

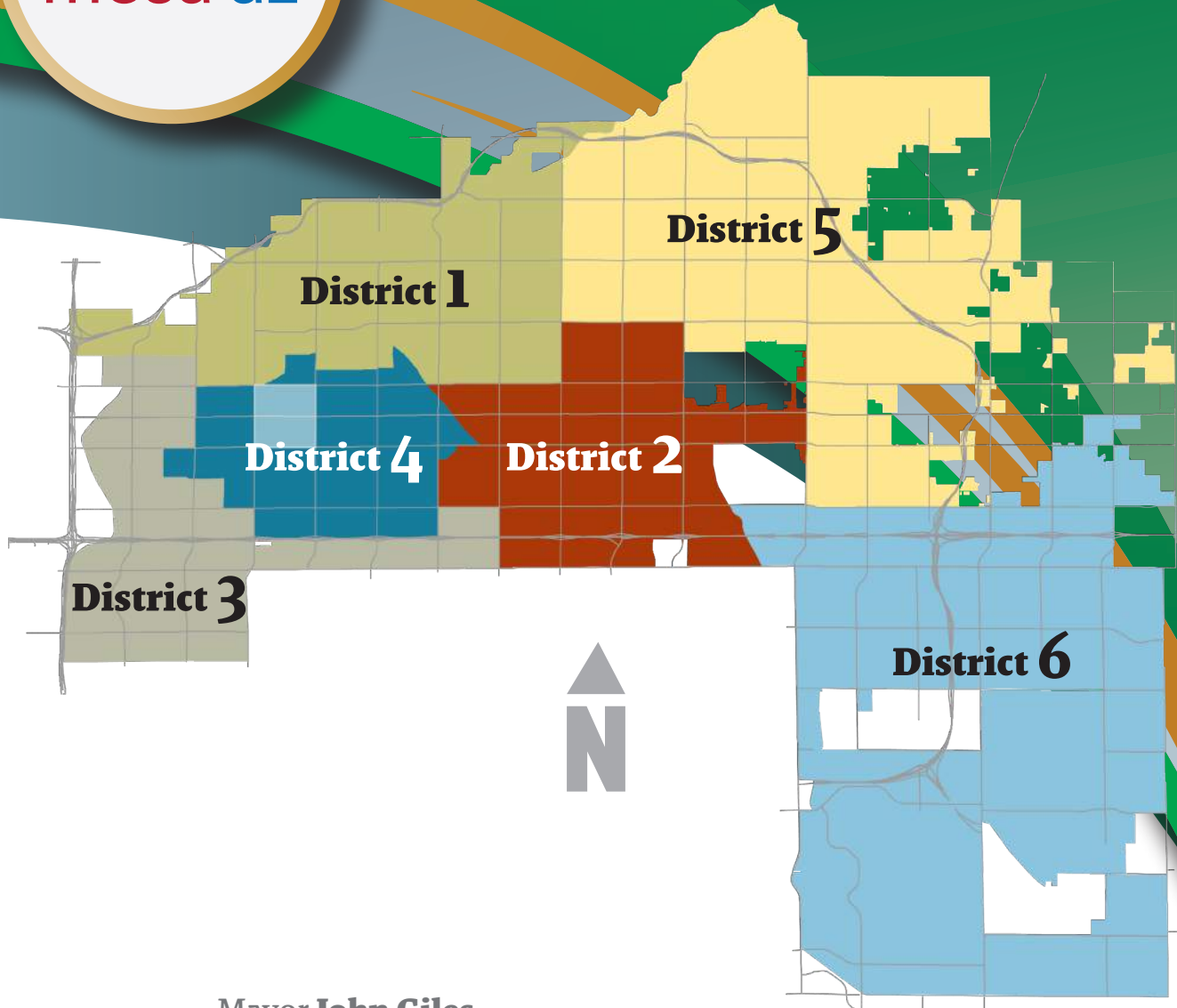


CITY of MESA, AZ

COMPREHENSIVE ANNUAL FINANCIAL REPORT



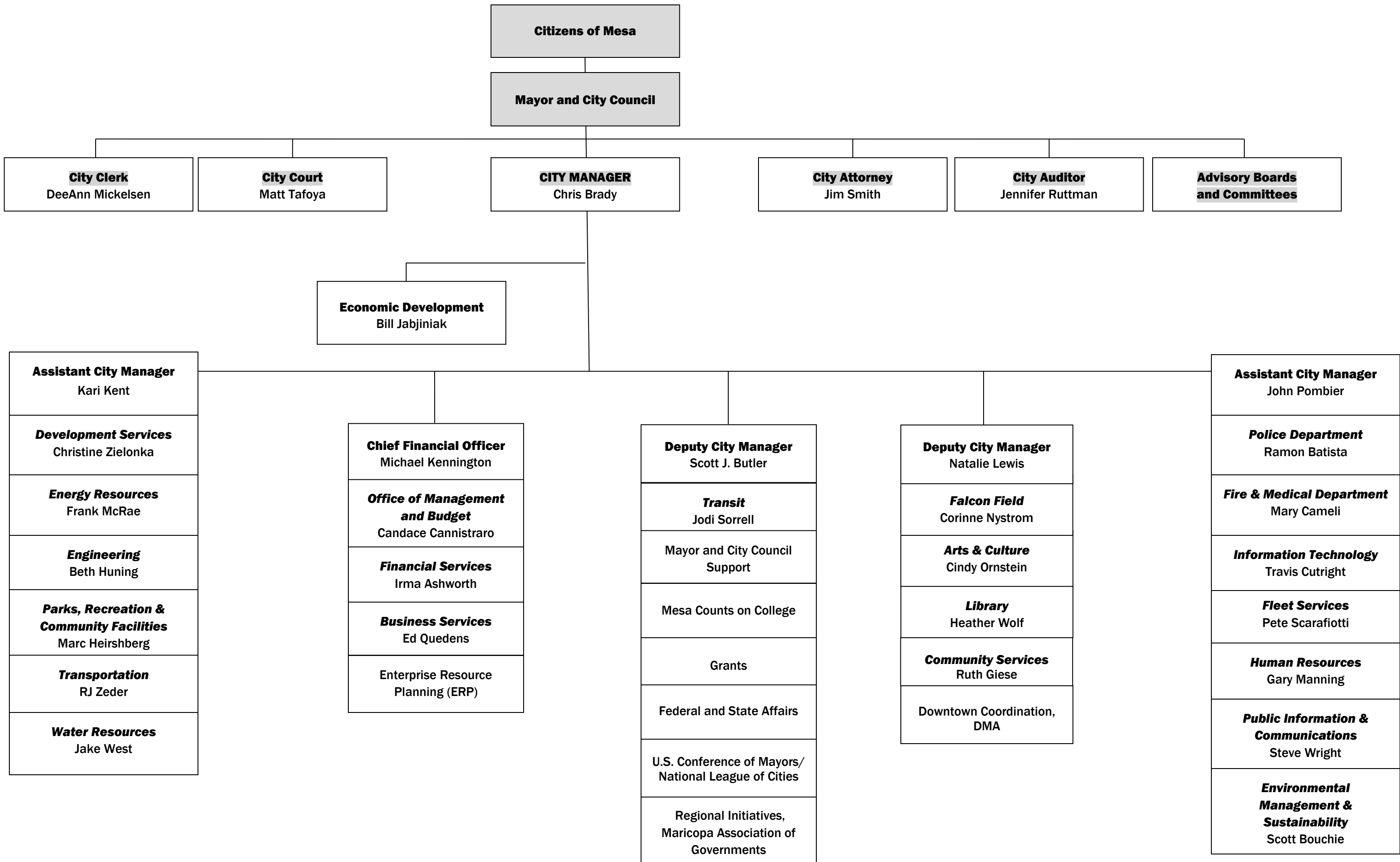
FOR THE FISCAL YEAR ENDED | **JUNE 30, 2018**



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

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

Prepared by: Financial Services Department
P.O. Box 1466 Mesa, Arizona 85211-1466 (480) 644-2275
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Citizens of Mesa

Mayor and City Council

City Clerk
DeeAnn Mickelsen

City Court
Matt Tafoya

CITY MANAGER
Chris Brady

City Attorney
Jim Smith

City Auditor
Jennifer Ruttman

**Advisory Boards
and Committees**

Economic Development
Bill Jabjiniak

Assistant City Manager
Kari Kent

Development Services
Christine Zielonka

Energy Resources
Frank McRae

Engineering
Beth Huning

Parks, Recreation & Community Facilities
Marc Heirshberg

Transportation
RJ Zeder

Water Resources
Jake West

Assistant City Manager
John Pombier

Police Department
Ramon Batista

Fire & Medical Department
Mary Cameli

Information Technology
Travis Cutright

Fleet Services
Pete Scarafiotti

Human Resources
Gary Manning

Public Information & Communications
Steve Wright

Environmental Management & Sustainability
Scott Bouchie

Chief Financial Officer
Michael Kennington

Office of Management and Budget
Candace Cannistraro

Financial Services
Irma Ashworth

Business Services
Ed Quedens

Enterprise Resource Planning (ERP)

Deputy City Manager
Scott J. Butler

Transit
Jodi Sorrell

Mayor and City Council Support

Mesa Counts on College

Grants

Federal and State Affairs

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

Regional Initiatives,
Maricopa Association of Governments

Deputy City Manager
Natalie Lewis

Falcon Field
Corinne Nystrom

Arts & Culture
Cindy Ornstein

Library
Heather Wolf

Community Services
Ruth Giese

Downtown Coordination,
DMA



INTRODUCTORY SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018



PIONEER **PARK**

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November 29, 2018

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, 2018 is hereby submitted.

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

The City’s financial statements have been audited by CliftonLarsonAllen, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City for the fiscal year ended June 30, 2018, 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, 2018, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor’s report is presented as the first component of the financial section of this report.

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

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

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

Profile of the City

The City was founded in 1878 and incorporated July 15, 1883 with an approximate population of 300 and an area of one square mile. Today, the City's estimated population is 501,137 compared with the 2010 decennial census count of 439,041, within an incorporated area of approximately 141 square miles. Total land area encompasses 138 square miles. The City is the 36th 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 3,908 full-time (equivalent) City employees working within 27 different City departments undertakes the various functions of Mesa's city government and its operation. The City provides a full range of municipal services, including police and fire protection, parks and recreation, library, transportation, health and certain social services and general administration; and, the City owns and operates enterprises including operations of electric, gas, water, wastewater, solid waste, airport and a golf course. The Mesa Art Center, which includes 212,755 square feet of performing arts, visual arts and art education facilities, is the largest comprehensive arts campus in the Southwest. The Mesa Art Center was awarded the Venue Excellence Award by the International Association of Venue Managers. This prestigious award recognizes venues such as stadiums, convention centers, arenas, performing arts centers, and academic institutions that demonstrate excellence in the following four criteria: service to the community, team building/professional development, safety and security, and operational excellence.

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

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

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

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

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

Factors Affecting Financial Condition

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

Local Economy

The City's economic indicator for residential construction in fiscal year (FY) 2018 is up 7% from FY 2017 and over 120% from FY 2014. The corresponding increase in dollar valuation associated with the residential construction in FY 2018 over the prior fiscal year was approximately \$60 million. Commercial construction increased 33% over the past five years beginning in FY 2014. This represents an increase of approximately \$128 million in commercial valuation.

During FY 2018 the City issued 2,765 permits for new residential construction. This is 13% more than the previous fiscal year. Activity levels for residential constructions continues to be a strength and continues to increase year over year.

The increase in construction activity was accompanied by an increase in sales tax revenues. For the year ending June 30, 2018, retail sales tax was up 5.9% while overall sales tax revenues were up 5.5%. Tourism also increased as evidenced by an 8.1% increase in the transient lodging ('bed') tax. Other financial resources followed the economy's continuation of a slow and steady recovery. The City incorporated this in the preparation of the FY 2019 budget.

Conservative budget practices and willingness to respond to economic indicators continues to allow the City to maintain unrestricted fund balance reserve levels as established in the City's financial policies. The FY 2019 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:

- On January 5th, Governor Doug Ducey announced that the Phoenix-Mesa Gateway Airport will be home to SkyBridge Arizona, the nation's first international air cargo hub to house both Mexican and United States customs. The hub will enable E-commerce companies, manufacturers and other commercial interests conducting business in Mexico and

throughout Latin America to more efficiently and cost-effectively transport goods between countries, while ensuring proper inspections and safety controls.

- On February 26th, the Mesa City Council approved the first step (the intergovernmental agreement) in bringing Arizona State University to downtown Mesa. The university plans to grow its film and media programs in Mesa, agreeing to bring a minimum of 750 students and 40 faculty and staff members.
- On March 7th, EdgeCore conducted a groundbreaking ceremony in Mesa's Elliot Road Technology Corridor for their 180,000 square-foot building that will help EdgeCore offer cloud-connected data center solutions to large cloud users like Microsoft, Amazon and Google. When it is eventually built out, the Mesa Data Center Campus will have seven buildings totaling more than 1.25 million square feet.
- The City of Mesa had 11 census tracts approved as Opportunity Zones by the U.S. Department of Treasury. This federal program is meant to spur investment in low-income areas by providing tax benefits to investors who reinvest capital gains into Opportunity Zones.
- Piper Plastics, Inc, a global provider of high-performance polymer material, precision molding, and machined plastic components and assemblies, announced in June that it will build its 90,000 square-foot, North American Research and Development Tech Center in the Falcon Field District. Piper Plastics will invest \$10 million to build the facility and will begin operations with 130 employees and ramp up to more than 175 over the next three years.
- AQST Space Systems announced in May that the company will be moving its headquarters from Puerto Rico to the Falcon Field District in Mesa, Arizona. The company manufactures and assembles rockets for small satellites. AQST expects to hire up to 125 employees.
- The Church of Jesus Christ of Latter-Day Saints announced dramatic plans to transform 4.5 acres along Main Street in Mesa next to the Mesa temple. The redevelopment includes mostly housing, a mix of rental apartments and townhomes. Approximately 12,500 square-feet of retail space along with an underground parking garage are also included in the plans. The project is expected to be completed by late 2020 or early 2021.
- Cognizant, a Fortune 500 digital technology firm, opened its newest U.S. regional center in Mesa. Cognizant will invest \$4.5 million this year in the Mesa facility and bring more than 500 new jobs to the site to serve companies in 15 sectors.
- The Signal Butte Water Treatment Plant was completed with the capacity to treat 24 million gallons of water per day (mgd) with the option to reach 48 mgd in the future. The treatment plant incorporates safe and reliable water treatment technology with automation and quality monitoring systems to protect the public health for the fast-growing southeastern portion of Mesa.

- Land developer, Harvard Investments, is investing more than \$40 million this year into Phase 1 of its 464-acre Cadence at Gateway master-planned community in east Mesa. Cadence will include 1,600 units of single-family residential homes, 400 units of multifamily and 40 acres of retail and commercial development.
- In 2018, Phoenix-Mesa Gateway Airport posted its best ever summer passenger numbers in the history of the Airport. May, June and July were all record-setting months with double-digit increases in year-over-year passenger growth. Travelers can now choose from one of 46 nonstop destinations offered at Gateway Airport through its airline partners Allegiant, WestJet and Swoop. Gateway Airport has emerged as an industry favorite for new aircraft flight testing welcoming five large test groups for manufacturers including Boeing, Mitsubishi, Bombardier and Embraer.

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, 2017. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

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

Respectfully submitted,



Michael Kennington,
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, 2017

Christopher P. Morill

Executive Director/CEO



FINANCIAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018



RIVERVIEW PARK

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, 2018, 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, 2018, 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, 2018, the City adopted the provisions of Governmental Accounting Standards Board Statement (GASBS) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of GASBS No. 75, the City reported a restatement for the change in accounting principle (see Note 16). 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2018, 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.



Phoenix, Arizona
November 29, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Mesa, Arizona (the City), we offer this discussion and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. This discussion and analysis is designed to 1) assist the reader in focusing on significant financial issues, 2) provide an overview of the City's financial activities, 3) identify changes in the City's financial position, 4) identify any material deviations from the financial plan (the approved annual budget), and 5) identify individual fund issues and concerns.

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

FINANCIAL HIGHLIGHTS

- The City's total revenues increased by \$56.2 million from \$943.8 million to \$1 billion. The increase is from four primary sources Charges for Services, Contributions, Sales Taxes and Unrestricted Intergovernmental revenues.
- As of the end of fiscal year 2018, the City's governmental funds reported a combined ending fund balance of \$304.5 million, a \$47.0 million increase from the previous year. The increase is due to an increase in Sales Taxes, Intergovernmental Revenues, and Transfers In; combined with a decrease in Capital Outlay expenditures.
- The City's beginning Net Position was restated by (\$205.6) million due to the implementation of GASB 75 which relates to the recording of other postemployment benefits (OPEB) liabilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

The *statement of activities*, Exhibit A-2, presents information showing how the City's net position changed over the most recent fiscal year. All changes to net position are reported at the time that the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This is the accrual basis of accounting. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both the Statement of Net Position and the Statement of Activities divide the functions of the City that are principally supported by taxes and intergovernmental revenues (*Governmental Activities*) from other

functions that are intended to recover all or a significant portion of their cost through user fees and charges (*Business-Type Activities*):

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

Government-Wide Financial Statement Analysis

The following tables, graphs and analysis discuss the financial position and changes to the financial position for the City as a whole as of and for the years ending June 30, 2018 and 2017.

Net Position - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's net position, the amounts by which assets plus deferred outflows of resources, exceeded liabilities plus deferred inflows of resources, was \$755.8 million at the end of fiscal year 2018. The following table summarizes Exhibit A-1, the Statement of Net Position.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Government</u>	
	2018	2017, As Restated	2018	2017, As Restated	2018	2017, As Restated
Cash and Other Assets	\$ 736,077	\$ 636,195	\$ 541,346	\$ 568,374	\$ 1,277,423	\$1,204,569
Capital Assets	1,440,294	1,436,952	1,522,043	1,455,419	2,962,337	2,892,371
Total Assets	<u>2,176,371</u>	<u>2,073,147</u>	<u>2,063,389</u>	<u>2,023,793</u>	<u>4,239,760</u>	<u>4,096,940</u>
Deferred Amounts on Refunding	8,946	10,112	29,430	30,843	38,376	40,955
Deferred Outflows on Pensions & OPEB	162,477	204,338	9,168	12,881	171,645	217,219
Total Deferred Amounts	<u>171,423</u>	<u>214,450</u>	<u>38,598</u>	<u>43,724</u>	<u>210,021</u>	<u>258,174</u>
Non-Current Liabilities Outstanding	513,972	524,287	1,336,240	1,307,566	1,850,212	1,831,853
Net Pension & OPEB Liability	1,399,889	1,402,664	141,767	147,382	1,541,656	1,550,046
Other Liabilities	117,008	139,028	109,471	94,069	226,479	233,097
Total Liabilities	<u>2,030,869</u>	<u>2,065,979</u>	<u>1,587,478</u>	<u>1,549,017</u>	<u>3,618,347</u>	<u>3,614,996</u>
Deferred Inflows on Pensions & OPEB	<u>67,124</u>	<u>56,283</u>	<u>8,526</u>	<u>6,905</u>	<u>75,650</u>	<u>63,188</u>
Net Investment in Capital Assets	1,019,888	986,354	266,012	247,598	1,285,900	1,233,952
Restricted Net Position	88,305	88,721	40,440	43,046	128,745	131,767
Unrestricted Net Position	<u>(858,392)</u>	<u>(909,740)</u>	<u>199,531</u>	<u>220,951</u>	<u>(658,861)</u>	<u>(688,789)</u>
Total Net Position	<u>\$ 249,801</u>	<u>\$ 165,335</u>	<u>\$ 505,983</u>	<u>\$ 511,595</u>	<u>\$ 755,784</u>	<u>\$ 676,930</u>

The largest portion of net position, \$1.3 billion, reflects the City's investment in capital assets (land, buildings, equipment, infrastructure, etc.) less any outstanding related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The restricted portion of the City's net position, \$128.7 million, represents resources that are subject to external restrictions on how they may be used. Such restrictions include debt service payments, transportation programs, other capital projects and required reserves. The unrestricted net position of (\$658.9) million is primarily due to the impact of the long-term liability associated with pensions and OPEB (\$1.5 billion).

