\$ 55	\$ 84
112,105	95,701	172,316	190,609	243,831	211,279
30,928	28,580	30,092	21,379	23,005	16,360
2	6	-	-	-	-
(69)	(155)	(31)	(675)	(1,177)	(1)
<u>\$ 143,003</u>	<u>\$ 124,209</u>	<u>\$ 202,515</u>	<u>\$ 211,336</u>	<u>\$ 265,714</u>	<u>\$ 227,722</u>

City of Mesa, Arizona
Table IV
Fund Balance, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(in thousands)

	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>
REVENUES					
Sales Taxes (1)	\$ 253,825	\$ 219,932	\$ 189,871	\$ 169,024	\$ 159,735
Property Taxes	47,253	44,970	36,005	35,616	34,675
Occupancy Taxes	3,990	2,564	3,246	2,628	2,536
Special Assessments	1,832	1,661	1,274	1,174	2,125
Licenses and Permits	42,635	24,126	23,812	25,119	23,152
Intergovernmental	316,871	277,396	213,051	223,800	200,820
Charges for Services	41,394	40,489	43,214	40,222	38,348
Fines and Forfeitures	8,573	9,253	10,838	10,436	9,873
Investment Income	2,287	14,026	10,840	1,608	331
Contributions	130	2,295	255	429	360
Miscellaneous	7,036	9,487	6,688	5,547	4,348
Total Revenues	<u>725,826</u>	<u>646,199</u>	<u>539,094</u>	<u>515,603</u>	<u>476,303</u>
EXPENDITURES					
Current					
General Government	98,423	96,141	98,009	90,209	86,360
Public Safety	308,271	291,674	277,313	266,459	261,892
Community Environment	127,421	90,207	76,623	73,404	68,403
Cultural-Recreational	45,596	47,639	48,636	46,143	43,744
Debt Service					
Principal	45,793	46,929	39,511	34,738	32,587
Interest	17,443	18,208	18,185	18,477	17,994
Service Charges	14	14	19	14	15
Cost of Issuance	2,038	838	874	1,023	1,271
Capital Outlay	156,985	120,602	92,637	76,279	82,062
Total Expenditures	<u>801,984</u>	<u>712,252</u>	<u>651,807</u>	<u>606,746</u>	<u>594,328</u>
Excess of Revenues Under Expenditures	<u>(76,158)</u>	<u>(66,053)</u>	<u>(112,713)</u>	<u>(91,143)</u>	<u>(118,025)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	185,897	163,801	147,590	176,572	139,516
Transfers Out	(71,915)	(27,407)	(33,055)	(66,208)	(31,931)
Sale of Capital Asset	21,597	-	-	-	-
Face Amount of Bonds Issued	106,637	18,361	47,008	26,745	47,682
Face Amount of Notes Issued	-	-	-	-	-
Premium on Issuance of Bonds (Net)	20,193	938	1,305	1,063	4,613
Premium on Issuance of Notes	-	-	-	-	-
Issuance of Refunding Bonds	38,395	-	-	-	47,450
Payment to Refunding Bond Agent	(48,661)	-	-	-	(50,891)
Total Other Financing Sources (Uses)	<u>252,143</u>	<u>155,693</u>	<u>162,848</u>	<u>138,172</u>	<u>156,439</u>
Net Change in Fund Balances	<u>\$ 175,985</u>	<u>\$ 89,640</u>	<u>\$ 50,135</u>	<u>\$ 47,029</u>	<u>\$ 38,414</u>
Debt Service as a percentage of Noncapital Expenditures	9.08%	10.39%	10.07%	10.03%	9.88%

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

Table IV
(Concluded)