Capital Assets – The following table provides a breakdown of the City's capital assets at June 30, 2018 and 2017:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Government</u>	
	2018	2017	2018	2017	2018	2017
Land	\$ 391,527	\$ 388,552	\$ 50,700	\$ 50,717	\$ 442,227	\$ 439,269
Infrastructure - Nondepr	3,585	3,612	17,666	17,666	21,251	21,278
Buildings	237,881	237,651	76,139	77,927	314,020	315,578
Other Improvements	85,980	85,004	75,016	78,738	160,996	163,742
Machinery & Equipment	62,444	64,552	38,098	37,081	100,542	101,633
Intangibles	2,959	6,712	4,800	5,685	7,759	12,397
Infrastructure	537,986	540,808	1,031,096	1,007,923	1,569,082	1,548,731
Construction-in-Progress	117,932	110,061	228,528	179,682	346,460	289,743
Total	<u>\$ 1,440,294</u>	<u>\$ 1,436,952</u>	<u>\$ 1,522,043</u>	<u>\$ 1,455,419</u>	<u>\$ 2,962,337</u>	<u>\$ 2,892,371</u>

The City's investment in capital assets for its governmental and business-type activities amounts to \$3.0 billion (net of accumulated depreciation/amortization) as of June 30, 2018. This net investment in capital assets includes land, buildings, other improvements, machinery and equipment, intangibles, and infrastructure. Infrastructure assets are items that are normally immovable and have value only to the City, such as streets, street lighting systems, and storm drainage systems.

As noted in the above table, the City's total capital asset balances at June 30, 2018 were overall consistent with prior year balances. However, there were increases in Infrastructure assets (\$20.4 million) and Construction-in-progress (\$56.7 million). The most significant Infrastructure additions in fiscal year 2018 were arterial streets, water mains, wells, and water treatment system infrastructure at the Northwest Water Reclamation Plant.

The largest current year project expenditure (\$36.7 million) continued to be for the Signal Butte Water Treatment Plant, which had its grand opening subsequent to year end. The next largest project expenditure (\$26.3 million) was related to the Greenfield Wastewater Plant Expansion. The remaining project expenditures were primarily related to street overlay, transportation projects, Gilbert Road Light Rail Expansion, water and wastewater projects. Additional information on the City's capital assets can be found in Note 7 of the notes to the basic financial statements.

Debt Administration – The following schedule shows the outstanding long-term debt of the City as of June 30, 2018 and 2017.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Government</u>	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 365,519	\$374,443	\$ 236	\$ 312	\$ 365,755	\$ 374,755
Utility System Revenue Bonds	-	-	1,227,355	1,161,755	1,227,355	1,161,755
Highway User Revenue Fund Bond	76,620	84,995	-	-	76,620	84,995
Excise Tax Obligations	-	-	49,025	94,060	49,025	94,060
Special Assessment Bonds						
with Governmental Commitment	1,005	1,340	-	-	1,005	1,340
Community Facility District	28,813	19,172	-	-	28,813	19,172
Notes Payable	-	-	1,714	1,851	1,714	1,851
Total	<u>\$471,957</u>	<u>\$479,950</u>	<u>\$ 1,278,330</u>	<u>\$1,257,978</u>	<u>\$ 1,750,287</u>	<u>\$ 1,737,928</u>

At the end of the current fiscal year, the City had total outstanding debt was \$1.75 billion, which is an increase of \$12.4 million. Of this amount, \$414.8 million comprises debt backed by the full faith and credit of the City and \$1.3 billion represents bonds secured by specified revenue sources (i.e., Utility System Revenue and Highway User Revenue). The City’s outstanding long-term debt (considering new borrowings, debt retirements, and defeasance) increased \$12.4 million. The change in debt includes new borrowings during the fiscal year totaling \$138.9 million, defeasance of \$15.2 million, and principal payments of \$111.2 million.

An additional amount of \$29.8 million are Special Assessment and Community Facility District bonds. Special Assessment revenues are collected to make the annual Special Assessment and Community Facility District bond debt payments. The City has no liability for the Community Facility District bonds. However, the City is contingently liable in the event that the Special Assessment revenues are insufficient to satisfy the Special Assessment Bond debt payments.

The City’s current bond ratings are as follows:

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

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

The City’s total debt margin available at June 30, 2018 was \$182.2 million in the 6% capacity and \$244.7 million in the 20% capacity. Additional information on the City’s long-term obligations can be found in Note 8 of the notes to the basic financial statements and Table X in the Statistical Section.

Changes in Net Position

The following table shows the revenues and expenses of the City for the fiscal years ended June 30, 2018 and 2017.

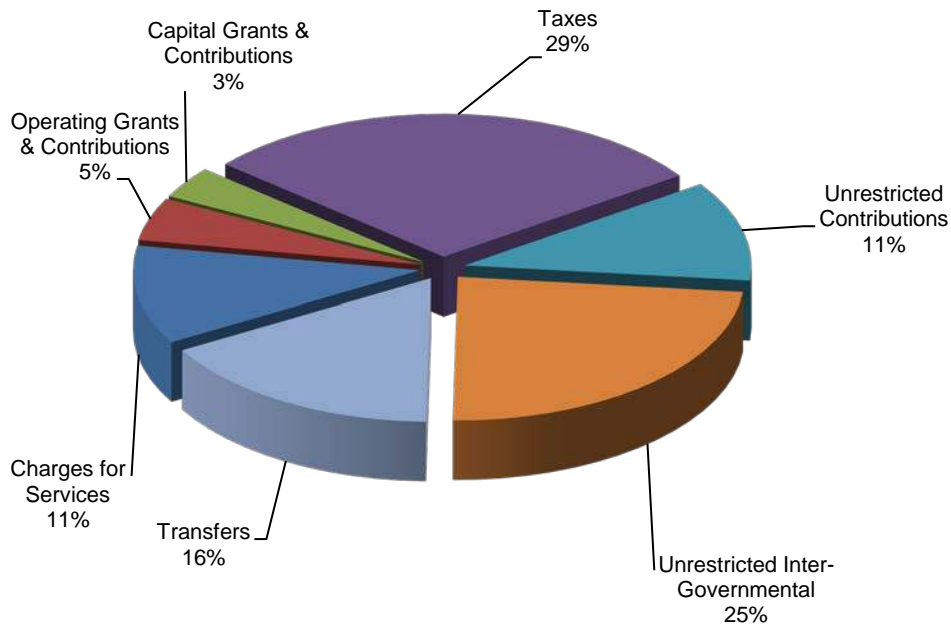
Changes in Net Position Year Ended June 30 (In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Government	
	2018	2017	2018	2017	2018	2017
Program Revenues:						
Charges for Services	\$ 78,756	\$ 72,703	\$ 371,794	\$ 359,060	\$ 450,550	\$ 431,763
Operating Grants & Contributions:	34,446	26,955	2,406	158	36,852	27,113
Capital Grants & Contributions	23,618	24,451	23,474	28,711	47,092	53,162
General Revenues:						
Sales Taxes	169,024	159,735	-	-	169,024	159,735
Property Taxes	35,571	34,684	-	-	35,571	34,684
Occupancy Taxes	2,628	2,536	1,192	1,085	3,820	3,621
Unrestricted Intergovernmental Contributions	167,540	158,916	-	-	167,540	158,916
Unrestricted Investment Income	80,312	46,817	-	-	80,312	46,817
Gain on Disposal of Capital Assets	1,912	448	1,691	983	3,603	1,431
Miscellaneous	(2,462)	(1,411)	261	16,364	(2,201)	14,953
Total Revenues	596,763	536,995	402,733	406,827	999,496	943,822
Governmental Activities Expenses:						
General Government	105,140	101,301	-	-	105,140	101,301
Public Safety	334,905	379,505	-	-	334,905	379,505
Community Environment	113,916	104,173	-	-	113,916	104,173
Cultural-Recreational	54,828	55,739	-	-	54,828	55,739
Interest on Long-Term Debt	19,514	19,279	-	-	19,514	19,279
Business-Type Activities:						
Electric	-	-	25,573	26,561	25,573	26,561
Gas	-	-	31,636	37,109	31,636	37,109
Water	-	-	101,005	95,608	101,005	95,608
Wastewater	-	-	74,157	71,782	74,157	71,782
Solid Waste	-	-	37,988	37,911	37,988	37,911
Airport	-	-	5,308	5,125	5,308	5,125
Golf Course	-	-	1,965	2,028	1,965	2,028
Convention Center	-	-	4,481	4,711	4,481	4,711
Hohokam Stadium/Fitch Complex	-	-	3,174	3,687	3,174	3,687
Cubs Stadium	-	-	5,870	6,042	5,870	6,042
District Cooling	-	-	1,181	1,268	1,181	1,268
Total Expenses	628,303	659,997	292,338	291,832	920,641	951,829
Increase (Decrease) in Net Position Before Transfers						
Position Before Transfers	(31,540)	(123,002)	110,395	114,995	78,855	(8,007)
Transfers	116,006	106,607	(116,006)	(106,607)	-	-
Change in Net Position	84,466	(16,395)	(5,611)	8,388	78,855	(8,007)
Total Net Position - As Adjusted	165,335	181,730	511,594	503,206	676,929	684,936
Net Position - Ending	\$ 249,801	\$ 165,335	\$ 505,983	\$ 511,594	\$ 755,784	\$ 676,929

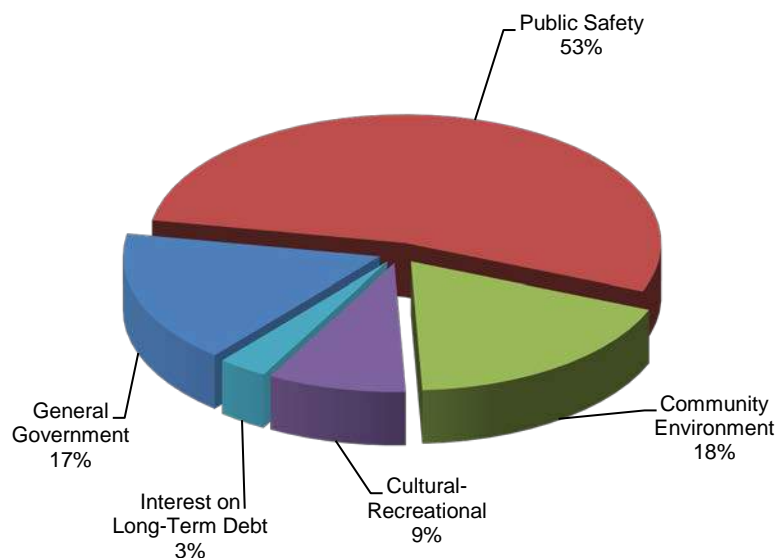
Governmental Activities

As presented in the following two graphs, the largest funding sources, including transfers, for the governmental activities are taxes (29%), Unrestricted Intergovernmental (25%), Transfers (16%), and Charges for Services (11%). The largest users of resources for the governmental activities are Public Safety (53%), Community Environment (18%), and General Government (17%).

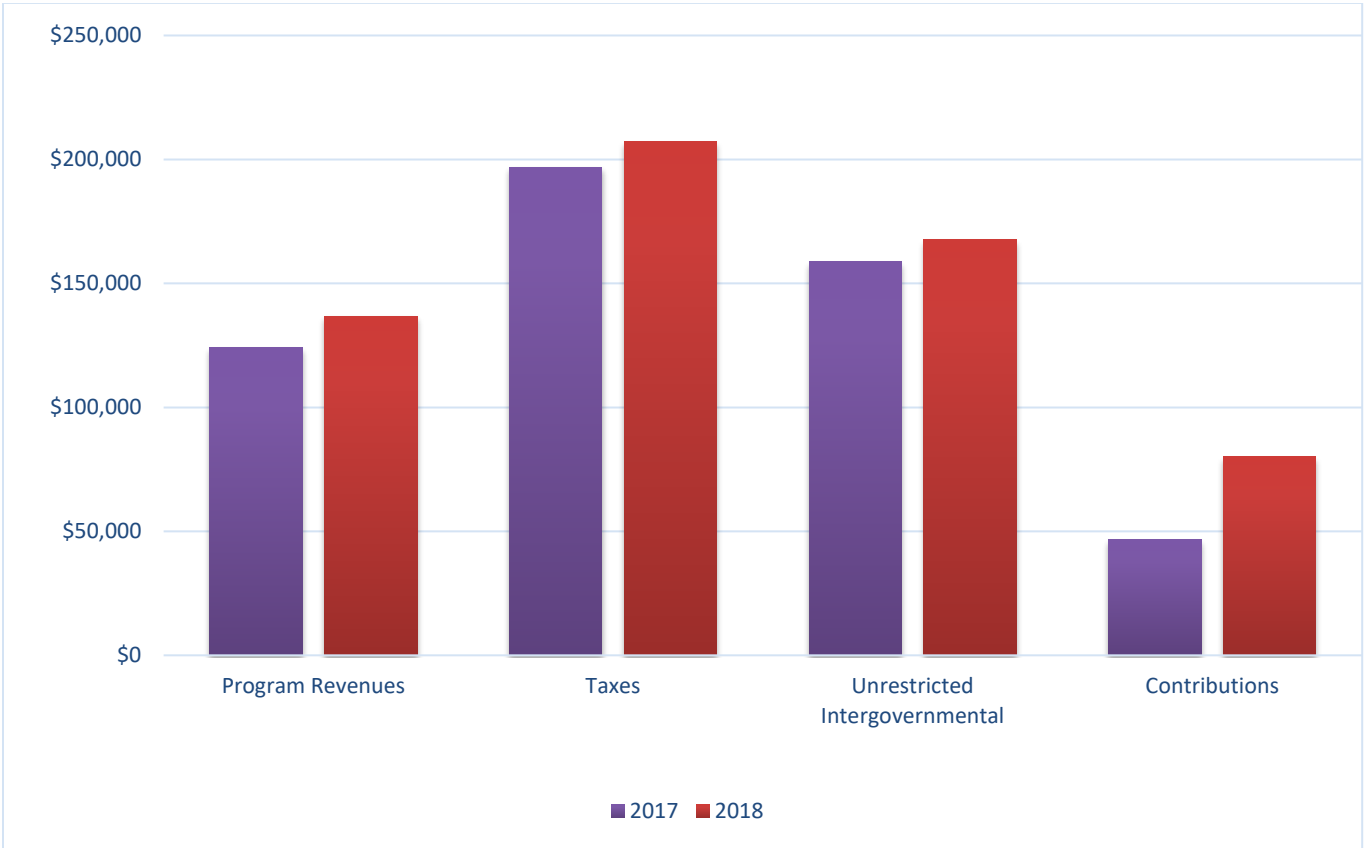
**Revenues by Source Including Transfers – Governmental Activities
For the Fiscal Year Ended June 30, 2018**



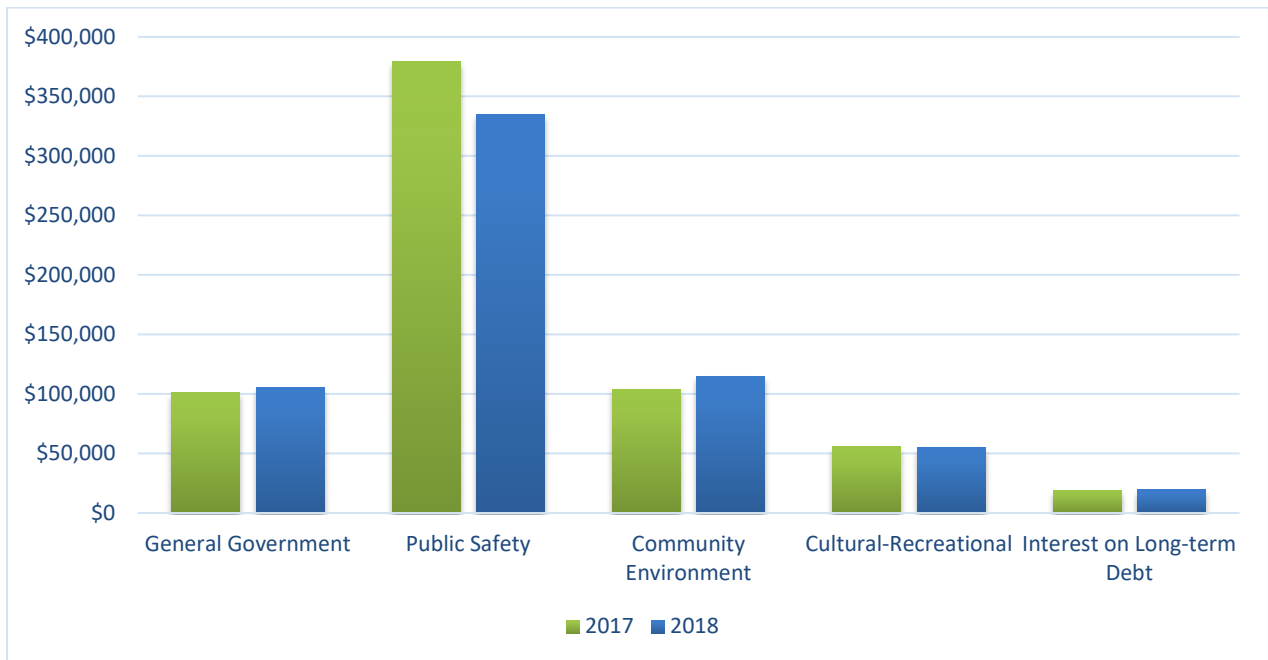
**Functional Expenses – Governmental Activities
For the Fiscal Year Ended June 30, 2018**



**Governmental Activities Revenues
For Fiscal Years 2018 and 2017
(In thousands of dollars)**



**Governmental Activities Functional Expenses
For Fiscal Years 2018 and 2017
(In thousands of dollars)**



The graphs on the previous page compare governmental activities revenues and expenses from fiscal year 2018 to fiscal year 2017. Total governmental activities revenues increased \$59.8 million from \$537.0 million to \$596.8 million. Total governmental expenses decreased by \$31.2 million from \$660.0 million to \$628.8 million.

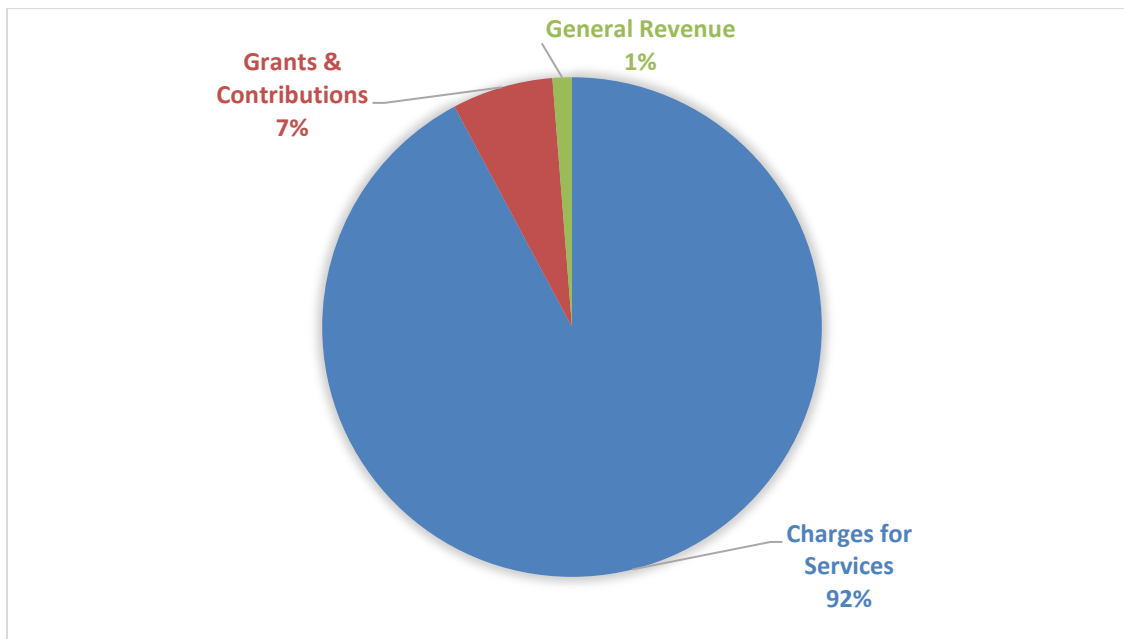
Key factors in this change include:

- The largest increase in revenues were in Contributions (\$33.5 million) due to the Gilbert Road Light Rail extension. The cost of construction on the Gilbert Road Light Rail extension continued in current year and was substantially paid for/contributed by Valley Metro Rail Inc. (VMRI), which increased the City’s Equity share in the VMRI joint venture.
- Sales Taxes and Unrestricted Intergovernmental revenues increased in current year by \$9.3 million and \$8.6 million, respectively. Overall sales tax increased by 5.8%, with most of the increase being in the retail sales category. Unrestricted Intergovernmental revenue increases were in all three categories (Urban Revenue Sharing, State Shared Sales Tax, and Highway User Tax). The City’s revenues in taxes and unrestricted intergovernmental revenues has followed the national economy’s slow and steady recovery.
- The decrease in governmental expenditures is primarily due to Public Safety expenditures decreasing by \$44.6 million. Decrease was due to a decrease in pension expense per the annual actuarial report.