<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
\$ 151,826	\$ 146,337	\$ 140,567	\$ 137,280	\$ 126,644
34,765	34,022	22,500	14,404	14,323
2,331	2,081	1,919	1,903	2,019
1,433	1,264	1,062	897	996
23,254	20,892	18,797	17,693	13,359
191,360	185,529	185,303	184,823	168,433
38,178	36,260	32,106	27,675	25,779
11,049	10,505	9,890	9,885	11,294
1,483	1,793	589	1,501	1,284
961	1,344	1,212	2,264	-
3,994	6,587	4,524	5,940	7,573
<u>460,634</u>	<u>446,614</u>	<u>418,469</u>	<u>404,265</u>	<u>371,704</u>
79,448	81,066	75,077	74,596	41,083
254,528	243,570	231,364	226,677	226,429
65,559	60,512	56,573	55,197	64,404
43,651	40,365	38,788	37,787	43,904
107,383	28,367	71,015	31,519	25,513
18,905	23,269	23,704	23,433	22,643
14	13	-	10	8
1,505	657	727	1,448	870
91,784	74,150	102,657	91,537	66,951
<u>662,777</u>	<u>551,969</u>	<u>599,905</u>	<u>542,204</u>	<u>491,805</u>
<u>(202,143)</u>	<u>(105,355)</u>	<u>(181,436)</u>	<u>(137,939)</u>	<u>(120,101)</u>
122,572	123,044	141,909	147,818	121,459
(24,298)	(45,324)	(32,389)	(64,203)	(38,136)
-	-	-	-	-
46,530	18,999	40,800	62,672	27,290
-	-	-	-	77,835
2,283	2,952	430	3,681	8,027
-	-	-	-	8,250
43,304	17,555	-	17,415	67,238
(49,693)	(20,058)	-	(19,889)	(74,127)
<u>140,698</u>	<u>97,168</u>	<u>150,750</u>	<u>147,494</u>	<u>197,836</u>
<u>\$ (61,445)</u>	<u>\$ (8,187)</u>	<u>\$ (30,686)</u>	<u>\$ 9,555</u>	<u>\$ 77,735</u>
22.12%	10.81%	19.05%	12.20%	11.34%

City of Mesa, Arizona
Table V
Sales Tax Collections by Category
Last Ten Fiscal Years
(in thousands)

	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>
Retail Sales	\$ 143,435	\$ 115,525	\$ 95,806	\$ 84,640	\$ 79,716
Rentals	38,149	35,885	31,754	28,003	26,340
Utilities	17,511	16,287	14,964	14,199	13,575
Restaurants & Bars	21,716	19,345	17,961	16,065	15,002
Communications	4,730	5,162	4,365	3,876	4,432
Amusements	1,351	1,755	1,941	1,624	1,581
Publishing	477	463	408	362	526
Miscellaneous	1,154	1,131	943	986	1,313
Printing & Advertising	479	495	507	413	446
Contracting	24,821	23,867	21,222	18,856	16,806
Total	<u>\$ 253,823</u>	<u>\$ 219,915</u>	<u>\$ 189,871</u>	<u>\$ 169,024</u>	<u>\$ 159,737</u>
City Direct Tax Rate (1)	2.00%	2.00%	2.00%	1.75%	1.75%

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

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

Source: City of Mesa Tax & Licensing Division

Table V
(Concluded)

<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
\$ 76,160	\$ 71,996	\$ 69,276	\$ 66,790	\$ 62,190
25,578	25,102	24,374	24,847	22,968
13,251	13,111	12,344	12,549	11,878
14,240	13,708	12,972	12,577	11,864
4,229	4,796	4,230	4,651	4,483
1,561	1,542	1,469	1,432	1,434
688	747	830	866	934
1,068	771	823	732	595
428	461	455	434	336
14,623	14,103	13,794	12,402	9,962
<u>\$ 151,826</u>	<u>\$ 146,337</u>	<u>\$ 140,567</u>	<u>\$ 137,280</u>	<u>\$ 126,644</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>
2011-12	1.75%	0.70%	6.60% (1)
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)
2019-20	2.00%	0.70%	5.60%
2020-21	2.00%	0.70%	5.60%

(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

Source: City of Mesa Tax & Licensing Office



City of Mesa, Arizona

Table VII

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

(in thousands)

	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
Governmental Activities				
General Obligation Bonds	\$ 353,434	\$ 334,609	\$ 370,479	\$ 365,519
Highway User Revenue Bonds	51,141	58,750	67,905	76,620
Excise Tax Revenue Obligation Bonds	42,078	-	49,025	4,902
Special Assessment Bonds	-	219	438	1,005
Community Facilities District	86,134	57,307	40,631	28,813
Capital Leases	-	-	-	-
Notes Payable	-	-	-	-
Business-type Activities				
Utility System Revenue Bonds	1,382,558	1,242,670	1,279,020	1,227,355
Utility Revenue Obligations	16,977	-	-	-
General Obligation Bonds	28	151	191	236
Notes Payable	1,285	1,431	1,574	1,714
Total Primary Government	<u>\$ 1,933,635</u>	<u>\$ 1,695,137</u>	<u>\$ 1,809,263</u>	<u>\$ 1,706,164</u>
Percentage of Personal Income (1)	12.10%	10.99%	12.26%	12.62%
Per Capita (1)	\$ 3,726	\$ 3,298	\$ 3,541	\$ 3,406

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

Table VII
(Concluded)

<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
\$ 374,443	\$ 350,560	\$ 336,716	\$ 344,040	\$ 324,682	\$ 288,669
84,995	92,895	100,285	107,705	114,650	121,395
94,060	94,060	94,060	94,060	94,060	-
1,340	2,085	2,830	3,574	4,318	5,062
19,172	19,315	10,974	5,897	2,712	-
-	-	-	72	140	822
-	-	77,835	77,835	122,835	122,835
1,161,755	1,063,710	1,007,455	991,995	978,160	952,500
-	-	-	-	-	-
191	390	474	605	887	1,601
1,851	1,985	2,116	2,244	2,370	2,493
<u>\$ 1,737,807</u>	<u>\$ 1,625,000</u>	<u>\$ 1,632,745</u>	<u>\$ 1,628,027</u>	<u>\$ 1,644,814</u>	<u>\$ 1,495,377</u>
13.74%	13.79%	14.42%	15.23%	15.87%	14.10%
\$ 3,525	\$ 3,421	\$ 3,534	\$ 3,578	\$ 3,697	\$ 3,390

City of Mesa, Arizona
Table VIII
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(in thousands)

Year	Secondary Assessed Value (1)	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Secondary Assessed Value	Per Capita (2)
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
2020	3,516,377	334,760	3,535	331,225	9.42%	644
2021	3,736,210	353,462	7,568	345,894	9.26%	666

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
June 30, 2021
(in thousands)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable to City of Mesa	
		Percent (1)	Amount
Debt repaid with property taxes			
Maricopa County Community College District	\$ 250,065	8.17%	20,442
Maricopa Special Health Care District	673,195	8.15%	54,891
Mesa Unified School District No. 4	320,500	86.58%	277,474
Gilbert Unified School District No. 41	132,715	26.93%	35,746
Queen Creek Unified School District No. 95	138,515	34.60%	47,933
Higley Unified School District No. 60	95,550	1.54%	1,470
Tempe Union High School District No. 213	82,360	0.32%	261
Tempe Elementary School District No. 3	138,845	0.76%	1,051
Eastmark Community Facilities District No. 1	53,240	100.00%	53,240
Eastmark Community Facilities District No. 2	2,315	100.00%	2,315
Cadence Community Facilities District	7,375	100.00%	7,375
Other Debt:			
Maricopa County	170,870	8.17%	13,968
Subtotal, overlapping debt			516,166
City direct debt (2)			532,788
Total Direct and Overlapping Debt			\$ 1,048,954

(1) Proportion applicable to the City is computed on the ratio of net assessed limited property valuation for fiscal year 2020/2021.

(2) Includes: General Obligation Bonds, Highway User Revenue Bonds, Excise Tax Revenue Obligations, Community Facilities District Bonds, and Unamortized Bond Premiums.

Source: Hilltop Securities Inc.