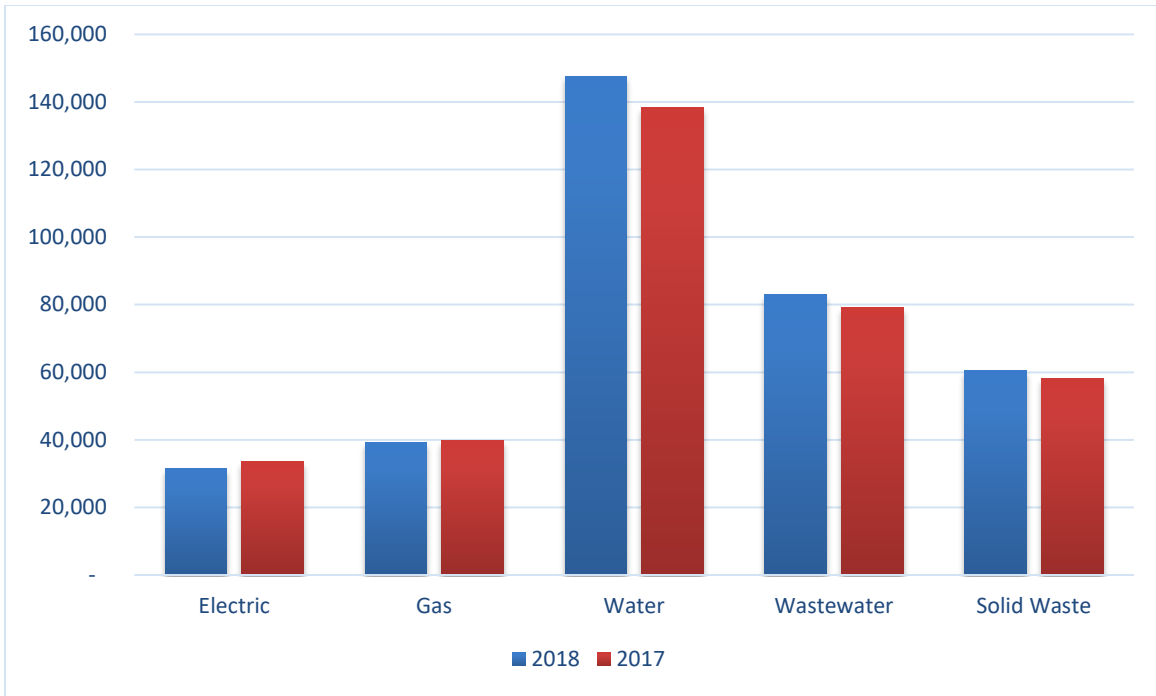
Business-type Activities

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

Revenues by Source – Business-type Activities

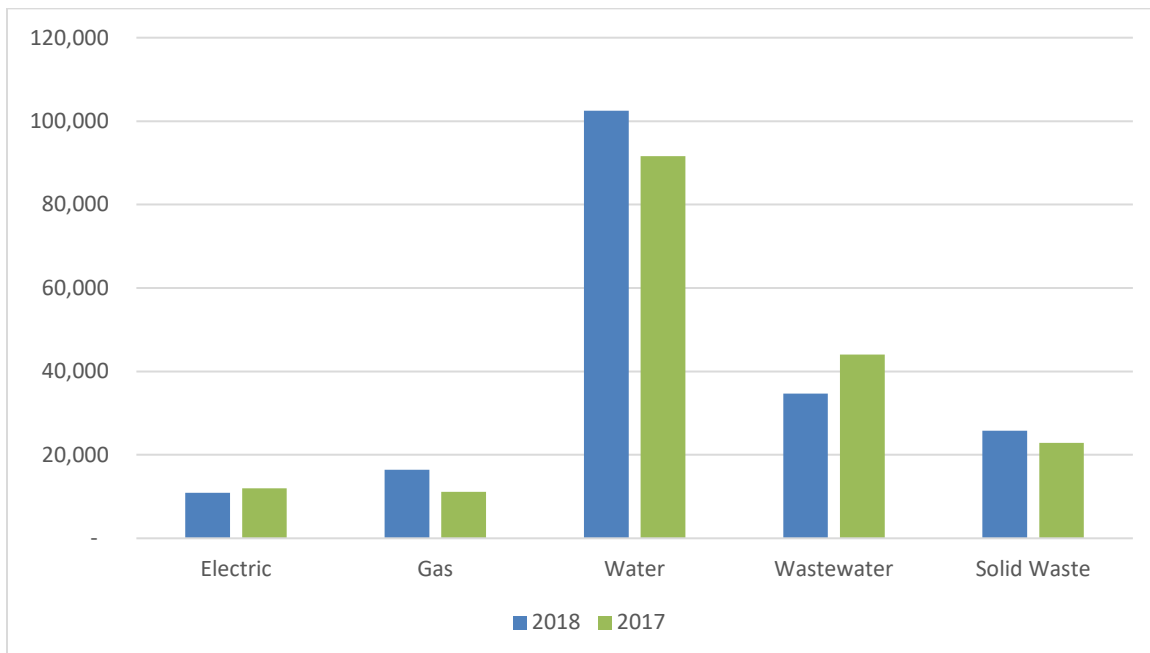


Revenues by Utility – Business-type Activities



Total business-type activities program and general revenues decreased by \$4.0 million from \$406.8 million to \$402.8 million. Decrease is primarily attributed to gain on sale of assets. In fiscal year 2018, total Gain on Disposal of Capital Assets was \$261 thousand, down \$16.1 million as compared to fiscal year 2017. Charges for Service increased by \$12.8 million from \$359.0 million to \$371.8 million. Increase was predominately in the Water and Wastewater due to increase in rates.

Net (Expenses) Revenue – Business-Type Activities



Fund Financial Statements

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

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

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

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

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

Other information – Governments have an option of including the budgetary comparisons statements for the General Fund as either part of the fund financial statements within the basic financial statements or as required supplementary information after the notes to the financial statements. The City has chosen to present the budgetary statements as required supplementary information beginning on page 94.

Fund Financial Statement Analysis

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

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

The increase of \$47.0 million in the governmental funds is the net result of the increase in Sales Taxes and Intergovernmental Revenue and a decrease in Capital Outlay expenditures.

The General Fund is the chief operating fund of the City and accounts for many of the major functions of the government including general government, public safety, community environment and cultural-recreational. At the end of the current fiscal year, total fund balance of the General Fund was \$130.4 million, while unassigned fund balance was \$89.3 million.

Total fund balance of the City's General Fund increased by \$16.0 million during the current fiscal year from \$114.4 million to \$130.4 million. This is primarily due to an increase in Sales Taxes and Intergovernmental Revenues.

Proprietary Funds - The City's Enterprise Fund provides the same type of information as the government-wide financial statements, except in more detail. The total net position of the Enterprise Fund decreased by \$5.6 million during the current fiscal year from \$511.6 million (restated) to \$506.0 million. The decrease in current year is primarily related to an increase in operating expenses for wastewater. The unrestricted net position of the Enterprise Fund amounted to \$199.5 million.

Budgetary Highlights

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

Amendments to the adopted budget may occur throughout the year in a legally permissible manner (see Note 1.f. of the notes to the financial statements for more information on budget policies). No amendments increasing the City's total adopted budget of \$1.7 billion occurred during fiscal year 2018.

General Fund revenues of \$308.9 million, on a budgetary basis, were less than the budgeted revenues of \$312.3 million. Decrease in revenues, compared to budgeted, was primarily due to the City receiving less Intergovernmental revenues than budgeted. Expenditures of \$383.1 million were less than the budgeted expenditures of \$424.8 million. Savings were primarily in general government, followed by capital outlay.

ECONOMIC FACTORS

In June 2018, the City Council approved a \$1.8 billion budget, which is an increase of \$80 million compared to prior year's budget. The fiscal year 2019 budget includes \$1.6 billion for operations and \$206.4 million for scheduled bond capital improvements.

The adopted fiscal year 2019 budget continues the City's fiscally conservative approach and reinforces the City's effort to invest in economic development, improve public safety and attract and retain excellent employees. Conservative budget practices and willingness to respond to economic indicators continues to allow the City to maintain unrestricted fund balance reserve levels as established in the City's financial policies.

REQUESTS FOR INFORMATION

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





BASIC FINANCIAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018



HOHOKAM STADIUM

CITY OF MESA, ARIZONA
EXHIBIT A-1
STATEMENT OF NET POSITION
JUNE 30, 2018
(in thousands)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Pooled Cash and Investments	\$ 359,534	\$ 98,801	\$ 458,335
Accounts Receivable, Net	5,770	36,852	42,622
Accrued Interest Receivable	991	920	1,911
Due from Other Governments	35,819	2,647	38,466
Internal Balances	(876)	876	-
Inventory	6,079	-	6,079
Prepaid Costs	3,186	2,172	5,358
Deposits	69	45	114
Restricted Assets:			
Pooled Cash and Investments	7,001	124,753	131,754
Cash with Fiscal Agent	42,651	57,680	100,331
Cash with Trustee	-	98	98
Accounts Receivable, Net	12,527	-	12,527
Due from Other Governments	1,265	-	1,265
Customer Deposits	-	4,281	4,281
Joint Venture Construction Deposits	-	3,716	3,716
Investment in Joint Ventures	262,061	208,505	470,566
Capital Assets, Not Being Depreciated	513,044	296,894	809,938
Capital Assets, Being Depreciated, Net	927,250	1,225,149	2,152,399
Total Assets	<u>2,176,371</u>	<u>2,063,389</u>	<u>4,239,760</u>
DEFERRED OUTFLOWS OF RESOURCES			
Debt Refunding	8,946	29,430	38,376
Pensions and OPEB	162,477	9,168	171,645
Total Deferred Outflows of Resources	<u>171,423</u>	<u>38,598</u>	<u>210,021</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	24,358	9,722	34,080
Claims Payable	37,029	-	37,029
Customer and Defendant Deposits	7,190	-	7,190
Liabilities Payable from Restricted Assets	48,431	99,749	148,180
Noncurrent Liabilities, Due Within One Year	41,741	36,352	78,093
Noncurrent Liabilities, Due in More Than One Year	472,231	1,299,888	1,772,119
Net Pension and OPEB Liability	1,399,889	141,767	1,541,656
Total Liabilities	<u>2,030,869</u>	<u>1,587,478</u>	<u>3,618,347</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions and OPEB	67,124	8,526	75,650
Total Deferred Inflows of Resources	<u>67,124</u>	<u>8,526</u>	<u>75,650</u>
NET POSITION			
Net Investment in Capital Assets	1,019,888	266,012	1,285,900
Restricted For:			
Bond Indentures	-	29,505	29,505
Construction	-	3,716	3,716
Debt Service	25,490	7,219	32,709
Public Safety	5,369	-	5,369
Transportation Programs	54,265	-	54,265
Other Programs	3,181	-	3,181
Unrestricted	(858,392)	199,531	(658,861)
Total Net Position	<u>\$ 249,801</u>	<u>\$ 505,983</u>	<u>\$ 755,784</u>

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

CITY OF MESA, ARIZONA
EXHIBIT A-2
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(in thousands)

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 105,140	\$ 14,618	\$ 1,186	\$ 20,043
Public Safety	334,905	32,893	6,685	954
Community Environment	113,916	18,894	26,431	2,581
Cultural-Recreational	54,828	12,351	144	40
Interest on Long-Term Debt	19,514	-	-	-
Total Governmental Activities	628,303	78,756	34,446	23,618
Business-type Activities:				
Electric	25,573	31,425	166	200
Gas	31,636	39,171	258	741
Water	101,005	147,667	1,451	10,884
Wastewater	74,157	83,078	530	8,530
Solid Waste	37,988	60,522	1	575
Airport	5,308	3,983	-	2,244
Golf Course	1,965	1,635	-	-
Convention Center	4,481	2,809	-	200
Hohokam Stadium/Fitch Complex	3,174	51	-	100
Cubs Stadium	5,870	238	-	-
District Cooling	1,181	1,215	-	-
Total Business-type Activities	292,338	371,794	2,406	23,474
Total Government	\$ 920,641	\$ 450,550	\$ 36,852	\$ 47,092

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

Change in Net Position

Total Net Position - As Previously Reported
Change in Accounting Principle
Net Position - Beginning

Net Position - Ending

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

EXHIBIT A-2
(Continued)

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (69,293)	\$ -	\$ (69,293)
(294,373)	-	(294,373)
(66,010)	-	(66,010)
(42,293)	-	(42,293)
(19,514)	-	(19,514)
<u>(491,483)</u>	<u>-</u>	<u>(491,483)</u>
-	6,218	6,218
-	8,534	8,534
-	58,997	58,997
-	17,981	17,981
-	23,110	23,110
-	919	919
-	(330)	(330)
-	(1,472)	(1,472)
-	(3,023)	(3,023)
-	(5,632)	(5,632)
-	34	34
<u>-</u>	<u>105,336</u>	<u>105,336</u>
(491,483)	105,336	(386,147)
169,024	-	169,024
35,571	-	35,571
2,628	1,192	3,820
167,540	-	167,540
80,312	-	80,312
1,912	1,691	3,603
(2,462)	261	(2,201)
5,418	1,915	7,333
116,006	(116,006)	-
<u>575,949</u>	<u>(110,947)</u>	<u>465,002</u>
84,466	(5,611)	78,855
363,708	518,804	882,512
(198,373)	(7,210)	(205,583)
<u>165,335</u>	<u>511,594</u>	<u>676,929</u>
<u>\$ 249,801</u>	<u>\$ 505,983</u>	<u>\$ 755,784</u>

CITY OF MESA, ARIZONA
EXHIBIT A-3
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018
(in thousands)

	<u>General Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Pooled Cash and Investments	\$ 120,293	\$ 170,055	\$ 290,348
Accounts Receivable, Net	3,254	1,751	5,005
Accrued Interest Receivable	361	396	757
Due from Other Governments	20,427	15,392	35,819
Due from Other Funds	1,262	-	1,262
Prepaid Costs	2,304	135	2,439
Restricted Assets:			
Pooled Cash and Investments	-	7,001	7,001
Cash with Fiscal Agent	-	42,651	42,651
Accounts Receivable	-	12,527	12,527
Due from Other Governments	-	1,265	1,265
Total Assets	<u>\$ 147,901</u>	<u>\$ 251,173</u>	<u>\$ 399,074</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 11,961	\$ 10,307	\$ 22,268
Due to Other Funds	-	1,262	1,262
Advances from Other Funds	876	-	876
Customer and Defendant Deposits	234	6,956	7,190
Payable from Restricted Assets:			
Accrued Interest Payable	-	9,382	9,382
Unearned Revenue	3,160	1,513	4,673
Matured Bonds Payable	-	34,376	34,376
Total Liabilities	<u>16,231</u>	<u>63,796</u>	<u>80,027</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	1,296	13,293	14,589
Total Deferred Inflows of Resources	<u>1,296</u>	<u>13,293</u>	<u>14,589</u>
FUND BALANCES			
Nonspendable	2,304	135	2,439
Restricted	-	132,462	132,462
Committed	10,377	41,641	52,018
Assigned	28,346	22	28,368
Unassigned	89,347	(176)	89,171
Total Fund Balances	<u>130,374</u>	<u>174,084</u>	<u>304,458</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 147,901</u>	<u>\$ 251,173</u>	<u>\$ 399,074</u>

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

CITY OF MESA, ARIZONA

EXHIBIT A-4

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS

TO THE STATEMENT OF NET POSITION

JUNE 30, 2018

(in thousands)

Fund Balances - total governmental funds \$ 304,458

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

Capital assets used in governmental activities are not financial resources and therefore not reported in the governmental funds. 1,437,912

Other assets used in governmental activities are not financial resources and therefore not reported in the governmental funds. 262,061

Deferred outflows related to deferred amounts on refunding and pensions are not financial resources and therefore not reported in the funds. 169,373

Long-term liabilities, including bonds payable and net pension liabilities are not due and payable in the current period and therefore not reported in the governmental funds. (1,881,408)

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. (50,633)

Internal service funds are used by management to charge the costs of certain activities to individual funds. 8,038

Net position of the governmental activities - statement of net position \$ 249,801

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

CITY OF MESA, ARIZONA

EXHIBIT A-5

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(in thousands)

	<u>General Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Sales Taxes	\$ 116,024	\$ 53,000	\$ 169,024
Property Taxes	-	35,616	35,616
Occupancy Taxes	25	2,603	2,628
Special Assessments	-	1,174	1,174
Licenses and Permits	20,103	5,016	25,119
Intergovernmental	138,177	85,623	223,800
Charges for Services	24,033	16,189	40,222
Fines and Forfeitures	8,155	2,281	10,436
Investment Income	208	1,400	1,608
Contributions	75	354	429
Miscellaneous Revenue	1,768	3,779	5,547
Total Revenues	<u>308,568</u>	<u>207,035</u>	<u>515,603</u>
EXPENDITURES			
Current:			
General Government	80,860	9,349	90,209
Public Safety	237,902	28,557	266,459
Community Environment	15,705	57,699	73,404
Cultural-Recreational	38,358	7,785	46,143
Debt Service:			
Principal	-	34,738	34,738
Interest on Bonds	-	18,477	18,477
Service Charges	-	14	14
Cost of Issuance	-	1,023	1,023
Capital Outlay	13,261	63,018	76,279
Total Expenditures	<u>386,086</u>	<u>220,660</u>	<u>606,746</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(77,518)</u>	<u>(13,625)</u>	<u>(91,143)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	120,095	56,477	176,572
Transfers Out	(26,629)	(39,579)	(66,208)
Face Amount of Bonds Issued	-	26,745	26,745
Premium on Issuance of Bonds (Net)	-	1,063	1,063
Total Other Financing Sources (Uses)	<u>93,466</u>	<u>44,706</u>	<u>138,172</u>
Net Change in Fund Balances	15,948	31,081	47,029
Fund Balance - Beginning	<u>114,426</u>	<u>143,003</u>	<u>257,429</u>
Fund Balances - Ending	<u>\$ 130,374</u>	<u>\$ 174,084</u>	<u>\$ 304,458</u>

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

CITY OF MESA, ARIZONA

EXHIBIT A-6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(in thousands)

Net change in fund balances - total governmental funds	\$	47,029
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Amounts reported for governmental activities in the statement of activities are different because (also see Note 2 to the basic financial statements):

Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		(3,490)
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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.		(111,992)
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Current-year pension contributions are reclassified to deferred outflows of resources and therefore not reported as expenditures in governmental funds.		63,382
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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 \$73,370 exceeded depreciation (\$66,102) in the current period.		7,268
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The net effect of miscellaneous transactions involving capital assets (e.g., donations, transfers and disposals) is to increase net position.		9,130
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Change in equity in Joint Venture		58,235
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The issuance of long-term debt (e.g., bonds and capital leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes financial resources of governmental funds. Neither transaction has any effect on net position.		7,993
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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.		34
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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.		6,877
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Change in net position of the governmental activities - statement of activities	\$	<u>84,466</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF MESA, ARIZONA
EXHIBIT A-7
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018
(in thousands)

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
ASSETS		
Current Assets:		
Pooled Cash and Investments	\$ 98,801	\$ 69,186
Accounts Receivable (Net of Allowances)	36,852	592
Accrued Premiums Receivable	-	173
Accrued Interest Receivable	920	234
Due from Other Governments	2,647	-
Advances to Other Funds	876	-
Inventory	-	6,079
Prepaid Costs	2,172	747
Deposits	45	69
Restricted Assets:		
Pooled Cash and Investments	124,753	-
Cash with Fiscal Agents	57,680	-
Cash with Trustees	98	-
Customer Deposits	4,281	-
Joint Venture Construction Deposits	3,716	-
Total Current Assets	332,841	77,080
Noncurrent Assets:		
Investment in Joint Ventures	208,505	-
Capital Assets, Not Being Depreciated	296,894	61
Capital Assets, Being Depreciated, Net	1,225,149	2,321
Total Noncurrent Assets	1,730,548	2,382
Total Assets	2,063,389	79,462
DEFERRED OUTFLOWS OF RESOURCES		
Refundings	29,430	-
Pensions and OPEB	9,168	2,050
Total Deferred Outflows of Resources	38,598	2,050
Total Assets and Deferred Outflows of Resources	\$ 2,101,987	\$ 81,512