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>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
6% Limitation (1)				
Legal Debt Limitation	\$ 317,794	\$ 285,114	\$ 196,678	\$ 182,934
General Obligation Bonds Outstanding	<u>2,715</u>	<u>450</u>	<u>518</u>	<u>724</u>
Total Debt Margin Available	<u>\$ 315,079</u>	<u>\$ 284,664</u>	<u>\$ 196,160</u>	<u>\$ 182,210</u>
Total Net Debt Applicable to the 6% Limit as A Percentage of the 6% Legal Debt Limitation	0.85%	0.16%	0.26%	0.40%
20% Limitation (2)				
Legal Debt Limitation	\$ 1,059,313	\$ 950,381	\$ 655,593	\$ 609,779
General Obligation Bonds Outstanding	<u>331,690</u>	<u>334,609</u>	<u>370,152</u>	<u>365,031</u>
Total Debt Margin Available	<u>\$ 727,623</u>	<u>\$ 615,772</u>	<u>\$ 285,441</u>	<u>\$ 244,748</u>
Total Net Debt Applicable to the 20% Limit as A Percentage of the 20% Legal Debt Limitation	31.31%	35.21%	56.46%	59.86%
Total Margin Available	<u>\$ 1,042,702</u>	<u>\$ 900,436</u>	<u>\$ 481,601</u>	<u>\$ 426,958</u>
Full Cash Net Assessed Value	<u>\$ 5,296,564</u>	<u>\$ 4,751,903</u>	<u>\$ 4,329,347</u>	<u>\$ 3,983,671</u>

(1) Under Arizona law, cities can issue General Obligation Bonds for general municipal purposes up to an amount not exceeding 6 percent of the full cash net 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 the full cash net valuation.

Table X
(Concluded)

<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
\$ 173,297 846	\$ 165,475 1,047	\$ 169,270 1,275	\$ 153,578 605	\$ 166,225 175	\$ 189,857 1,370
<u>\$ 172,451</u>	<u>\$ 164,428</u>	<u>\$ 167,995</u>	<u>\$ 152,973</u>	<u>\$ 166,050</u>	<u>\$ 188,487</u>
0.49%	0.63%	0.75%	0.39%	0.11%	0.72%
\$ 577,658 373,909	\$ 551,583 349,903	\$ 564,235 343,370	\$ 511,927 344,040	\$ 554,084 300,735	\$ 632,855 288,900
<u>\$ 203,749</u>	<u>\$ 201,680</u>	<u>\$ 220,865</u>	<u>\$ 167,887</u>	<u>\$ 253,349</u>	<u>\$ 343,955</u>
64.73%	63.44%	60.86%	67.20%	54.28%	45.65%
<u>\$ 376,200</u>	<u>\$ 366,108</u>	<u>\$ 388,860</u>	<u>\$ 320,860</u>	<u>\$ 419,399</u>	<u>\$ 532,442</u>
<u>\$ 3,707,067</u>	<u>\$ 2,757,913</u>	<u>\$ 2,821,173</u>	<u>\$ 2,559,634</u>	<u>\$ 2,770,422</u>	<u>\$ 3,164,277</u>

City of Mesa, Arizona
Table XI
Pledged-Revenue Coverage
Last Ten Fiscal Years
(in thousands)

Fiscal Year	Operating Revenues (1)	Operating Expenses	Net Available Revenue	Debt Service		Coverage Ratio
				Principal	Interest	
Utility System Revenue Bonds						
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
2019-20	366,838	285,610	81,228	36,350	55,061	0.89
2020-21	399,197	273,305	125,892	41,770	51,098	1.36

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

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

(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.

Table XI
(Concluded)