(Continued)

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

CITY OF MESA, ARIZONA
EXHIBIT A-7 (Continued)
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018
(in thousands)

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
LIABILITIES		
Current Liabilities-Payable From Current Assets:		
Accounts Payable and Accrued Liabilities	\$ 9,722	\$ 2,090
Claims Payable	-	37,029
Current Liabilities-Payable From Restricted Assets:		
Accounts Payable and Accrued Liabilities	8,081	-
Interest Payable	26,614	-
Unearned Revenue	285	-
Matured Bonds Payable	31,431	-
Customer Deposits and Prepayments	33,338	-
Current Portion of Long-Term Liabilities:		
Current Portion of Bonds Payable	35,571	-
Current Portion of Notes Payable	140	-
Current Portion of Compensated Absences	641	144
Total Current Liabilities	<u>145,823</u>	<u>39,263</u>
Long-Term Liabilities:		
Bonds Payable	1,294,630	-
Notes Payable	1,574	-
Compensated Absences	3,684	696
Net Pension and OPEB Liability	141,767	31,613
Total Long-Term Liabilities	<u>1,441,655</u>	<u>32,309</u>
Total Liabilities	<u>1,587,478</u>	<u>71,572</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions and OPEB	<u>8,526</u>	<u>1,902</u>
Total Deferred Inflows of Resources	<u>8,526</u>	<u>1,902</u>
NET POSITION		
Net Investment in Capital Assets	266,012	2,382
Restricted For:		
Bond Indentures	29,505	-
Construction	3,716	-
Debt Service	7,219	-
Unrestricted	199,531	5,656
Total Net Position	<u>\$ 505,983</u>	<u>\$ 8,038</u>

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

CITY OF MESA, ARIZONA

EXHIBIT A-8

STATEMENT OF REVENUES, EXPENSES

AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(in thousands)

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
Operating Revenues:		
Electric Sales Pledged as Security for Revenue Bonds	\$ 31,425	\$ -
Gas Sales Pledged as Security for Revenue Bonds	39,171	-
Water Sales Pledged as Security for Revenue Bonds	147,667	-
Wastewater Charges Pledged as Security for Revenue Bonds	83,078	-
Solid Waste Charges Pledged as Security for Revenue Bonds	60,522	-
Airport Fees	3,983	-
Golf Course Fees	1,635	-
Convention Center Fees	2,809	-
Hohokam Stadium/Fitch Complex Fees	51	-
Cubs Stadium Fees	238	-
District Cooling Charges	1,215	-
Charges For Services	-	27,261
Self-Insurance Contributions	-	90,541
Other Revenue	-	5,122
Total Operating Revenues	371,794	122,924
Operating Expenses:		
Electric	20,542	-
Gas	22,757	-
Water	45,149	-
Wastewater	48,392	-
Solid Waste	34,729	-
Airport	3,516	-
Golf Course	1,820	-
Convention Center	4,169	-
Hohokam Stadium/Fitch Complex	1,463	-
Cubs Stadium	1,989	-
District Cooling	761	-
Warehouse, Maintenance & Services	-	26,691
Self-Insurance	-	90,005
Total Operating Expenses	185,287	116,696
Operating Income (Loss) Before Depreciation and Amortization	186,507	6,228
Depreciation and Amortization	(65,618)	(368)
Operating Income (Loss)	120,889	5,860

(Continued)

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

CITY OF MESA, ARIZONA
EXHIBIT A-8 (Continued)
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(in thousands)

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Funds
Nonoperating Revenues (Expenses):		
Investment Income Pledged as Security for Revenue Bonds	475	-
Investment Income Unpledged	1,216	304
Intergovernmental	2,406	-
Interest Expense:		
Bonds	(52,041)	-
Notes Payable and Other Long-Term Obligations	(13)	-
Bond Administrative Costs	(39)	-
Gain/(Loss) on Disposal of Capital Assets	(5,619)	(20)
Net Gain from Joint Venture	9,109	-
Utility Development Fees	16,261	-
Bond Issuance Costs	(560)	-
Occupancy Tax	1,192	-
Miscellaneous Revenue	4,026	-
Total Nonoperating Revenues (Expenses)	<u>(23,587)</u>	<u>284</u>
Income before Transfers and Capital Contributions	97,302	6,144
Capital Contributions	7,451	733
Transfers In	-	-
Transfers Out	<u>(110,364)</u>	<u>-</u>
Change in Net Position	(5,611)	6,877
Total Net Position - Beginning	518,804	9,958
Change in Accounting Principle	<u>(7,210)</u>	<u>(8,797)</u>
Total Net Position - As Restated	<u>511,594</u>	<u>1,161</u>
Total Net Position - Ending	<u><u>\$ 505,983</u></u>	<u><u>\$ 8,038</u></u>

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

CITY OF MESA, ARIZONA

EXHIBIT A-9

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(in thousands)

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal Service Funds</u>
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 375,796	\$ -
Cash Received from Users	-	122,865
Cash Payments to Suppliers	(126,509)	(108,808)
Cash Payments to Employees	(57,661)	(11,230)
Other Non-Operating Revenue	4,026	-
Net Cash Provided By (Used For) Operating Activities	<u>195,652</u>	<u>2,827</u>
Cash Flows From Noncapital Financing Activities:		
Intergovernmental	1,982	-
Transient Occupancy Tax	1,192	-
Investment in Joint Ventures	1	-
Transfers Out to Other Funds	(110,364)	-
Net Cash Used For Noncapital Financing Activities	<u>(107,189)</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities:		
Proceeds from Bond Sales	125,051	-
Payment to Refunded Bond Escrow Agent	(17,066)	-
Proceeds From Sale of Capital Assets	322	-
Acquisition and Construction of Capital Assets	(144,986)	(97)
Principal Paid on Bonds, Leases and Notes Maturities	(59,135)	-
Interest Paid on Bonds, Leases and Notes	(51,836)	-
Bond Issuance Costs	(560)	-
Developer Contributions and Capital Grants	20,500	-
Net Cash Used For Capital and Related Financing Activities	<u>(127,710)</u>	<u>(97)</u>
Cash Flows From Investing Activities:		
Interest Received on Investments	1,491	214
Net Cash Provided By Investing Activities	<u>1,491</u>	<u>214</u>
Net Change in Pooled Cash and Investments	(37,756)	2,944
Total Cash and Investments at Beginning of Year	<u>319,088</u>	<u>66,242</u>
Total Cash and Investments at End of Year	<u>\$ 281,332</u>	<u>\$ 69,186</u>

(Continued)

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

CITY OF MESA, ARIZONA
EXHIBIT A-9 (Continued)
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(in thousands)

	<u>Business-type Activities Enterprise Fund</u>	<u>Governmental Activities Internal Service Funds</u>
Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:		
Operating Income	\$ 120,889	\$ 5,860
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:		
Depreciation and Amortization	65,618	368
Miscellaneous Revenue	4,026	-
Changes in Assets and Liabilities:		
(Increase)/Decrease in Receivables	(2,600)	(60)
(Increase)/Decrease in Inventory	-	(131)
(Increase)/Decrease in Deposits and Prepaid Costs	5,330	11
Increase/(Decrease) in Accounts Payable	2,510	(1,611)
Increase/(Decrease) in Unearned Revenue	59	-
Increase/(Decrease) in Pension and OPEB Liability	(3,220)	(722)
Increase (Decrease) in Deferred Outflows	1,317	369
Increase (Decrease) in Deferred Inflows	1,621	353
Increase/(Decrease) in Other Accrued Expenses	102	(1,610)
Total Adjustments	<u>74,763</u>	<u>(3,033)</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 195,652</u>	<u>\$ 2,827</u>
Noncash Transactions Affecting Financial Position:		
Contributions of Capital Assets	\$ 3,212	\$ (733)
Gain (Loss) on Disposal of Capital Assets	(5,619)	(20)
Amortization of Deferred Amounts on Refunding	(3,314)	-
Amortization of Premiums	4,711	-

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

CITY OF MESA, ARIZONA

EXHIBIT A-10

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

FIDUCIARY FUNDS

JUNE 30, 2018

(in thousands)

	Payroll Agency
ASSETS	
Pooled Cash and Investments	\$ 10,789
Due from Others	84
Total Assets	<u>\$ 10,873</u>
LIABILITIES	
Accounts Payable	\$ 23
Accrued Payroll Payable	10,850
Total Liabilities	<u>\$ 10,873</u>

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



CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The City of Mesa, Arizona, (the City) was incorporated July 15, 1883 with an approximate population of 300 and an area of one square mile. Today, the City's estimated population is 501,137 within an area of approximately 141 square miles. The City's charter was adopted August 18, 1967 providing for a Council-Manager form of government. The City provides a full range of municipal services including police and fire protection, parks and recreation, library, transportation, health and certain social services and general administration. In addition, the City owns and operates an enterprise whose activities include operations of electricity, gas, water, wastewater, and solid waste utilities, an airport, golf course, convention center, two stadiums and district cooling.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

a. **Reporting Entity**

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

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

b. **Jointly Governed Organizations**

Phoenix – Mesa Gateway Airport Authority ("PMGAA") is a Joint-Powers Airport Authority established and funded by the City, the City of Phoenix, the Towns of Gilbert and Queen Creek, and the Gila River Indian Community. The purpose of the entity is the redevelopment of Williams Air Force Base that was closed in September of 1993 to become PMGAA. The Board of Directors consists of the mayors for the respective municipalities and the governor of the tribal community. The City contributed \$1.7 million to the PMGAA operating and capital budget during this fiscal year.

Regional Public Transportation Authority ("RPTA") is a voluntary association of local governments, including the cities of Mesa, Tempe, Scottsdale, Glendale, Phoenix and Maricopa County. Its purpose is to create a regional public transportation plan for Maricopa County. The

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

c. **Basic Financial Statements**

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

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

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

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

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

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

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

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

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

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

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

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

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

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

e. **Fund Accounting**

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

The City reports the following major governmental fund:

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

The City reports the following non-major governmental funds:

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

The **Agency Fund** is used to account for assets being held by the City as an agent in a temporary custodial capacity. The Payroll Agency Fund accounts for all payroll transactions.

f. **Budgets and Budgetary Accounting**

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

Prior to June 1, the City Manager submits 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 except the Agency Fund. Capital Projects are budgeted as one item and governmental debt service expenditures are budgeted in the Special Revenue Funds or Debt Service 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.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

The State Economic Estimates Commission determines and publishes, prior to April 1st of each year, the expenditure limitation for the following fiscal year for each governmental unit. Fiscal year 1979-80 is the base year for calculations.

Budgets for all funds are adopted in accordance with the requirements of the Arizona Constitution, Arizona Revised Statutes and the Mesa City Charter. There are certain differences between the basis used for budgetary purposes and that used for reporting in accordance with generally accepted accounting principles. For additional detail, see the notes to budgetary comparison schedule. Budgeted amounts are as originally adopted by the City Council on May 22, 2017.

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, with the exception of the Capital Projects and Agency Funds. Income from investments within these funds is recorded in the General or Enterprise Fund based upon their general governmental or enterprise related function.

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.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

j. **Capital Assets**

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

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

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.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

m. **Long-Term Obligations**

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

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

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

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.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

p. **Statement of Cash Flows**

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

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

q. **Contingency Services**

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

Any balance of a contingency appropriation not used during one fiscal year is available to help finance the following year's budget. The contingency applications are reflected in the budget basis financial statements for the fiscal year ended June 30, 2018 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 January 1 full cash value as determined by the Maricopa County Assessor. Levies are due and payable in two installments, on October 1 and March 1, and become delinquent after November 1 and after May 1, respectively. A lien attaches to the property on the first day of January preceding the assessment and levy of taxes. Delinquent amounts bear interest at the rate of 16.0%. Maricopa County, at no charge to the taxing entities, bills and collects all property taxes. Public auctions of properties which have delinquent real estate taxes are held in February.

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

In fiscal year 2017-2018, current property tax collections were \$33,009,244 or 98.76% 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, 2018 was \$854,611 of which \$418,382 was recorded as revenue and \$436,229 as unavailable revenue.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

s. **New Accounting Pronouncements**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, improves accounting and financial reporting by governments for postemployment benefits other than pensions. It also improves information provided by governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This Statement is effective for fiscal years beginning after June 15, 2017. The City has implemented this Statement in fiscal year 2018. See Note 15 and Note 16 for the current year effect of implementing GASB Statement No. 75.

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

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The City will implement this Statement in fiscal year 2020.

GASB Statement No. 85, *Omnibus*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The City has implemented this Statement in fiscal year 2018 with no effect.

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

GASB Statement No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The City has implemented this Statement in fiscal year 2018 with no effect.

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

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2018

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	\$ 290,348	\$ -	\$ 69,186	\$ -	\$ 359,534
Account and Misc Receivables, Net	5,005	-	765	-	5,770
Accrued Interest Receivable	757	-	234	-	991
Due from Other Governments	35,819	-	-	-	35,819
Due from Other Funds	1,262	-	-	(1,262)	-
Advances to Other Funds	-	-	-	(876)	(876)
Inventory	-	-	6,079	-	6,079
Prepaid Costs	2,439	-	747	-	3,186
Deposits	-	-	69	-	69
Restricted Assets:					
Pooled Cash and Investments	7,001	-	-	-	7,001
Cash with Fiscal Agent	42,651	-	-	-	42,651
Cash with Trustee	-	-	-	-	-
Accounts Receivable	12,527	-	-	-	12,527
Due from Other Governments	1,265	-	-	-	1,265
Investment in Joint Ventures	-	262,061	-	-	262,061
Capital Assets	-	1,437,912	2,382	-	1,440,294
Total Assets	<u>399,074</u>	<u>1,699,973</u>	<u>79,462</u>	<u>(2,138)</u>	<u>2,176,371</u>
Deferred Outflows of Resources					
Deferred Amounts on Refunding	-	8,946	-	-	8,946
Pensions and OPEB	-	160,427	2,050	-	162,477
Total Deferred Outflows of Resources	<u>-</u>	<u>169,373</u>	<u>2,050</u>	<u>-</u>	<u>171,423</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 399,074</u>	<u>\$ 1,869,346</u>	<u>\$ 81,512</u>	<u>\$ (2,138)</u>	<u>\$ 2,347,794</u>
Liabilities					
Accounts Payable and Accrued Liabilities	\$ 22,268	\$ -	\$ 2,090	\$ -	\$ 24,358
Claims Payable	-	-	37,029	-	37,029
Due To Other Funds	1,262	-	-	(1,262)	-
Advances from Other Funds	876	-	-	(876)	-
Customer and Defendant Deposits	7,190	-	-	-	7,190
Restricted Bond Interest Payable	9,382	-	-	-	9,382
Restricted Unearned Revenue	4,673	-	-	-	4,673
Matured Bonds Payable	34,376	-	-	-	34,376
Pension and OPEB	-	1,368,276	31,613	-	1,399,889
Long-term Liabilities	-	513,132	840	-	513,972
Total Liabilities	<u>80,027</u>	<u>1,881,408</u>	<u>71,572</u>	<u>(2,138)</u>	<u>2,030,869</u>
Deferred Inflows of Resources					
Unavailable Revenue	14,589	(14,589)	-	-	-
Pension	-	65,222	1,902	-	67,124
Total Deferred Inflows of Resources	<u>14,589</u>	<u>50,633</u>	<u>1,902</u>	<u>-</u>	<u>67,124</u>
Fund Balance/Net Position					
Total Fund Balance/Net Position	<u>304,458</u>	<u>(62,695)</u>	<u>8,038</u>	<u>-</u>	<u>249,801</u>
Total Liabilities and Fund Balance/Net Position	<u>\$ 399,074</u>	<u>\$ 1,869,346</u>	<u>\$ 81,512</u>	<u>\$ (2,138)</u>	<u>\$ 2,347,794</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

- (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	\$ 262,061
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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	\$ 2,427,498
Accumulated depreciation	(989,586)
Total	<u>\$ 1,437,912</u>

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

Bonds payable	\$ 471,957
Compensated absences	26,360
Post-employment benefits	605,491
Unamortized bond premiums	14,815
Pension liability	762,785
Total	<u>\$ 1,881,408</u>

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

Deferred charge on refunding	\$ 8,946
Pensions and OPEB	160,427
Total	<u>\$ 169,373</u>

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

Deferred Inflows – Pensions & OPEB	<u>\$ 65,222</u>
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CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

Unavailable property tax revenues	\$ 436
Unavailable special assessment revenue	12,522
Receivables not yet collected	<u>1,631</u>
Total	<u>\$ 14,589</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>\$ 8,038</u>
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CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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	\$ 169,024	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 169,024
Property Taxes	35,616	(45)	-	-	-	-	35,571
Occupancy Taxes	2,628	-	-	-	-	-	2,628
Special Assessments	1,174	1,805	-	-	-	-	2,979
Licenses and Permits	25,119	-	-	-	-	-	25,119
Intergovernmental	223,800	-	-	-	-	-	223,800
Charges for Services	40,222	-	-	-	-	-	40,222
Fines and Forfeitures	10,436	-	-	-	-	-	10,436
Investment Income	1,608	-	-	304	-	-	1,912
Contributions	429	-	60,038	21,648	-	-	82,115
Miscellaneous	5,547	(5,250)	-	5,122	-	-	5,419
Other Sources:							
Transfers In	176,572	-	5,880	-	-	(66,208)	116,244
Face Amount of Bonds Issued	26,745	-	-	-	(26,745)	-	-
Premiums on Issuance of Bonds	1,063	-	-	-	(1,063)	-	-
Total Revenue and Other Sources	\$ 719,983	\$ (3,490)	\$ 65,918	\$ 27,074	\$ (27,808)	\$ (66,208)	\$ 715,469
Expenditures/Expenses and Other Financing Uses							
Expenditures/Expenses:							
Current:							
General Government	\$ 90,209	(207)	7,746	9,075	(1,097)	\$ -	\$ 105,726
Public Safety	266,459	49,223	11,849	7,469	-	-	335,000
Community Environment	73,404	(65)	39,122	2,663	-	-	115,124
Cultural-Recreational	46,143	(341)	8,609	990	-	-	55,401
Debt Service:							
Principal	34,738	-	-	-	(34,738)	-	-
Interest on Bonds	18,477	-	-	-	-	-	18,477
Service Charge	14	-	-	-	-	-	14
Cost of Issuance	1,023	-	-	-	-	-	1,023
Capital Outlay	76,279	-	(76,279)	-	-	-	-
Other Financing Uses:							
Transfers Out	66,208	-	238	-	-	(66,208)	238
Pmt to Ref Bond Escrow Agent	-	-	-	-	-	-	-
Total Expenditures/Expenses & Other Financing Uses	672,954	48,610	(8,715)	20,197	(35,835)	(66,208)	631,003
Net Change for the Year	\$ 47,029	\$ (52,100)	\$ 74,633	\$ 6,877	\$ 8,027	\$ -	\$ 84,466

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

- (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	\$ (45)
Special assessment revenue	1,805
Unavailable revenue	<u>(5,250)</u>
Total	<u><u>\$ (3,490)</u></u>

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

Accrual of long-term compensation absences	\$ 1,319
OPEB Expense	(29,272)
Pension Expense	<u>(84,039)</u>
Total	<u><u>\$ (111,992)</u></u>

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

Deferral of current year pension & OPEB Contributions	<u><u>\$ 63,382</u></u>
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- (2) When capital assets that are to be used in the governmental activities are purchased or constructed the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of the financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.

Capital outlay for capital assets	\$ 73,370
Depreciation expense	<u>(66,102)</u>
Total	<u><u>\$ 7,268</u></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	\$ 58,235
Donated capital and transfers	11,593
Loss on Disposal	<u>(2,462)</u>
Total	<u><u>\$ 67,366</u></u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

- (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	\$ 27,074
Expenditures and other uses	<u>(20,197)</u>
Change in net position	<u><u>\$ 6,877</u></u>

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

New debt issued (including refunded debt):	
General Obligation bond proceeds	\$ (16,120)
Community Facilities District Bonds	(10,625)
Principal repayments	<u>34,738</u>
Total	<u><u>\$ 7,993</u></u>

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

Amortization of deferred refunding amounts	\$ (1,166)
Amortization of bond premiums	2,263
Premiums on bonds	<u>(1,063)</u>
Total	<u><u>\$ 34</u></u>

- (5) Interfund transfers between governmental activities, other than Internal Service Funds, are eliminated in the consolidation of these activities for the statement of activities. The elimination is reflected as a reduction of transfers in and transfers out to eliminate the doubling up effect of these transactions within the governmental activities. Elimination of transfers to/from the Internal Service Funds is netted into the results of the Internal Service Funds in (3) above.

Transfers out	\$ (66,208)
Transfers in	<u>66,208</u>
Total	<u><u>\$ -</u></u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

3. FUND BALANCE

As of June 30, 2018, the fund balance details by classification are listed below (in thousands):

Fund Balances:	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepaid Costs	\$ 2,304	\$ 135	\$ 2,439
Nonspendable Sub-total	2,304	135	2,439
Restricted:			
Capital Projects	-	57,420	57,420
Community Facility District	-	33	33
Court	-	1,931	1,931
Debt Service	-	12,532	12,532
Fire	-	3,362	3,362
Housing	-	911	911
Library	-	306	306
Police	-	2,007	2,007
Transportation Programs	-	53,960	53,960
Restricted Sub-total	-	132,462	132,462
Committed To:			
Arts & Culture	-	954	954
Capital Projects	-	14,236	14,236
Cemetery	780	7,233	8,013
Economic Development	97	-	97
Environmental Compliance	-	12,715	12,715
Fire	4,350	-	4,350
Parks & Recreation	-	53	53
Police	5,150	-	5,150
Technology	-	1,103	1,103
Vehicle Replacement	-	5,347	5,347
Committed To Sub-total	10,377	41,641	52,018
Assigned To:			
Development Services	123	-	123
Economic Development	2,010	-	2,010
Fire	42	-	42
General Government	19,089	22	19,111
Parks & Recreation	609	-	609
Police	6,349	-	6,349
Sustainability	87	-	87
Transit	37	-	37
Assigned To Sub-total	28,346	22	28,368
Unassigned	89,347	(176)	89,171
Total Fund Balances	\$ 130,374	\$ 174,084	\$ 304,458

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, 2018 as reported in Exhibit B-5 is 35.3% of General Fund expenditures budgeted for fiscal year 2017-2018.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

4. POOLED CASH AND INVESTMENTS

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

Cash on Hand	\$ 143
Carrying Amount of City Deposits	24,036
Investment in Insured Cash Sweep Accounts	15,266
Investments in Local Govt Invest Pool	117,933
Cash with Trustee (1)	98
Cash with Fiscal Agent (2)	100,331
Long-Term Investments	443,500
Pooled Cash and Investments	<u>701,307</u>
Less: Cash in Agency Fund	<u>(10,789)</u>
Total City Pooled Cash and Investments	<u>\$ 690,518</u>

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

(2) Represents cash sent by the City to fiscal agents on June 30, 2018 for debt service payments due to bondholders on July 1, 2018.

Deposits

At year-end, the City’s cash totaled \$24,179,232 which included \$143,005 of petty cash. The carrying amount of the City’s deposits was \$24,036,227 and the bank balance was \$25,867,319. The difference of \$1,831,092 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, 2018 are covered under House Bill 2619.

Investments

The City’s Investment Policy is consistent with the City Charter which authorizes the investment of City funds in accordance with Arizona Revised Statute §35-313. These investments include obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, towns or duly organized school districts, improvement districts in this state, State Treasurer’s Investment Pool,

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

The City's investment policy for credit risk complies with Arizona Revised Statute §35-323. The City's portfolio is primarily invested in securities issued by the U.S. Treasury and by U.S. Government agencies that carry a minimum "A" or better rating, at the time of purchase, from Moody's or Standard & Poor's or other nationally recognized rating agency.

The City's portfolio also invests in Corporate Notes rated "A" or better by Moody's or Standard & Poor's and participates in the State Treasurer's Investment Pool (LGIP), which is overseen according to Arizona State Statute by the State Board of Investment. Within the State Treasurer's Investment Pools, the City participates in Investment Pool 7. Pool 7 is a short-term fund which invests only in products backed by the full faith and credit of the United States Government. The Pool carries a weighted average credit rating of AAA. The City also maintains short-term investments in FDIC Insured Cash Sweep Accounts held by one local bank.

The City's investment in their own Special Improvement District bonds have no credit rating.

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, 2018

At June 30, 2018, the City had the following recurring fair value measurements (in thousands):

<u>Investment by Fair Value Level</u>	Fair Value 6/30/2018	<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	\$ 257,266	\$ -	\$ 257,266	\$ -
U.S. Agencies:				
Federal Home Loan Bank	25,529	-	25,529	-
Federal Home Loan Mortgage Corp.	24,985	-	24,985	-
Federal National Mortgage Assn	43,076	-	43,076	-
Corporate Notes		-		-
American Express Credit	3,298	-	3,298	-
American Honda Finance Corp.	2,279	-	2,279	-
Apple, Inc.	1,494	-	1,494	-
Bank of New York Mellon Inc.	990	-	990	-
Bank of America	1,686	-	1,686	-
BB&T	3,035	-	3,035	-
Caterpillar Financial	2,493	-	2,493	-
Charles Schwab Corp	1,240	-	1,240	-
Chevron Corp	3,122	-	3,122	-
Cisco Systems Inc.	345	-	345	-
Walt Disney	3,383	-	3,383	-
Exxon Mobil	836	-	836	-
Goldman Sachs	2,895	-	2,895	-
Home Depot Inc.	1,571	-	1,571	-
HSBC USA	988	-	988	-
IBM	3,355	-	3,355	-
Intel	1,698	-	1,698	-
John Deere	2,322	-	2,322	-
JP Morgan Chase & Co	3,345	-	3,345	-
Microsoft	2,170	-	2,170	-
Morgan Stanley	2,615	-	2,615	-
National Rural Utility Coop.	715	-	715	-
Paccar Financial	874	-	874	-
Pepsico Inc.	816	-	816	-
Pfizer Inc.	946	-	946	-
Toyota Motor Credit	3,324	-	3,324	-
United Parcel Service	1,346	-	1,346	-
Visa Inc	836	-	836	-
Wal-Mart Stores Inc.	3,819	-	3,819	-

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Investment by Fair Value Level</u>	Fair Value 6/30/2018	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
<u>Debt Securities (continued)</u>				
Negotiable Certificates of Deposit				
Bank of Montreal Chicago	6,787	-	6,787	-
Bank of Nova Scotia Houston	2,614	-	2,614	-
Bank of Tokyo Misubishi NY	1,707	-	1,707	-
Credit Suisse NY	1,725	-	1,725	-
Royal Bank of Canada NY	1,939	-	1,939	-
Skandinaviska Enskilda Banken NY	6,791	-	6,791	-
Sumitomo Bitsui Bank	6,771	-	6,771	-
UBS AG Stamford CT	1,731	-	1,731	-
Wells Fargo & Co	3,337	-	3,337	-
City of Mesa Special Improvement District Bonds	1,073	-	1,073	-
Total Debt Securities at Fair Value	<u>\$ 443,167</u>	<u>\$ -</u>	<u>\$ 443,167</u>	<u>\$ -</u>
<u>Investments Measured at Fair Value</u>				
Arizona State Treasurers Investment Pool:				
State of Arizona Pool 7	<u>117,933</u>			
Total Investments Measured At Fair Value	<u>\$ 561,100</u>			
<u>Amortized Cost Securities</u>				
FDIC Insured Cash Sweep Money Market Funds	<u>\$ 15,266</u>			

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

Investments valued using the net asset value (NAV) per share (or its equivalent) are City investments in Arizona State Treasurers Investment Pool (LGIP) and unlike more traditional investments, generally do not have readily obtainable market values. Investments valued at NAV utilized Net Asset Values as provided by State of Arizona Treasurer's Office at June 30, 2018.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The City's investments at June 30, 2018 are as follows (in thousands):

Investment Type	Investment Maturities (in Years)					Concentration of Credit Risk %
	Fair Value	Less Than 1	1-2	2-3	More than 3	
U.S. Treasuries	\$ 257,266	\$ 9,550	\$ 106,079	\$ 141,637		58.01%
U.S. Agencies:						
Federal Home Loan Bank	25,529	6,821	18,708	-	-	5.76%
Federal Home Loan Mortgage Corp.	24,985	8,372	16,613	-	-	5.63%
Federal National Mortgage Assn	43,076	4,959	28,589	9,528	-	9.71%
Corporate Notes						
American Express Credit	3,298		3,298		-	0.74%
American Honda Finance Corp.	2,279		1,564	715	-	0.51%
Apple, Inc.	1,494		1,494		-	0.34%
Bank of America	1,686				1,686	0.38%
Bank of New York Mellon Inc.	990			990	-	0.22%
BB&T	3,035	-	3,035		-	0.68%
Caterpillar	2,493			2,493		0.56%
Charles Schwab	1,240			1,240		0.28%
Chevron Corp	3,122	3,122			-	0.70%
Cisco Systems Inc.	345		345		-	0.08%
Walt Disney	3,383	-	3,383		-	0.76%
Exxon Mobil	836		836			0.19%
Goldman Sachs	2,895		2,895		-	0.65%
Home Depot Inc.	1,571	-	1,571		-	0.35%
HSBC	988		988			0.22%
IBM	3,355	-	3,355		-	0.76%
Intel	1,698	-	1,698		-	0.38%
John Deere	2,322	-	2,049	273	-	0.52%
JP Morgan Chase & Co	3,345	1,093			2,252	0.75%
Microsoft	2,170	-	2,170		-	0.49%
Morgan Stanley	2,615	-	1,638	977	-	0.59%
National Rural Utility Coop.	715			715		0.16%
Paccar Financial	874			874		0.20%
Pepsico Inc.	816	-	816		-	0.18%
Pfizer Inc.	946	-	946		-	0.21%
Toyota Motor Credit Corp	3,324	2,374		950	-	0.75%
United Parcel Service	1,346			1,346		0.30%
Visa Inc.	836			836		0.19%
Wal-Mart Stores Inc	3,819		2,266	1,553		0.86%
Wells Fargo & Co	3,337			3,337		0.75%
Negotiable Certificates of Deposit						
Bank of Montreal Chicago	6,787	6,787			-	1.53%
Bank of Nova Scotia Houston	2,614	-	2,614		-	0.59%
Bank of Tokyo Misubishi NY	1,707		1,707			0.38%
Credit Suisse NY	1,725		1,725			0.39%
Royal Bank of Canada NY	1,939			1,939		0.44%
Skandinaviska Enskilda Banken NY	6,791		6,791			1.53%
Sumitomo Bitsui Bank	6,771	6,771			-	1.53%
UBS AG Stamford CT	1,731		1,731			0.39%
City of Mesa Special Improvement						
District Bonds	1,073	369	348	356		0.24%
Wells Fargo MMF	333	333				0.08%
Total	\$ 443,500	\$ 50,551	\$ 219,252	\$ 169,759	\$ 3,938	100.00%

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

At June 30, 2018 the following investments had callable dates:

<u>Corporate Notes</u>	<u>Date</u>	<u>Market Value</u>
American Express Credit	9/30/2019	\$ 3,298
Bank of America	10/1/2020	1,686
Bank of New York Mellon	7/17/2020	990
BB&T	12/15/2019	3,035
Exxon Mobil	2/6/2020	836
Goldman Sachs	11/13/2019	1,658
JP Morgan Chase & Co	2/22/2019	1,093
Visa Inc.	11/14/2020	836

5. ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS

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

<u>Fund</u>	<u>Receivables</u>	<u>Allowance</u>	<u>Net</u>
Governmental Activities:			
General Fund:			
Courts	1,227	-	1,227
Other Customers	5,691	(3,664)	2,027
Due from Other Governments:			
State Shared Revenues	9,628	-	9,628
Other	12,299	(1,500)	10,799
Non-Major Governmental Funds:			
Other Customers	1,751	-	1,751
Restricted-Spec. Assessments	12,522	-	12,522
Restricted-Other	5	-	5
Restricted-Due from Other Governments	1,265	-	1,265
Due from Other Governments	15,392	-	15,392
Internal Service Funds			
Premiums	173	-	173
Other Customers	592	-	592
Total Governmental Activities	<u>\$ 60,545</u>	<u>\$ (5,164)</u>	<u>\$ 55,381</u>
Business-Type Activities:			
Utility Customers	\$ 35,487	\$ (884)	\$ 34,603
Other Customers	2,731	(482)	2,249
Due from Other Governments	2,647	-	2,647
Total Business-type Activities	<u>\$ 40,865</u>	<u>\$ (1,366)</u>	<u>\$ 39,499</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Unbilled Accounts Receivable

Unbilled utility service receivables are recorded in the year in which the services are provided. At June 30, 2018, unbilled utility service receivables are recorded in the Enterprise Fund as follows (in thousands):

Electric	\$ 2,237
Gas	1,042
Water	8,217
Wastewater	4,067
Solid Waste	<u>2,570</u>
	<u>\$18,133</u>

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Additionally, governmental 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 in the governmental funds were as follows (in thousands):

	<u>General Fund</u>	<u>Non-Major Funds</u>
<u>Unearned Revenue</u>		
Mesa Arts Center advanced ticket sales	\$ 1,326	\$ 39
Grants received prior to meeting all eligibility requirements	-	1,379
Amounts paid in advance	<u>1,834</u>	<u>95</u>
	<u>\$ 3,160</u>	<u>\$ 1,513</u>

	<u>General Fund</u>	<u>Non-Major Funds</u>
<u>Unavailable Revenue</u>		
Receivables not yet collected	\$ 1,296	\$ 335
Delinquent Property Taxes	-	436
Special Assessments not yet due	-	12,522
	<u>\$ 1,296</u>	<u>\$ 13,293</u>

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The following interfund activities are included in the fund financial statements at June 30, 2018 (in thousands):

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 1,262	\$ -
Non-major Governmental Funds	-	1,262
Total Governmental Funds	<u>\$ 1,262</u>	<u>\$ 1,262</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Interfund balances at June 30, 2018 are short-term loans used to cover temporary cash deficits in various funds and are expected to be repaid within one year.

The following advances are included in the fund financial statements at June 30, 2018 (in thousands):

Fund	Advances to Other Funds	Advances from Other Funds
Governmental Funds:		
General Fund	\$ -	\$ 876
Total Governmental Funds	-	876
Proprietary Funds:		
Enterprise Fund	876	-
Total	<u>\$ 876</u>	<u>\$ 876</u>

The Advances at June 30, 2018 are an advance from the Enterprise Fund to the General Fund for property acquisition. The advances outstanding at June 30, 2018 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, 2018 (in thousands):

Fund	Transfers Out	Transfers In
Governmental Funds:		
General Fund	\$ 26,629	\$ 120,095
Non-major Governmental Funds	39,579	56,477
Total Governmental Funds	66,208	176,572
Proprietary Funds:		
Enterprise Fund	110,364	-
Total	<u>\$ 176,572</u>	<u>\$ 176,572</u>

Transfers from business-type activities to governmental activities on the government-wide statement of activities include a \$110,364,000 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. In addition to the cash transfers, the City had capital asset transfers out of the business-type activities to the governmental activities in the amount of \$5,880,000 and capital asset transfers from the governmental activities to the business-type activities in the amount of \$237,800.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

7. CAPITAL ASSETS

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2018 follows (in thousands):

	Balance <u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	Balance <u>June 30, 2018</u>
Governmental Activities:					
Non-depreciable Assets:					
Land	\$ 388,552	\$ 3,938	\$ (963)	\$ -	\$ 391,527
Infrastructure	3,612	-	(27)	-	3,585
Construction-in-Progress	110,061	66,129	(58,020)	(238)	117,932
Total Non-depreciable Assets	<u>502,225</u>	<u>70,067</u>	<u>(59,010)</u>	<u>(238)</u>	<u>513,044</u>
Depreciable Assets:					
Buildings	339,951	8,664	(1,583)		347,032
Other Improvements	190,315	7,620	(1,163)		196,772
Machinery & Equipment	203,742	8,589	(4,130)	147	208,348
Intangibles	23,251	-	-		23,251
Infrastructure	1,117,803	29,990	(3,370)	5,733	1,150,156
Total Depreciable Assets	<u>1,875,062</u>	<u>54,863</u>	<u>(10,246)</u>	<u>5,880</u>	<u>1,925,559</u>
Less Accumulated Depreciation for:					
Buildings	(102,300)	(7,647)	796	-	(109,151)
Other Improvements	(105,311)	(6,259)	778	-	(110,792)
Machinery & Equipment	(139,190)	(10,566)	3,852	-	(145,904)
Intangibles	(16,539)	(3,753)	-	-	(20,292)
Infrastructure	(576,995)	(38,245)	3,070	-	(612,170)
Total Accum. Depreciation	<u>(940,335)</u>	<u>(66,470)</u>	<u>8,496</u>	<u>-</u>	<u>(998,309)</u>
Total Depreciable Assets, net	<u>934,727</u>	<u>(11,607)</u>	<u>(1,750)</u>	<u>5,880</u>	<u>927,250</u>
Governmental Activities					
Capital Assets, net	<u>\$1,436,952</u>	<u>\$ 58,460</u>	<u>\$ (60,760)</u>	<u>\$ 5,642</u>	<u>\$ 1,440,294</u>

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

General Government	\$ 7,182
Public Safety	11,754
Community Environment	39,130
Cultural-Recreational	8,036
Capital assets held by the City's Internal Service funds are charged to the various functions based on their usage of assets	368
	<u>\$66,470</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Balance July 1, 2017	Additions	Retirements	Transfers	Balance June 30, 2018
Business-type Activities:					
Non-depreciable Assets:					
Land	\$ 50,717	\$ 39	\$ (56)	\$ -	\$ 50,700
Water Rights	17,560	-	-	-	17,560
Collections of Art	106	-	-	-	106
Construction-in-Progress	179,682	137,785	(83,059)	(5,880)	228,528
Total Non-depreciable Assets	<u>248,065</u>	<u>137,824</u>	<u>(83,115)</u>	<u>(5,880)</u>	<u>296,894</u>
Depreciable Assets:					
Buildings	107,723	421	-		108,144
Other Improvements	133,057	893	(57)		133,893
Machinery & Equipment	92,408	8,303	(3,761)		96,950
Intangibles	27,549	-	-		27,549
Infrastructure	1,812,246	73,806	(430)	238	1,885,860
Total Depreciable Assets	<u>2,172,983</u>	<u>83,423</u>	<u>(4,248)</u>	<u>238</u>	<u>2,252,396</u>
Less Accumulated Depreciation for:					
Buildings	(29,796)	(2,209)	-	-	(32,005)
Other Improvements	(54,319)	(4,596)	38	-	(58,877)
Machinery & Equipment	(55,327)	(7,127)	3,602	-	(58,852)
Intangibles	(21,864)	(885)	-	-	(22,749)
Infrastructure	(804,323)	(50,801)	360	-	(854,764)
Total Accum. Depreciation	<u>(965,629)</u>	<u>(65,618)</u>	<u>4,000</u>	<u>-</u>	<u>(1,027,247)</u>
Total Depreciable Assets, net	<u>1,207,354</u>	<u>17,805</u>	<u>(248)</u>	<u>238</u>	<u>1,225,149</u>
Business-type Activities					
Capital Assets, net	<u>\$1,455,419</u>	<u>\$155,629</u>	<u>\$ (83,363)</u>	<u>\$(5,642)</u>	<u>\$ 1,522,043</u>

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

Electric	\$ 3,589
Gas	4,569
Water	26,433
Wastewater	19,753
Solid Waste	3,020
Airport	1,792
Golf Course	138
Convention Center	312
Hohokam Stadium/Fitch Complex	1,711
Cubs Stadium	3,881
District Cooling	420
	<u>\$ 65,618</u>

CITY OF MESA, ARIZONA
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Construction in progress and related construction commitments are composed of the following (in thousands):

Governmental Activities	Construction in Progress	Commitments
General Government	\$ 66,013	\$ 22,555
Public Safety	2,091	460
Community Environment	46,217	-
Cultural-Recreational	3,550	299
Warehouse, Maintenance & Services	61	145
Total	\$ 117,932	\$ 23,459
Business-type Activities	Construction in Progress	Commitments
Electric	\$ 2,376	\$ 371
Gas	11,774	671
Water	170,195	16,085
Wastewater	31,264	7,592
Solid Waste	2,694	1,911
Airport	9,137	886
Convention Center	312	4
Spring Training	776	175
Total	\$ 228,528	\$ 27,695