	<u>Debt Service</u>				<u>Coverage Ratio</u>	<u>Debt Service</u>				<u>Coverage Ratio</u>
	<u>Revenues</u>	<u>Principal</u>	<u>Interest</u>			<u>Revenues</u>	<u>Principal</u>	<u>Interest</u>		
	Special Assessment Bonds					Community Facility District Bonds				
2011-12	996	744	297	0.96	-	-	-	-	-	
2012-13	897	744	257	0.90	-	-	7	-	-	
2013-14	861	744	217	0.90	195	65	131	0.99		
2014-15	827	744	178	0.90	672	232	456	0.98		
2015-16	790	745	138	0.89	1,320	489	832	1.00		
2016-17	1,041	745	98	1.23	1,612	645	914	1.03		
2017-18	289	335	68	0.72	2,261	984	1,197	1.04		
2018-19	261	567	49	0.42	3,010	2,125	1,690	0.79		
2019-20	288	219	19	1.21	4,324	1,685	2,321	1.08		
2020-21	232	219	6	1.03	5,940	2,881	3,029	1.01		
	Highway Project Advancement Notes					Excise Tax Revenue Obligations Series 2013				
2011-12	199,949	-	4,312	46.37	-	-	-	-	-	
2012-13	213,309	-	5,404	39.47	-	-	-	-	-	
2013-14	221,355	-	4,790	46.21	221,355	-	3,318	66.71		
2014-15	234,183	-	3,892	60.17	234,183	-	4,703	49.79		
2015-16	242,020	77,835	324	3.10	242,020	-	4,703	51.46		
2016-17	-	-	-	-	254,857	-	4,703	54.19		
2017-18	-	-	-	-	269,998	45,035	3,852	5.52		
2018-19	-	-	-	-	282,502	-	2,451	115.26		
2019-20	-	-	-	-	298,110	49,025	1,226	5.93		
2020-21	-	-	-	-	-	-	-	-	-	
	Highway User Revenue Fund Revenue Bonds					Excise Tax Revenue Obligations Series 2020				
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	-	-	-	-	-	
2019-20	42,099	9,155	3,243	3.40	-	-	-	-	-	
2020-21	45,049	9,645	2,796	3.62	354,315	645	861	235.27		

City of Mesa, Arizona

Table XII

Demographic and Economic Statistics

Last Ten Fiscal Years

<u>Year</u>	<u>Population</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Public School Enrollment (1)</u>	<u>Unemployment Rate (2)</u>
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%
2020	514,144	15,423,806	29,999	36.3	62,490	9.7%
2021	519,384	15,975,213	30,758	36.6	57,876	6.6%

Sources:

(1) Arizona Department of Education

(2) 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	2021			2012		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Mesa Unified School District 4	8,141	1	4.75%	8,042	2	3.96%
Banner Health	6,626	2	3.86%	8,287	1	4.08%
The Boeing Company	4,042	3	2.36%	4,700	3	2.31%
City of Mesa	3,782	4	2.21%	3,491	4	1.72%
Wal-Mart	3,269	5	1.91%	2,537	6	1.25%
Drivetime Automotive Group Inc	1,401	6	0.82%			
Frys Food Stores	1,359	7	0.79%	1,059	9	0.52%
Gilbert Unified School District 41	1,336	8	0.78%	1,230	8	0.61%
24/7 Intouch	1,200	9	0.70%			
The Home Depot	1,111	10	0.65%			
Maricopa County Government				2,644	5	1.30%
Maricopa Community College				1,951	7	0.96%
West Direct II Inc.				800	10	0.39%
Total	<u>32,267</u>		<u>18.82%</u>	<u>34,741</u>		<u>17.11%</u>

Source: City of Mesa Office of Economic Development

City of Mesa, Arizona

Table XIV

**Full-Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years**

Function/Program	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>
General Government	854	848	865	826	811	860
Police	1,263	1,290	1,212	1,189	1,189	1,155
Fire	619	580	546	522	518	492
Community Environment	194	187	189	195	194	189
Cultural-Recreational	313	320	340	315	289	599
Energy Resources	116	116	117	120	118	116
Water Resources	265	271	264	257	249	238
Environmental Management & Sustainability	148	147	147	148	147	138
Airport	11	11	12	11	11	11
Total	<u>3,782</u>	<u>3,770</u>	<u>3,690</u>	<u>3,582</u>	<u>3,526</u>	<u>3,798</u>

Source: City of Mesa Human Resources

Table XIV
(Concluded)

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

City of Mesa, Arizona
Table XV
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2020-21	2019-20	2018-19	2017-18
Police				
Major Crimes	12,132	11,716	11,559	12,347
Traffic Accidents	6,402	6,267	6,637	6,599
Fire				
Fires	1,428	1,113	1,004	1,144
Rescue or Emergency	55,878	54,478	54,139	53,183
False Alarms	1,190	1,210	1,373	1,087
Hazardous Conditions	543	518	505	471
Other Calls	12,464	15,520	14,337	11,536
Libraries				
Number of Registered Borrowers	85,827	106,062	117,974	119,489
Total Attendance	116,499	671,069	1,131,120	1,061,875
Access to Electronic Resources	980,380	1,073,373	1,159,536	1,131,101
Electric Connections	17,768	17,695	17,018	17,066
Gas Connections	71,624	76,888	65,993	63,969
Water				
Connections	175,042	175,232	157,000	146,172
Average Daily Consumption (mgd)*	84.66	89.77	78.66	79.26
Peak Daily Consumption (mg)**	124.77	118.93	117.77	122.51
Wastewater				
Connections	130,775	127,763	127,000	130,343
Average Daily Sewage Treatment (mgd)*	32.40	33.60	34.50	34.60
Solid Waste				
Customers Served	137,380	134,563	134,777	131,991
Refuse Collected (tons)	282,865	236,682	241,307	232,756
Recyclables Collected (tons)	33,323	33,566	32,227	32,367
Green Waste Collected (tons)	21,180	20,199	20,236	16,688
Falcon Field				
Average Number of Aircraft Based	821	724	752	717
Aircraft Operations (annual)	336,631	349,300	326,255	288,122

* mgd - millions of gallons per day

** mg - millions of gallons

Table XV
(Concluded)

<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
13,151	13,208	14,795	14,561	16,149	16,740
6,966	6,968	6,622	6,107	6,186	6,047
1,153	1,053	1,083	1,075	929	1,012
50,024	49,743	45,832	44,885	43,416	42,925
989	1,083	1,106	1,176	1,255	1,292
488	507	534	477	454	446
14,034	10,613	8,964	9,403	11,803	11,192
121,340	122,810	125,336	196,020	166,492	142,943
1,067,207	1,157,394	1,166,131	1,166,560	1,178,137	1,143,718
1,272,859	1,345,977	1,549,150	1,541,323	1,515,299	1,566,775
16,724	16,854	16,703	16,460	13,815	15,841
62,010	60,383	59,214	58,011	55,544	55,828
144,276	141,824	139,560	137,910	136,640	135,138
78.59	78.55	79.55	80.85	81.03	81.60
120.35	116.62	113.45	117.13	115.68	122.30
128,782	126,359	124,142	122,623	120,953	119,615
34.10	34.30	33.30	33.10	33.60	33.40
129,479	127,517	122,552	121,674	119,142	118,949
232,812	236,849	233,754	217,745	215,463	209,116
35,546	35,499	35,541	34,629	34,616	34,443
19,639	20,602	21,151	18,854	19,878	17,882
689	663	702	729	700	749
289,801	270,702	241,848	276,731	190,605	222,650

City of Mesa, Arizona
Table XVI
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