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

8. LONG-TERM OBLIGATIONS

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

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

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 374,443	\$ 16,120	\$ (25,044)	\$ 365,519	\$ 28,104
Highway User Revenue Bonds	84,995	-	(8,375)	76,620	8,715
Special Assessment Bonds with Governmental Commitment	1,340	-	(335)	1,005	335
Community Facility District	19,172	10,625	(984)	28,813	813
Total Bonds Payable	<u>479,950</u>	<u>26,745</u>	<u>(34,738)</u>	<u>471,957</u>	<u>37,967</u>
Unamortized Premiums	16,015	1,063	(2,263)	14,815	-
Compensated Absences	28,322	23,468	(24,590)	27,200	3,774
Governmental Activities Total	<u>\$ 524,287</u>	<u>\$ 51,276</u>	<u>\$ (61,591)</u>	<u>\$ 513,972</u>	<u>\$ 41,741</u>
Business-type Activities:					
Bonds Payable:					
Revenue Bonds	\$ 1,161,755	\$ 112,120	\$ (46,520)	\$ 1,227,355	\$ 35,525
General Obligation Bonds	312	-	(76)	236	46
Excise Tax Revenue Obligations	94,060	-	(45,035)	49,025	-
Total Bonds Payable	<u>1,256,127</u>	<u>112,120</u>	<u>(91,631)</u>	<u>1,276,616</u>	<u>35,571</u>
Notes Payable	1,851	-	(137)	1,714	140
Unamortized Bond Premiums	45,365	12,931	(4,711)	53,585	-
Compensated Absences	4,223	3,937	(3,835)	4,325	641
Business-type Activities Total	<u>\$ 1,307,566</u>	<u>\$ 128,988</u>	<u>\$ (100,314)</u>	<u>\$ 1,336,240</u>	<u>\$ 36,352</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, \$840,000 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
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b. Bonds Payable

At June 30, 2018, 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>
\$9,710,000 2006 general obligation serial bonds, (partially refunded by 2016 general obligation refunding bonds), due in annual installments ranging from \$135,000 to \$4,225,000, plus semi-annual interest ranging from 4.40 percent to 5.0 percent through July 1, 2020.	\$ 1,400
\$15,915,000 2007 general obligation serial bonds, (partially refunded by 2016 general obligation refunding bonds), due in annual installments ranging from \$615,000 to \$5,500,000, plus semi-annual interest ranging from 4.125 percent to 6.0 percent through July 1, 2022.	2,815
\$15,450,000 2008 general obligation serial bonds, (partially refunded by 2017 general obligation refunding bonds), due in annual installments ranging from \$375,000 to \$6,675,000, plus semi-annual interest ranging from 4.25 percent to 5.0 percent through July 1, 2021.	1,875
\$61,830,000 2009 general obligation serial bonds, (partially refunded by 2017 general obligation refunding bonds), due in annual installments ranging from \$1,750,000 to \$10,125,000, plus semi-annual interest ranging from 4.0 percent to 4.625 percent through July 1, 2019.	2,620
\$30,865,000 2010 general obligation bonds due in annual installments ranging from \$1,115,000 to \$13,225,000, plus semi-annual interest ranging from 4.75 percent to 5.85 percent through July 1, 2030.	30,865
\$29,320,000 2011 general obligation serial bonds due in annual installments ranging from \$800,000 to \$6,825,000, plus semi-annual interest ranging from 2 percent to 4.25 percent through July 1, 2031.	20,425
\$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.	22,025
\$31,148,160 2012 general obligation refunding serial bonds due in annual installments ranging from \$419,601 to \$7,350,252, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2022.	8,544
\$8,915,000 2013 general obligation refunding serial bonds due in annual installments ranging from \$30,000 to \$3,250,000, plus semi-annual interest ranging from .7 percent to 5 percent through July 1, 2024.	8,765

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
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\$59,960,000	2013 general obligation serial bonds due in annual installments ranging from \$1,635,000 to \$12,675,000, plus semi-annual interest ranging from 1.5 percent to 4 percent through July 1, 2023.	\$ 50,250
\$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.	28,675
\$13,690,000	2015 general obligation serial bonds due in annual installments ranging from \$250,000 to \$6,700,000, plus semi-annual interest ranging from 2 percent to 5 percent through July 1, 2035.	6,465
\$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.	35,500
\$20,475,000	2016 general obligation refunding serial bonds due in annual installments ranging from \$60,000 to \$5,300,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2027.	20,355
\$22,829,500	2016 taxable general obligation refunding serial bonds due in annual installments ranging from \$1,000,000 to \$3,565,000, plus semi-annual interest ranging from .85 percent to 30 percent through July 1, 2029.	20,525
\$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.	41,455
\$47,450,000	2017 general obligation refunding serial bonds due in annual installments ranging from \$50,000 to \$9,920,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2029.	46,840
\$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.	<u>\$ 16,120</u>
	Total General Obligation Bonds	\$ 365,519

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.	\$ 650
\$23,800,000	2005 street and highway user revenue refunding bonds, due in annual principal installments ranging from \$25,000 to \$8,000,000, plus semi-annual interest ranging from 2.75 percent to 5.0 percent through July 1, 2023.	23,750

CITY OF MESA, ARIZONA
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\$10,225,000 2005 street and highway user revenue bonds, due in annual principal installments ranging from \$50,000 to \$8,500,000, plus semi-annual interest ranging from 4.0 percent to 5.0 percent through July 1, 2023.	\$ 675
\$11,675,000 2006 street and highway user revenue bonds, due in annual installments ranging from \$850,000 to \$9,850,000, plus semi-annual interest ranging from 4.50 percent to 5.25 percent through July 1, 2024.	1,825
\$10,675,000 2007 street and highway user revenue bonds, due in annual principal installments ranging from \$1,000,000 to \$3,900,000, plus semi-annual interest ranging from 4.25 percent to 5.0 percent through July 1, 2025.	3,000
\$36,090,000 2012 street and highway user revenue refunding bonds, due in annual installments ranging from \$665,000 to \$9,700,000, plus semi-annual interest ranging from 3.0 percent to 5.0 percent through July 1, 2022.	20,665
\$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	\$ 76,620

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

\$5,025,000 2005 special assessment district bonds, due in annual principal installments of \$335,000, plus semi-annual interest of 5.80 percent, through January 1, 2021.	<u>\$ 1,005</u>
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Community Facilities District

\$2,712,000 2013 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 1 Special Assessment Revenue Bonds, due in annual principle installments ranging from \$62,000 to \$95,000, plus semi-annual interest ranging from 4.6 percent to 5.3 percent through July 1, 2038.	\$ 2,248
\$3,250,000 2014 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principle installments ranging from \$65,000 to \$225,000, plus semi-annual interest ranging from 4.8 percent to 5.3 percent through July 15, 2038.	2,935

CITY OF MESA, ARIZONA
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<p>\$3,367,000 2014 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 2 Special Assessment Revenue Bonds, due in annual principle installments ranging from \$85,000 to \$225,000, plus semi-annual interest ranging from 2 percent to 5.375 percent through July 1, 2039.</p>	<p>\$ 2,947</p>
<p>\$1,942,000 2015 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 3 Special Assessment Revenue Bonds, due in annual principle installments ranging from \$52,000 to \$135,000, plus semi-annual interest ranging from 2.3 percent to 5.2 percent through July 1, 2039.</p>	<p>1,819</p>
<p>\$6,800,000 2015 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principle installments ranging from \$165,000 to \$680,000, plus semi-annual interest ranging from 4 percent to 5 percent through July 15, 2039.</p>	<p>6,255</p>
<p>\$970,000 2015 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 4 Special Assessment Revenue Bonds, due in annual principle installments ranging from \$25,000 to \$65,000, plus semi-annual interest ranging from 2.4 percent to 5 percent through July 1, 2040.</p>	<p>816</p>
<p>\$1,060,000 2016 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 5 Special Assessment Revenue Bonds, due in annual principle installments ranging from \$30,000 to \$70,000, plus semi-annual interest ranging from 1.85 percent to 4.75 percent through July 1, 2040.</p>	<p>987</p>
<p>\$502,000 2017 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 6 Special Assessment Revenue Bonds, due in annual principle installments ranging from \$7,000 to \$35,000, plus semi-annual interest ranging from 3.5 percent to 5.25 percent through July 1, 2041.</p>	<p>494</p>
<p>\$8,160,000 2017 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principle installments ranging from \$215,000 to \$510,000, plus semi-annual interest ranging from 2 percent to 5 percent through July 15, 2042.</p>	<p>7,850</p>
<p>\$1,326,500 2017 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 7 Special Assessment Revenue Bonds, due in annual principle installments ranging from \$36,500 to \$85,000, plus semi-annual interest ranging from 2 percent to 4.5 percent through July 1, 2042.</p>	<p>1,327</p>
<p>\$770,000 2018 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 8 Special Assessment Revenue Bonds, due in annual principle 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.</p>	<p>767</p>

CITY OF MESA, ARIZONA
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\$368,000 2018 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 9 Special Assessment Revenue Bonds, due in annual principle 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. \$ 368

Total Community Facilities District Bonds \$ 28,813

Total bonds payable recorded in governmental activities \$ 471,957

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. 141

\$105,501 2016 general obligation refunding serial bonds, due in annual principal installments ranging from \$4,600 to \$16,399, plus semi-annual interest ranging from .85 percent to 3 percent through July 1, 2029. 95

Total General Obligation Bonds \$ 236

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

\$40,345,000 2004 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$20,000 to \$21,010,000, plus semi-annual interest ranging from 3.50 percent to 5.00 percent through July 1, 2019. 21,010

\$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), 2016 and 2017 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

CITY OF MESA, ARIZONA
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 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

\$61,300,000 2006 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$2,075,000 to \$18,000,000, plus semi-annual interest ranging from 4.0 percent to 5.0 percent through July 1, 2021.	\$ 45,775
\$127,260,000 2006 (Series 2) utility systems revenue refunding serial 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.	54,005
\$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 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
\$59,900,000 2009 utility systems revenue serial bonds, due in annual principal installments ranging from \$900,000 to \$48,250,000, plus semi-annual interest ranging from 5.875 percent to 6.375 percent through July 1, 2033.	59,900
\$50,380,000 2010 utility systems revenue serial bonds, due in one principal installment, plus semi-annual interest of 6.10 percent through July 1, 2034.	50,380
\$53,950,000 2011 utility systems revenue serial bonds, due in one principal installment, plus semi-annual interest of 5.0 percent through July 1, 2035.	53,950
\$67,300,000 2012 utility systems revenue serial bonds, due in one principal installment, plus semi-annual interest of 4.0 percent through July 1, 2036.	67,300
\$31,580,000 2012 utility systems revenue refunding serial bonds, (partially refunded by 2017 utility systems revenue refunding bonds), due in annual principal installments ranging from \$7,440,000 to \$9,150,000, plus semi-annual interest ranging from 4.0 percent to 4.826 percent through July 1, 2021.	14,905
\$80,295,000 2012 taxable utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$3,225,000 to \$9,150,000, plus semi-annual interest ranging from 3.269 percent to 5.048 percent through July 1, 2035.	80,295

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\$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, due in annual principal installments ranging from \$475,000 to \$22,955,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2030.	96,940
\$30,220,000 2015 utility systems revenue bonds, due in principal installments ranging from \$1,000,000 to \$2,375,000, plus semi-annual interest of 2 percent to 5 percent through July 1, 2039.	30,220
\$90,500,000 2016 utility systems revenue serial bonds, due in annual principal installments ranging from \$1,000,000 to \$22,550,000, plus semi-annual interest ranging from 3 percent to 5 percent through July 1, 2040.	90,500
\$138,035,000 2016 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$3,375,000 to \$44,890,000, plus semi-annual interest ranging from 4 percent to 5 percent through July 1, 2032.	138,035
\$123,875,000 2017 utility systems revenue serial bonds, due in annual principal installments ranging from \$2,000,000 to \$18,900,000, plus semi-annual interest ranging from 3 percent to 5 percent through July 1, 2041.	123,875
\$74,435,000 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 refunding serial 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.	<u>112,120</u>
Total Utility Systems Revenue Bonds	\$ 1,227,355
 <u>Excise Tax Revenue Obligations</u>	
\$94,060,000 2013 excise tax revenue obligation, due in annual principal installments ranging from \$6,620,000 to \$10,785,000, plus semi-annual interest of 5.0 percent through July 1, 2032.	\$ <u>49,025</u>
Total bonds payable recorded in business-type activities	\$ <u>1,276,616</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The following tables summarize the City's debt service requirements to maturity for its long-term bonds payable at June 30, 2018 (in thousands). The deferred amounts on refundings are not included.

Governmental Activities

<u>General Obligation Bonds</u>				<u>Highway User Revenue Bonds</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 28,104	\$ 12,745	\$ 40,849	2019	\$ 8,715	\$ 3,663	\$ 12,378
2020	19,170	11,753	30,923	2020	9,155	3,243	12,398
2021	19,767	11,097	30,864	2021	9,645	2,796	12,441
2022	20,461	10,434	30,895	2022	10,075	2,315	12,390
2023	21,140	9,759	30,899	2023	10,000	1,812	11,812
2024-28	123,332	36,974	160,306	2024-28	29,030	2,597	31,627
2029-33	108,140	14,398	122,538	2029-33	-	-	-
2034-38	25,405	1,780	27,185	2034-38	-	-	-
TOTALS	\$ 365,519	\$ 108,940	\$ 474,459	TOTALS	\$ 76,620	\$ 16,426	\$ 93,046

<u>Special Assessment Bonds</u>				<u>Community Facilities District</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 335	\$ 48	\$ 383	2019	\$ 813	\$ 1,302	\$ 2,115
2020	335	29	364	2020	846	1,276	2,122
2021	335	10	345	2021	884	1,249	2,133
2022	-	-	-	2022	912	1,219	2,131
2023	-	-	-	2023	950	1,185	2,135
2024-28	-	-	-	2024-28	5,366	5,324	10,690
2029-33	-	-	-	2029-33	6,690	3,995	10,685
2034-38	-	-	-	2034-38	8,485	2,240	10,725
2039-42	-	-	-	2039-42	3,867	394	4,261
TOTALS	\$ 1,005	\$ 87	\$ 1,092	TOTALS	\$ 28,813	\$ 18,184	\$ 46,997

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>
2019	\$ 46	\$ 7	\$ 53	2019	\$ 35,525	\$ 54,044	\$ 89,569
2020	40	6	46	2020	33,425	51,975	85,400
2021	43	5	48	2021	36,700	50,429	87,129
2022	44	3	47	2022	41,165	48,674	89,839
2023	5	2	7	2023	41,935	46,657	88,592
2024-28	53	6	59	2024-28	232,155	203,258	435,413
2029-33	5	-	5	2029-33	298,270	149,664	447,934
2034-38	-	-	-	2034-38	355,705	71,841	427,546
2039-42	-	-	-	2039-42	152,475	12,058	164,533
TOTALS	\$ 236	\$ 29	\$ 265	TOTALS	\$ 1,227,355	\$ 688,600	\$ 1,915,955

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Excise Tax Revenue Obligations</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 2,451	\$ 2,451
2020	-	2,451	2,451
2021	-	2,451	2,451
2022	-	2,451	2,451
2023	-	2,451	2,451
2024-28	8,875	12,256	21,131
2029-33	40,150	5,143	45,293
TOTALS	<u>\$ 49,025</u>	<u>\$ 29,654</u>	<u>\$ 78,679</u>

General Obligation Bonds

The general obligation bonds are backed by the ultimate taxing power and general revenues of the City; however, \$236,418 of these bonds at June 30, 2018 is carried as a liability of the Enterprise Fund to reflect the intention of retirement from resources of that fund.

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

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

The total debt margin available July 1, 2018 is (in thousands):

6% Bonds	\$ 182,210
20% Bonds	<u>244,748</u>
Total Available	<u>\$ 426,958</u>

Special Assessment Bonds

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

Special assessment revenues collected by the City are pledged to repay \$9.1 million of improvement bonds issued since 2005. Proceeds from the bonds are used to finance improvements that property owners have agreed to pay. In the event of default by the property owner, an auction sale may be enforced by the City. If collections and auction proceeds are not sufficient to retire outstanding bonds, the City is contingently liable. These bonds are payable through 2021. Annual

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
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principal and interest payments on the bonds are expected to be covered 100% with collections from the property owners. The total principal and interest remaining to be paid on the bonds is \$1,092,435. Principal and interest paid for the current year and total assessments collected were \$403,005, and \$288,680, respectively.

Community Facilities Districts Special Assessment and General Obligation Bonds

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

CFD general obligation bonds are repaid by ad valorem taxes levied directly by the districts and collected by the county. Property owners in the districts are assessed for district taxes and thus for all costs associated with the districts. As of June 30, 2018, total principal and interest outstanding for CFD general obligation bonds was \$27,741,500.

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, 2018, 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 \$19,255,050. Principal and interest paid for the current year and total assessments collected were \$913,353, and \$885,289 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. As of June 30, 2018, the amount provided in the Replacement and Extension Funds equaled \$29,665,942 which is in compliance with the bond provisions.

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
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The following table reflects the annual requirements to amortize all notes outstanding as of June 30, 2018 (in thousands):

Fiscal Year	Business-type Activities		
	Principal	Interest & Fees	Total
2019	\$ 140	\$ 38	\$ 178
2020	143	35	178
2021	146	31	177
2022	149	28	177
2023	153	25	178
2024-28	815	73	888
2029-33	168	4	172
TOTALS	\$ 1,714	\$ 234	\$ 1,948

d. **Short-term Debt**

The City had no short-term debt activity for the fiscal year ended June 30, 2018.

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 \$1.9 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 2042. Annual principal and interest payments on the bonds were 43.0 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1.9 billion. Principal and interest paid for the current year and total customer net revenues were \$82,093,317 and \$190,294,000 respectively.

CITY OF MESA, ARIZONA
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 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Highway User Revenue Bonds

The City has pledged future Highway User Taxes Revenue to repay \$188.2 million in highway user revenue bonds issued since 2002. Proceeds from the bonds provided financing for streets projects. The bonds are payable solely from the state shared Highway User Tax revenues and are payable through 2027. Annual principal and interest payments on the bonds were 31.5 percent of eligible revenues. The total principal and interest remaining to be paid on the bonds is \$93,045,975. Principal and interest paid for the current year and total highway user tax revenues were \$12,455,013 and \$39,476,838, respectively.

9. REFUNDED, REFINANCED AND DEFEASED OBLIGATIONS

On April 26, 2018, the City called for the early redemption of \$15,165,000 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 \$17,065,686 provided to a defeasance escrow agent for the purchase of United States Government securities, and Utility Systems Net Revenues of \$42,089 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 \$20,559,444. As a result, the liability for the defeased bonds has been removed from the debt of the City.

Liabilities to be Paid from Assets Held in Escrow

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

In accordance with GASB Statement No. 7, the refunded debt outstanding at June 30, 2018 as reflected below is not included in the City’s financial statements (in thousands).

Utility System Revenue Bond Issue dated February 1, 2003	\$ 1,000
Utility System Revenue Bond Issue dated June 1, 2004	3,875
Utility System Revenue Bond Issue dated June 1, 2005	2,750
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 Issue dated September 25, 2014	5,530
General Obligation Bond Issue dated May 27, 2009	<u>35,875</u>
Total Refunded and Defeased Bonds Outstanding	<u>\$ 64,745</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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 Workers' Compensation Fund does not have a stop loss receivable at June 30, 2018. Over the past three fiscal years the Fund has received settlements in excess of insurance coverage of \$479,716 with \$150,030 received this fiscal year. The Fund has not received any settlements in excess of insurance coverage this past year. The Property and Public Liability Fund does not have a stop loss receivable at June 30, 2018, and the Fund has not received any settlements in excess of insurance coverage over the past three fiscal years. The Employee Benefits Fund does not have stop loss receivable at June 30, 2018. Over the past three fiscal years the Fund has received settlements in excess of insurance coverage of \$3,519,353 with \$270,667 received this current fiscal year.

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

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

	Property & Public Liability	Workers' Compensation	Employee Benefits	Total
Unpaid Claims, 6/30/16	\$12,599	\$ 23,153	\$ 2,696	\$38,448
Adjustments to Reserves-FY 16-17	(894)	347	69,643	69,096
Claim Payments-FY 16-17	<u>(366)</u>	<u>(254)</u>	<u>(68,087)</u>	<u>(68,707)</u>
Unpaid Claims, 6/30/17	11,339	23,246	4,252	38,837
Adjustments to Reserves-FY 17-18	(1,587)	216	69,923	68,552
Claim Payments-FY 17-18	<u>(496)</u>	<u>245</u>	<u>(70,109)</u>	<u>(70,360)</u>
Unpaid Claims, 6/30/18	<u>\$ 9,256</u>	<u>\$ 23,707</u>	<u>\$ 4,066</u>	<u>\$37,029</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.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

11. **COMMITMENTS AND CONTINGENT LIABILITIES**

a. **Pending Litigation**

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

b. **Sick Leave Benefits**

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

The total sick leave balance recorded as a liability at June 30, 2018, is \$9,596,606.

12. **NET POSITION**

a. **Restricted Net Position**

The government-wide statement of net position reports \$128.7 million of restricted net position, of which \$55.0 million is restricted by enabling legislation.

b. **Designated Net Position**

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

c. **Deficit Net Position**

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
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general fund to equal the years estimated claims and claim related expenses. Post-employment benefit charges and pension expense are not considered in determining funding for each year.

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

13. ENTERPRISE ACTIVITIES OPERATIONS DETAIL

The Enterprise Fund includes operations of electricity, gas, water, wastewater, solid waste, airport, golf course, convention center, stadiums and district cooling. Although the City’s Enterprise Fund does not meet the requirements for disclosing segment information, the services provided by the City are of such significance as to warrant certain additional disclosures. Operating revenue, expenses and operating income (loss) for the year ended June 30, 2018 for these services are as follows (in thousands):

Functions	Operating Revenues	Operating Expenses		Operating Income (Loss)
		Depreciation and Amortization	Other	
Electric	\$ 31,425	\$ 3,589	\$ 20,542	\$ 7,294
Gas	39,171	4,569	22,757	11,845
Water	147,667	26,433	45,149	76,085
Wastewater	83,078	19,753	48,392	14,933
Solid Waste	60,522	3,020	34,729	22,773
Airport	3,983	1,792	3,516	(1,325)
Golf Course	1,635	138	1,820	(323)
Convention Center	2,809	312	4,169	(1,672)
Hohokam /Fitch Complex	51	1,711	1,463	(3,123)
Cubs Stadium	238	3,881	1,989	(5,632)
District Cooling	1,215	420	761	34
Total	\$ 371,794	\$ 65,618	\$ 185,287	\$ 120,889

14. JOINT VENTURES

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

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The City's investment in these Joint Ventures as of June 30, 2018, is as follows (in thousands):

	Governmental Activities	Business-Type Activities	Total
Valley Metro Rail Inc.	\$ 255,994	\$ -	\$ 255,994
TOPAZ Regional Wireless Cooperative	6,067	-	6,067
Subregional Operating Group	-	86,631	86,631
Val Vista Water Treatment Plant	-	49,787	49,787
Greenfield Water Reclamation Plant	-	72,087	72,087
Joint Ventures Construction Deposits	-	3,716	3,716
Total Investment in Joint Ventures	<u>\$ 262,061</u>	<u>\$ 212,221</u>	<u>\$ 474,282</u>

Valley Metro Rail, Inc. "VMRI"

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

A total of \$1,399,637,191 has been spent on this project through the fiscal year ended June 30, 2018, of which the City's share and equity interest is \$255,993,664. The City has received and accrued \$64.6 million of funding from the Federal Transit Administration (FTA), Congestion Mitigation Air Quality (CMAQ) and Public Transit Funds (PTF) related to this project.

In May 2011, the City entered into an agreement with VMRI for a developmental study to further extend the LRT system an additional two miles from Mesa Drive to Gilbert Road. Construction started fall of 2016. The extension is expected to open in late 2018.

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

TOPAZ Regional Wireless Cooperative

The City of Mesa currently participates with the City of Apache Junction, Superstition Fire and Medical, the Town of Gilbert, the Town of Queen Creek 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 \$6,066,969 and is reflected in the governmental funds financial statements. Separate financial statements are not prepared.

CITY OF MESA, ARIZONA
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Total investment in the joint venture as of June 30, 2018, is (in thousands):

TOPAZ Regional Wireless Cooperative		
City of Mesa	\$	6,067
Town of Gilbert		1,412
City of Apache Junction		492
Superstition Fire and Medical		162
Town of Queen Creek		111
Rio Verde Fire District		13
Fort McDowell		21
Total Joint Venture	<u>\$</u>	<u>8,278</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 \$86,630,964 and is reflected in the proprietary funds financial statements.

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

Greenfield Water Reclamation Project

Construction of a joint water reclamation plant with the Towns of Gilbert and Queen Creek was completed on December 2, 2006. An expansion of the plant is expected to be completed in 2020. The City acts as the lead agency and is responsible for the planning, budgeting, construction, operation and maintenance of the plant. As lead agent, the City provides all management personnel and financing arrangements. Mesa, Gilbert and Queen Creek participate in ownership of the plant and are charged for operating expenses based on gallons of flow. The City’s equity in the joint venture is \$72,086,878 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, 2018, is (in thousands):

Greenfield Water Reclamation Project		
Mesa's Share	\$	72,087
Gilbert's Share		60,739
Queen Creek's Share		24,575
Total Joint Venture	<u>\$</u>	<u>157,401</u>

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Water

Val Vista Water Treatment Plant

The City also participates with the City of Phoenix in the Val Vista Water Treatment Plant and Transmission Line. The City of Phoenix is responsible for the planning, budgeting, construction, operation and maintenance of the plant. As lead agency, Phoenix provides all management personnel and financing arrangements. Phoenix and Mesa participate in ownership of the plant and are charged for operating expenses based on gallons of water treated. The City's investment in the joint venture is \$49,787,082 and is reflected in the proprietary funds financial statements.

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

15. PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

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

At June 30, 2018, the City reported the following aggregate amounts related to pensions for all plans to which it contributes (in thousands):

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net Pension and OPEB Liabilities	\$ 1,399,889	\$ 141,767	\$1,541,656
Deferred Outflows of Resources related to pensions and OPEB	162,477	9,168	171,645
Deferred Inflows of Resources related to pensions and OPEB	67,124	8,526	75,650
Pension and OPEB Expense	114,636	5,910	120,546

CITY OF MESA, ARIZONA
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Arizona State Retirement System Defined Benefit Plan:

a. **Plan Description**

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

b. **Benefits Provided**

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

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

* With actuarially reduced benefits.

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

CITY OF MESA, ARIZONA
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Contributions

The A.R.S. provide statutory authority for determining the employees' and employers' contribution amounts as a percentage of covered payroll. Employers are required to contribute at the same rate as employees. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, covered employees were required by state statute to contribute at the actuarially determined rate of 11.5% (11.34% pension plus 0.16% long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.5% (10.9% for retirement, 0.44% for the health insurance premium benefit, and 0.16% for long-term disability) of the active members' annual covered payroll. The City's contributions to the System for the year ending June 30, 2018 was \$17,649,613, 74.70% paid from governmental funds, 4.64% paid from internal service funds, and 20.66% paid from enterprise funds.

Additionally, the City is required by Statute to pay an ASRS Alternate Contribution Rate (ACR) for retired members who return to work on or after July 1, 2012, in any capacity and in a position ordinarily filled by an employee of the City to mitigate the potential impact that retired members who return to work may have on the ASRS Trust Fund. The contribution rate for the year ended June 30, 2018 was 9.49% (9.26% retirement, 0.10% health, 0.13% long-term disability). The City's ACR contributions to the System for the year ending June 30, 2018 were \$104,653.

c. **Pension Liability**

At June 30, 2018, the City reported a liability of \$255,729,281 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2017. 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, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017, reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

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, 2017. The City's proportion measured as of June 30, 2017, was 1.64160%, which was a decrease of 0.0189% from its proportion measured as of June 30, 2016.

The net pension liability measured as of June 30, 2018 will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the City's net pension liability as a result of these changes is not known.

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

For the year ended June 30, 2018, the City recognized pension expense for ASRS of \$8,082,437. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 7,668
Changes of assumptions	11,107	7,647
Net difference between projected and actual earnings on pension plan investments	1,836	-
Changes in proportion and differences between City contributions	1,360	2,126
City contributions subsequent to the measurement date	17,650	-
Total	<u>\$ 31,953</u>	<u>\$ 17,441</u>

The \$17,649,613 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, 2019. 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>
2018	\$ (10,089)
2019	9,893
2020	2,940
2021	(5,882)
	<u>\$ (3,138)</u>

e. **Actuarial Assumptions**

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

Actuarial Valuation Date	June 30, 2016
Actuarial Roll Forward Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8%
Projected Salary Increases	3 - 6.75%
Inflation	3 - 3.25%
Permanent Benefit Increase	Included
Mortality Rates	1994 GAM Scale BB

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Actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.7% 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 arithmetic rate of return by weighing 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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Real Return Arithmetic Basis	Long-Term Expected Real Rate of Return
Equity	58%	6.73%	3.87%
Fixed Income	25%	3.70%	0.91%
Commodities	2%	3.84%	0.08%
Real Estate	10%	4.25%	0.42%
Multi-asset class	5%	3.41%	0.17%
Total	100%		5.45%
Inflation			3.25%
Expected arithmetic nominal return			8.70%

f. **Discount Rate**

The discount rate used to measure the ASRS total pension liability was 8%, which is less than the long-term expected rate of return of 8.7%. 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 8 %, 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 (7 %) or 1 percentage point higher (9 %) than the current rate (in thousands):

	1% Decrease 7%	Current Discount Rate 8%	1% Increase 9%
City's proportionate share of the net pension liability	\$ 328,233	\$ 255,729	\$ 195,146

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h. **Pension Plan Fiduciary Net Position**

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

Public Safety Personnel Retirement System:

a. **Plan Description**

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

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. This report is available on the PSPRS website at www.psprs.com.

b. **Benefits Provided**

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

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	Initial Membership Date	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
<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
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years or last 15 years
Benefit percentage		
Normal Retirement (80% max)	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	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. 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 \$150 per month to \$260 per month depending on the age of the member and dependents.

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

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NOTES TO FINANCIAL STATEMENTS
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Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the agent plans' benefit terms:

	PSPRS Fire	PSPRS Police	
	Pension	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	240	537	537
Inactive employees entitled to but not yet receiving benefits	58	143	55
Active employees	376	756	756
Total	674	1,436	1,348

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, 2018, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active Member Pension	City Pension	City OPEB
PSPRS - Fire	7.65% - 11.65%	43.67%	0.37%
PSPRS - Police	7.65% - 11.65%	45.00%	1.17%
PSPRS Tier 3 - Fire	10.59%	10.59%	0.25%
PSPRS Tier 3 - Police	10.02%	10.02%	0.21%

Also, statute required the City to contribute a legacy cost of pension unfunded liability at the actuarially determined rate expressed as a percent of annual covered payroll of 28.93% for City police employees who were PSPRS Tier 3 members, in addition to the City's required contributions to the PSPRS Tier 3 Risk Pool for these City police employees.

The City's contributions to the plans for the year ended June 30, 2018, were:

	Pension	OPEB
PSPRS - Fire	\$ 10,479,094	\$ -
PSPRS - Police	21,607,876	733,111
PSPRS Tier 3 - Police	118,307	38,484

A court decision resulted in refunds of excess member contributions to certain fire and police members. The City received a credit memo from PSPRS that equaled the amount of the refunds. The City used the credit memo to reduce its contribution to the plan for the year ended June 30, 2018.

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,

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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, 2018 was 28.93% for both fire and police. The City's ACR contributions for the year ending June 30, 2018 were \$0 for fire and \$46,544 for police.

d. **Liability**

At June 30, 2018, the City reported the following pension liabilities of \$193,863,669 and \$377,891,929 for fire and police, respectively. The City also reported an OPEB liability of \$8,457,302 for police.

The net liabilities were measured as of June 30, 2017, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 % to 7.4 %, decreasing the wage inflation from 4 % to 3.5 %, and updating mortality, withdrawal, disability, and retirement assumptions.

The total pension liabilities for PSPRS also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011.

The court decision will also affect the PSPRS net pension liabilities measured as of June 30, 2018, because of refunds of excess member contributions. The change in the City's PSPRS net pension liabilities as a result of the refunds is not known.

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

For the year ended June 30, 2018, the City recognized pension expense of \$24,251,275 and \$53,757,450 for fire and police, respectively. City also recognized OPEB expense of \$803,662 for police.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>PSPRS - Fire Pension</u>		
Differences between expected and actual experience	\$ -	\$ 10,803
Changes in assumptions	30,119	-
Net difference between projected and actual earnings on pension plan investments	2,430	-
City contributions subsequent to the measurement date	10,479	-
Total	<u>\$ 43,028</u>	<u>\$ 10,803</u>

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	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	\$ 302	\$ 7,729	\$ 261	\$ -
Changes in assumptions	49,357	-	-	279
Net difference between projected and actual earnings on plan investments	3,887	-	-	334
City contributions subsequent to the measurement date	21,726	-	772	-
Total	<u>\$ 75,272</u>	<u>\$ 7,729</u>	<u>\$ 1,033</u>	<u>\$ 613</u>

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, 2019. 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
2019	\$ 4,677	\$ 13,846	(87)
2020	6,300	16,574	(87)
2021	4,962	8,525	(87)
2022	783	3,977	(87)
2023	2,029	2,895	(4)
Thereafter	2,995	-	-
	<u>\$ 21,746</u>	<u>\$ 45,817</u>	<u>\$ (352)</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, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.4% for contribution rates, 7.4% for liability
Wage Inflation	3.5%, N/A for OPEB
Price Inflation	2.5%, N/A for OPEB
Assumed Future Permanent Benefit Increase	Included, N/A for OPEB
Mortality Rates for Pension and OPEB	RP-2014 mortality table using MP-2016 improvement scale adjustments to match current experience.
Healthcare cost trend rate	N/A

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

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

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

g. **Discount Rate**

A discount rate of 7.40% was used to measure the total pension/OPEB liability. This was a decrease of 0.10% from the discount rate used at June 30, 2016. 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.

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):

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Fire	Total Pension	Plan	Net Position
	Liability	Fiduciary Net Position	Liability
Balance at June 30, 2017	\$ 347,180	\$ 162,137	\$ 185,043
Changes for the Year:			
Service Cost	7,724	-	7,724
Interest on the Total Liability	25,687	-	25,687
Changes of Benefit Terms	2,125	-	2,125
Differences Between Expected & Actual Experience in the			
Measurement of the Liability	(2,670)	-	(2,670)
Changes of Assumptions / Other Inputs	12,613	-	12,613
Contributions - Employer	-	13,558	(13,558)
Contributions - Employee	-	3,923	(3,923)
Net Investment Income	-	19,308	(19,308)
Benefit Payments, Including Refunds			
of Employee Contributions	(17,095)	(17,095)	-
Administrative Expenses	-	(174)	174
Other Changes	-	43	(43)
Net Changes	28,384	19,563	8,821
Balances as of June 30, 2018	<u>\$ 375,564</u>	<u>\$ 181,700</u>	<u>\$ 193,864</u>

Police	Total Pension	Plan	Net Position	Total	Plan	Net OPEB
	Liability	Fiduciary Net Position	Liability	OPEB Liability	Fiduciary Net Position	Liability
Balance at June 30, 2017	\$ 642,638	\$ 284,432	\$ 358,206	\$ 18,592	\$ 9,946	\$ 8,646
Changes for the Year:						
Service Cost	15,841	-	15,841	213	-	213
Interest on the Total Liability	47,572	-	47,572	1,356	-	1,356
Changes of Benefit Terms	5,718	-	5,718	35	-	35
Differences Between Expected & Actual Experience in the						
Measurement of the Liability	365	-	365	312	-	312
Changes of Assumptions / Other Inputs	19,037	-	19,037	(335)	-	(335)
Contributions - Employer	-	26,819	(26,819)	-	639	(639)
Contributions - Employee	-	7,693	(7,693)	-	-	-
Net Investment Income	-	34,221	(34,221)	-	1,141	(1,141)
Benefit Payments, Including Refunds						
of Employee Contributions	(32,522)	(32,522)	-	(1,239)	(1,239)	-
Administrative Expenses	-	(306)	306	-	(10)	10
Other Changes	-	420	(420)	-	-	-
Net Changes	56,011	36,325	19,686	342	531	(189)
Balances as of June 30, 2018	<u>\$ 698,649</u>	<u>\$ 320,757</u>	<u>\$ 377,892</u>	<u>\$ 18,934</u>	<u>\$ 10,477</u>	<u>\$ 8,457</u>

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

	1% Decrease 6.40%	Current Discount Rate 7.40%	1% Increase 8.40%
Fire Net Pension Liability	\$ 244,101	\$ 193,864	\$ 152,710
Police Net Pension Liability	476,633	377,892	297,795
Police OPEB Liability	10,549	8,457	6,707

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

j. **Plan Fiduciary Net Position**

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

City of Mesa 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.

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Employees Covered by Benefit Terms

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

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

c. **OPEB Liability**

The plan operates on a pay-as-you-go basis and thus has no assets. The total OPEB liability measured as of June 30, 2017 is \$705,713,533. The June 30, 2016 liability is based on a no gain/loss rollback of the June 30, 2017 valuation results.

The impact of changes from the June 30, 2016 results include the following:

- Change in the S&P Municipal Bond 20 Year High Grade Rate Index. The discount rate, based on this index, changed from 2.71% at June 30, 2016 to 3.13% at June 30, 2017. The impact on OPEB liability from this change was a decrease of \$46,955,496.

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$33,650,778. At June 30, 2018, 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	\$ -	\$ -
Changes of assumptions	-	39,064
Net difference between projected and actual earnings on pension plan investments		-
City contributions subsequent to the measurement date	<u>20,358</u>	<u>-</u>
Total	<u><u>\$ 20,358</u></u>	<u><u>\$ 39,064</u></u>

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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, 2019. 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>	
2019	\$ (7,892)
2020	(7,892)
2021	(7,892)
2022	(7,892)
2023	<u>(7,496)</u>
	<u>\$ (39,064)</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:

Actuarial Assumptions:

Actuarial Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Discount Rate	3.13%
Consumer Price Index	3.00%
Projected Salary Increases	2.70 - 7.50%
Mortality Rates	Based on the rates used for the June 30, 2017 valuations of the ASRS Plan and the PSPRS Plan.
Health care cost trend rate:	
Medical, Drugs	4.50 -7.50%
Dental, Mental Health, Vision	4.50%

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

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f. **Discount Rate**

The discount rate at the measurement date is 3.13%. 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, 2017.

g. **Changes in OPEB Liability**

The below table outlines the changes in OPEB Liability for the fiscal year ending June 30, 2018 (in thousands):

OPEB Liability at Beginning of Year, as restated	\$ 730,139
Service Cost	21,431
Interest	20,112
Changes in Benefit Terms	-
Differences between Expected and Actual Experience	-
Changes in Assumptions	(46,955)
Employer contributions *	<u>(19,013)</u>
Net Change in Total OPEB Liability	<u>(24,425)</u>
OPEB Liability at End of Year	<u><u>\$ 705,714</u></u>

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

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	\$ 829,496	\$ 705,714	\$ 607,519

	<u>1% Decrease</u>	<u>Current Healthcare Trend Rate</u>	<u>1% Increase</u>
City OPEB Plan	\$ 602,799	\$ 705,714	\$ 845,324

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 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

16. RESTATEMENT OF BEGINNING NET POSITION

For the fiscal year ending June 30, 2018, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was implemented. The implementation of the statement resulted in the City removing the previous GASB 45 liability and recording the GASB 75 liabilities. The City's government-wide net position, proprietary fund net position, and internal service fund net position as of June 30, 2017, have been restated as follows (in thousands):

	Governmental Activities	Business-type Activities	Governmental Activities - Internal Service *
Net Position at 06/30/17, as Previously Reported	\$ 363,708	\$ 518,804	\$ 9,958
Removal of GASB 45 Liability	431,158	82,392	11,115
GASB Statement No. 75 adjustment	<u>(629,531)</u>	<u>(89,602)</u>	<u>(19,912)</u>
Net Position at 07/01/17, as Restated	<u>\$ 165,335</u>	<u>\$ 511,594</u>	<u>\$ 1,161</u>

* Internal Service fund balances are reflected in the Governmental Activities balance.

17. SUBSEQUENT EVENTS

On November 8, 2018, the Eastmark Community Facility District issued 2018 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds in the amount of \$10,830,000. These bonds are due in annual principal installments ranging from \$240,000 to \$1,240,000, plus semi-annual interest ranging from 3.75 % to 5 % through July 15, 2043.