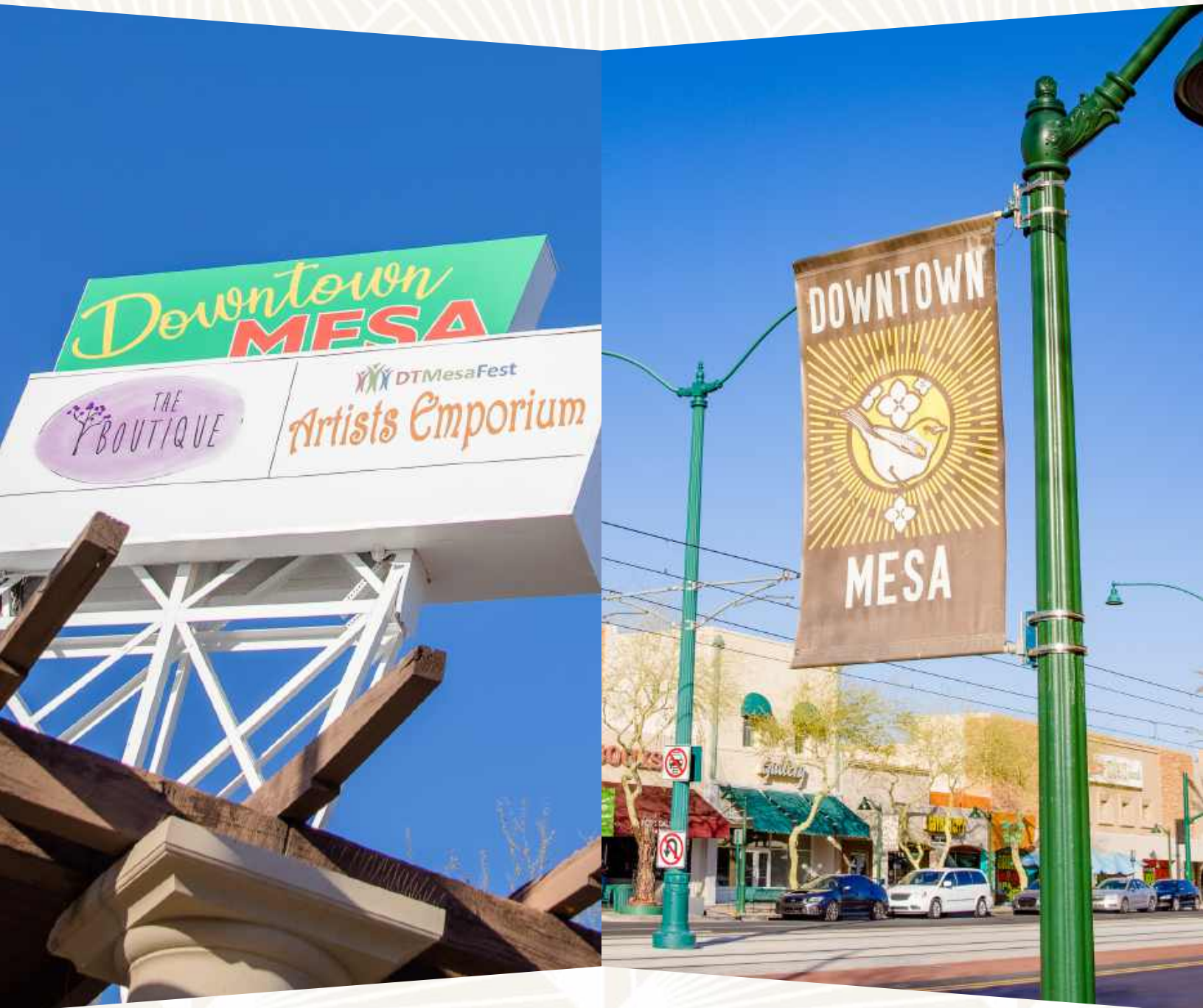
Function/Program	2020-21	2019-20	2018-19	2017-18
Police Stations				
Stations	8	8	8	8
Vehicular Patrol Units	298	300	287	281
Fire Stations	20	20	20	20
Libraries	3	4	4	4
Parks and Recreation				
Developed Parks (acres)	2,023	2,139	1,929	1,929
Undeveloped Acres	394	719	861	861
Swimming Pools	9	9	9	9
Recreation Facilities	6	6	6	5
Community Environment				
Streets (miles)				
Paved	1,625	1,485	1,482	1,476
Unpaved	1	1	1	82
Storm Sewers (miles)	405	402	398	397
Gas Mains (miles)	1,431	1,384	1,363	1,346
Water				
Mains (miles)	2,486	2,462	2,435	2,401
Storage Capacity (millions of gallons)	109	109	112	112
Wastewater				
Mains (miles)	1,827	1,789	1,788	1,784
Treatment Capacity (millions of gallons per day)	70	70	60	60
Solid Waste				
Collection Trucks	91	90	77	77
Golf Courses	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>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
8	8	8	8	6	5
281	287	292	291	267	267
20	20	20	20	20	19
4	4	4	4	4	4
2,300	1,901	1,901	1,232	1,177	1,553
475	633	633	1,157	1,104	705
9	9	9	9	9	9
5	4	4	4	6	6
1,387	1,427	1,427	1,418	1,307	1,303
82	1	1	1	1	1
394	423	423	440	432	438
1,325	1,311	1,311	1,256	1,256	1,240
2,398	2,364	2,364	2,315	2,284	2,270
112	112	112	125	125	125
1,778	1,781	1,781	1,677	1,677	1,652
60	60	60	60	60	60
75	73	74	72	72	70
1	1	1	1	1	1





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