On November 15, 2018, the Eastmark Community Facility District issued 2018 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Special Assessment District 11 Special Assessment Bonds in the amount of \$969,000. These bonds are due in annual principal installments ranging from \$24,000 to \$295,000, plus semi-annual interest ranging from 3% to 5% through July 1, 2043.





REQUIRED SUPPLEMENTARY INFORMATION

COMPREHENSIVE ANNUAL
FINANCIAL REPORT 2018



REED SKATE PARK

CITY OF MESA, ARIZONA

EXHIBIT B-1

REQUIRED SUPPLEMENTARY INFORMATION

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

COST-SHARING PENSION PLAN

JUNE 30, 2018

(in thousands)

Arizona State Retirement System

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

See accompanying notes to pension plan schedules.

*2014 through 2009 Information not available



CITY OF MESA, ARIZONA

EXHIBIT B-2

REQUIRED SUPPLEMENTARY INFORMATION

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

AGENT PLANS

JUNE 30, 2018

(in thousands)

Public Safety Personnel Retirement System - Fire

	Reporting Fiscal Year *			
	(Measurement Date)			
	2015	2016	2017	2018
	(2014)	(2015)	(2016)	(2017)
Total Pension Liability				
Service Cost	\$ 6,281	\$ 6,127	\$ 6,439	\$ 7,724
Interest on the Total Pension Liability	20,708	23,086	23,654	25,687
Changes of Benefit Terms	4,044	-	21,380	2,125
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(6,961)	(3,518)	(4,423)	(2,670)
Changes of Assumptions or Other Inputs	23,097	-	11,970	12,613
Benefit Payments, Including Refunds of Employee Contributions	(16,309)	(17,323)	(19,893)	(17,095)
Net Change in Total Pension Liability	30,860	8,372	39,127	28,384
Total Pension Liability - Beginning	268,821	299,681	308,053	347,180
Total Pension Liability - Ending (a)	299,681	308,053	347,180	375,564
Plan Fiduciary Net Position				
Contributions - Employer	9,157	9,828	12,735	13,558
Contributions - Employee	3,488	3,847	4,396	3,923
Net Investment Income	19,840	5,878	954	19,308
Benefit Payments, Including Refunds of Employee Contributions	(16,309)	(17,323)	(19,893)	(17,095)
Administrative Expense	(160)	(144)	(138)	(174)
Other Changes	(113)	45	(12)	43
Net Change in Plan Fiduciary Net Position	15,903	2,131	(1,958)	19,563
Plan Fiduciary Net Position - Beginning	146,061	161,964	164,095	162,137
Plan Fiduciary Net Position - Ending (b)	161,964	164,095	162,137	181,700
City's Net Pension Liability - Ending (a) - (b)	\$ 137,717	\$ 143,958	\$ 185,043	\$ 193,864
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.05%	53.27%	46.70%	48.38%
City's Covered Payroll	\$ 30,782	\$ 31,661	\$ 32,453	\$ 32,941
City's Net Pension Liability as a Percentage of its Covered Payroll	447.39%	454.69%	570.18%	588.51%

See accompanying notes to pension plan schedules.

*2014 through 2009 Information not available

CITY OF MESA, ARIZONA

EXHIBIT B-2 (continued)

REQUIRED SUPPLEMENTARY INFORMATION

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

AGENT PLANS

JUNE 30, 2018

(in thousands)

Public Safety Personnel Retirement System - Police Pension

	Reporting Fiscal Year *			
	(Measurement Date)			
	2015	2016	2017	2018
	(2014)	(2015)	(2016)	(2017)
Total Pension Liability				
Service Cost	\$ 12,481	\$ 12,216	\$ 12,438	\$ 15,841
Interest on the Total Liability	36,514	41,908	43,573	47,572
Changes of Benefit Terms	8,728	-	34,005	5,718
Differences Between Expected and Actual Experience in the Measurement of the Liability	(11,331)	(2,173)	(4,001)	365
Changes of Assumptions or Other Inputs	51,228	-	23,614	19,037
Benefit Payments, Including Refunds of Employee Contributions	(27,566)	(29,998)	(31,689)	(32,522)
Net Change in Total Pension Liability	70,054	21,953	77,940	56,011
Total Pension Liability - Beginning	472,691	542,745	564,698	642,638
Total Pension Liability - Ending (a)	542,745	564,698	642,638	698,649
Plan Fiduciary Net Position				
Contributions - Employer	17,443	19,680	24,067	26,819
Contributions - Employee	6,784	7,613	8,157	7,693
Net Investment Income	33,360	10,065	1,667	34,221
Benefit Payments, Including Refunds of Employee Contributions	(27,566)	(29,998)	(31,689)	(32,522)
Administrative Expense	(269)	(246)	(240)	(306)
Other Changes	288	28	382	420
Net Change in Plan Fiduciary Net Position	30,040	7,142	2,344	36,325
Plan Fiduciary Net Position - Beginning	244,906	274,946	282,088	284,432
Plan Fiduciary Net Position - Ending (b)	274,946	282,088	284,432	320,757
City's Net Pension Liability - Ending (a) - (b)	\$ 267,799	\$ 282,610	\$ 358,206	\$ 377,892
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	50.66%	49.95%	44.26%	45.91%
City's Covered Payroll	\$ 59,688	\$ 62,461	\$ 61,211	\$ 64,740
City's Net Pension Liability as a Percentage of its Covered Payroll	448.66%	452.46%	585.20%	583.70%

See accompanying notes to pension plan schedules.

*2014 through 2009 Information not available

CITY OF MESA, ARIZONA

EXHIBIT B-2 (concluded)

REQUIRED SUPPLEMENTARY INFORMATION

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

AGENT PLANS

JUNE 30, 2018

(in thousands)

Public Safety Personnel Retirement System - Police OPEB

	Reporting Fiscal Year (Measurement Date)
	<u>2018</u> <u>(2017)</u>
Total Liability	
Service Cost	\$ 213
Interest on the Total Liability	1,356
Changes of Benefit Terms	35
Differences Between Expected and Actual Experience in the Measurement of the Liability	312
Changes of Assumptions or Other Inputs	(335)
Benefit Payments, Including Refunds of Employee Contributions	<u>(1,239)</u>
Net Change in Total OPEB Liability	342
Total OPEB Liability - Beginning	<u>18,592</u>
Total OPEB Liability - Ending (a)	<u>18,934</u>
Plan Fiduciary Net Position	
Contributions - Employer	639
Contributions - Employee	-
Net Investment Income	1,141
Benefit Payments, Including Refunds of Employee Contributions	(1,239)
Administrative Expense	(10)
Other Changes	<u>-</u>
Net Change in Plan Fiduciary Net Position	531
Plan Fiduciary Net Position - Beginning	<u>9,946</u>
Plan Fiduciary Net Position - Ending (b)	<u>10,477</u>
City's Net OPEB Liability - Ending (a) - (b)	<u><u>\$ 8,457</u></u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	55.33%
City's Covered Payroll	\$ 64,740
City's Net OPEB Liability as a Percentage of its Covered Payroll	13.06%

*2017 through 2009 Information not available

CITY OF MESA, ARIZONA

EXHIBIT B-3

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY PENSION CONTRIBUTIONS

JUNE 30, 2018

(in thousands)

Arizona State Retirement System

	2014	2015	2016	2017	2018
Statutorily Required Contribution	\$ 15,750	\$ 16,146	\$ 16,955	\$ 17,423	\$ 17,650
City's Contribution in Relation to the Statutorily Required Contribution	15,750	16,146	16,955	17,423	17,650
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 147,402	\$ 151,154	\$ 155,868	\$ 158,958	\$ 160,986
City's Contributions as a Percentage of Covered Payroll	10.68%	10.67%	10.88%	10.96%	10.96%

Public Safety Personnel Retirement System - Fire Pension

	2014	2015	2016	2017	2018
Actuarially Determined Contribution	\$ 9,157	\$ 9,827	\$ 11,197	\$ 13,490	\$ 14,289
City's Contribution in Relation to the Actuarially Determined Contribution	9,157	9,827	12,735	13,490	10,479
City's Contribution Deficiency (Excess) **	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,538)</u>	<u>\$ -</u>	<u>\$ 3,810</u>
City's Covered Payroll	\$ 30,782	\$ 31,661	\$ 32,453	\$ 32,941	\$ 32,446
City's Contributions as a Percentage of Covered Payroll	29.75%	31.04%	39.24%	40.95%	32.30%

See accompanying notes to plan schedules.

* 2013 through 2009 Information not available

** Differences in 2018 are due to PSPRS credits utilized by the City

CITY OF MESA, ARIZONA
EXHIBIT B-3 (concluded)
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CITY PENSION CONTRIBUTIONS
 JUNE 30, 2018
 (in thousands)

Public Safety Personnel Retirement System - Police Pension

	2014	2015	2016	2017	2018
Actuarially Determined Contribution	\$ 17,443	\$ 19,680	\$ 21,697	\$ 26,809	\$ 29,048
City's Contribution in Relation to the Actuarially Determined Contribution	17,443	19,680	24,067	26,809	21,726
City's Contribution Deficiency (Excess)**	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,370)</u>	<u>\$ -</u>	<u>\$ 7,322</u>
City's Covered Payroll	\$ 59,688	\$ 62,461	\$ 61,211	\$ 64,740	\$ 63,003
City's Contributions as a Percentage of Covered Payroll	29.22%	31.51%	39.32%	41.41%	34.48%

*2013 through 2009 Information not available

** Differences in 2018 are due to PSPRS credits utilized by the City

Public Safety Personnel Retirement System - Police OPEB

	2017	2018
Actuarially Determined Contribution	\$ 641	\$ 772
City's Contribution in Relation to the Actuarially Determined Contribution	641	772
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 64,740	\$ 62,842
City's Contributions as a Percentage of Covered Payroll	0.99%	1.23%

See accompanying notes to plan schedules.

*2016 through 2009 Information not available

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 Amortization Period	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 80%/120% market

Actuarial Assumptions:

Investment Rate of Return	PSPRS members with initial membership date before July 1, 2017: In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%. PSPRS members with initial membership on or after July 1, 2017: 7%
Projected Salary Increases	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%.
Wage Growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
Retirement Age	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.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

Note 2 - Factors that affect trends

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

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

CITY OF MESA, ARIZONA

EXHIBIT B-4

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY

	<u>2018</u>
Total Liability	
Service Cost	\$ 21,431
Interest on the Total Liability	20,112
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience in the Measurement of the Liability	-
Changes of Assumptions or Other Inputs	(46,955)
Benefit Payments, Including Refunds of Employee Contributions **	(19,013)
Net Change in Total OPEB Liability	<u>(24,425)</u>
Total OPEB Liability - Beginning	730,139
Total OPEB Liability - Ending (a)	<u><u>\$ 705,714</u></u>

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

*2017 through 2009 Information not available

CITY OF MESA, ARIZONA

EXHIBIT B-5

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(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	\$ 111,585	\$ 111,585	\$ 116,024	\$ 4,439
Occupancy Taxes	25	25	25	-
Licenses and Permits	16,959	16,959	20,469	3,510
Intergovernmental	149,262	149,262	138,876	(10,386)
Charges for Services	22,917	22,917	24,055	1,138
Fines and Forfeitures	9,337	9,337	8,298	(1,039)
Investment Income	951	951	(622)	(1,573)
Contributions	-	-	75	75
Miscellaneous Revenues	1,285	1,285	1,738	453
Total Revenues	<u>312,321</u>	<u>312,321</u>	<u>308,938</u>	<u>(3,383)</u>
Expenditures:				
Current:				
General Government	96,846	97,235	80,749	16,486
Public Safety	243,233	242,375	235,173	7,202
Community Environment	18,503	18,523	15,560	2,963
Cultural-Recreational	39,728	39,886	38,393	1,493
Capital Outlay	26,565	26,809	13,261	13,548
Total Expenditures	<u>424,875</u>	<u>424,828</u>	<u>383,136</u>	<u>41,692</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(112,554)	(112,507)	(74,198)	38,309
Other Financing Sources (Uses):				
Transfers In	140,344	140,344	120,095	(20,249)
Transfers Out	(43,749)	(78,550)	(26,629)	51,921
Total Other Financing Sources (Uses)	<u>96,595</u>	<u>61,794</u>	<u>93,466</u>	<u>31,672</u>
Net Change in Fund Balances	(15,959)	(50,713)	19,268	69,981
Fund Balance - Beginning	<u>113,627</u>	<u>113,627</u>	<u>130,813</u>	<u>17,186</u>
Fund Balance - Ending	<u>\$ 97,668</u>	<u>\$ 62,914</u>	<u>\$ 150,081</u>	<u>\$ 87,167</u>

See accompanying note to budgetary comparison schedule.

CITY OF MESA, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTES TO BUDGETARY COMPARISON SCHEDULE
 JUNE 30, 2018
 (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, 2018 on the “GAAP basis” to the “budget basis” as follows:

Net Change in Fund Balance-Budget Basis - Exhibit B-6	\$ 19,268
Basis Differences:	
Compensated Absences	(145)
Bad Debt	(2,449)
Payroll Accrual	(356)
Unavailable Revenue	(1,201)
Unrealized Gain on Investments	<u>831</u>
Net Change in Fund Balance-GAAP Basis - Exhibit A-5	<u><u>\$ 15,948</u></u>





COMBINING STATEMENTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018



EASTMARK PARK

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

Capital Projects Funds

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

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

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

Parks accounts for the costs of park facilities and improvements.

Public Safety accounts for the cost of public safety facilities.

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

Debt Service Funds

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

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

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

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

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

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



CITY OF MESA, ARIZONA
EXHIBIT C-1
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018
 (in thousands)

Special Revenue Funds

	Cemetery	Community Facilities District	Development Impact Fees	Environmental Compliance
ASSETS				
Pooled Cash and Investments	\$ 7,197	\$ 115	\$ 5,778	\$ 13,169
Accounts Receivable, Net	14	-	-	2
Accrued Interest Receivable	23	-	26	40
Due from Other Governments	-	-	-	-
Prepaid Costs	-	-	-	1
Restricted Assets:				
Pooled Cash and Investments	-	-	-	-
Cash with Fiscal Agent	-	-	-	-
Accounts Receivable	-	-	-	-
Due from Other Governments	-	-	-	-
Total Assets	<u>\$ 7,234</u>	<u>\$ 115</u>	<u>\$ 5,804</u>	<u>\$ 13,212</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ -	\$ 2	\$ -	\$ 496
Due to Other Funds	-	-	-	-
Customer and Defendant Deposits	-	-	-	-
Payable from Restricted Assets:				
Accrued Interest Payable	-	-	-	-
Unearned Revenue	-	80	-	-
Matured Bonds Payable	-	-	-	-
Total Liabilities	<u>-</u>	<u>82</u>	<u>-</u>	<u>496</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	1	-	-	-
Total Deferred Inflows of Resources	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	1
Restricted	-	33	5,804	-
Committed	7,233	-	-	12,715
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>7,233</u>	<u>33</u>	<u>5,804</u>	<u>12,716</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,234</u>	<u>\$ 115</u>	<u>\$ 5,804</u>	<u>\$ 13,212</u>

EXHIBIT C-1
(Continued)

Special Revenue Funds						
Grants and Special Programs	Highway User Revenue	Mesa Arts Center Restoration	Mesa Housing Authority	Quality of Life Sales Tax	Street Sales Tax	Total Special Revenue Funds
\$ 7,544	\$ 11,327	\$ 1,055	\$ 944	\$ -	\$47,955	\$ 95,084
331	-	-	286	-	1,118	1,751
21	34	9	-	-	154	307
1,669	3,600	-	1,155	2,035	2,441	10,900
8	-	-	-	-	35	44
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 9,573</u>	<u>\$ 14,961</u>	<u>\$ 1,064</u>	<u>\$ 2,385</u>	<u>\$ 2,035</u>	<u>\$51,703</u>	<u>\$108,086</u>
\$ 1,059	\$ 2,468	\$ 71	\$ 737	\$ -	\$ 2,940	\$ 7,773
-	-	-	-	1,262	-	1,262
-	-	-	-	-	6,956	6,956
-	-	-	-	-	-	-
642	-	39	737	-	-	1,498
-	-	-	-	-	-	-
<u>1,701</u>	<u>2,468</u>	<u>110</u>	<u>1,474</u>	<u>1,262</u>	<u>9,896</u>	<u>17,489</u>
29	-	-	-	-	305	335
<u>29</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>305</u>	<u>335</u>
8	-	-	-	-	35	44
6,833	12,493	-	911	773	41,467	68,314
1,156	-	954	-	-	-	22,058
22	-	-	-	-	-	22
(176)	-	-	-	-	-	(176)
<u>7,843</u>	<u>12,493</u>	<u>954</u>	<u>911</u>	<u>773</u>	<u>41,502</u>	<u>90,262</u>
<u>\$ 9,573</u>	<u>\$ 14,961</u>	<u>\$ 1,064</u>	<u>\$ 2,385</u>	<u>\$ 2,035</u>	<u>\$51,703</u>	<u>\$108,086</u>

CITY OF MESA, ARIZONA
EXHIBIT C-1
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018
 (in thousands)

	Capital Projects Funds					Total Capital Projects Funds
	Community Facilities District	General Capital Projects	Parks	Public Safety	Streets	
ASSETS						
Pooled Cash and Investments	\$ -	\$20,417	\$ 3,881	\$ 3,201	\$47,472	\$74,971
Accounts Receivable, Net	-	-	-	-	-	-
Accrued Interest Receivable	-	29	-	-	45	74
Due from Other Governments	-	-	-	-	4,492	4,492
Prepaid Costs	-	91	-	-	-	91
Restricted Assets:						
Pooled Cash and Investments	-	-	-	-	-	-
Cash with Fiscal Agent	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-
Due from Other Governments	-	-	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$20,537</u>	<u>\$ 3,881</u>	<u>\$ 3,201</u>	<u>\$52,009</u>	<u>\$79,628</u>
LIABILITIES						
Accounts Payable and Accrued Liabilities	\$ -	\$ 863	\$ 938	\$ 236	\$ 497	\$ 2,534
Due to Other Funds	-	-	-	-	-	-
Customer and Defendant Deposits	-	-	-	-	-	-
Payable from Restricted Assets:						
Accrued Interest Payable	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-
Matured Bonds Payable	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>863</u>	<u>938</u>	<u>236</u>	<u>497</u>	<u>2,534</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	-	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Nonspendable	-	91	-	-	-	91
Restricted	-	-	2,943	2,965	51,512	57,420
Committed	-	19,583	-	-	-	19,583
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances	<u>-</u>	<u>19,674</u>	<u>2,943</u>	<u>2,965</u>	<u>51,512</u>	<u>77,094</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ -</u>	<u>\$20,537</u>	<u>\$ 3,881</u>	<u>\$ 3,201</u>	<u>\$52,009</u>	<u>\$79,628</u>

EXHIBIT C-1
(Concluded)

Debt Service Funds						
Community Facilities District	General Obligation Bonds	Highway Project Advancement Notes	Highway User Revenue Bonds	Special Assessment Bonds	Total Debt Service Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 170,055
-	-	-	-	-	-	1,751
4	11	-	-	-	15	396
-	-	-	-	-	-	15,392
-	-	-	-	-	-	135
2,295	4,590	-	-	116	7,001	7,001
645	31,591	-	10,415	-	42,651	42,651
11,808	-	-	-	719	12,527	12,527
8	1,257	-	-	-	1,265	1,265
<u>\$ 14,760</u>	<u>\$ 37,449</u>	<u>\$ -</u>	<u>\$ 10,415</u>	<u>\$ 835</u>	<u>\$63,459</u>	<u>\$ 251,173</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,307
-	-	-	-	-	-	1,262
-	-	-	-	-	-	6,956
728	6,585	-	2,040	29	9,382	9,382
15	-	-	-	-	15	1,513
957	25,044	-	8,375	-	34,376	34,376
<u>1,700</u>	<u>31,629</u>	<u>-</u>	<u>10,415</u>	<u>29</u>	<u>43,773</u>	<u>63,796</u>
11,803	436	-	-	719	12,958	13,293
<u>11,803</u>	<u>436</u>	<u>-</u>	<u>-</u>	<u>719</u>	<u>12,958</u>	<u>13,293</u>
-	-	-	-	-	-	135
1,257	5,384	-	-	87	6,728	132,462
-	-	-	-	-	-	41,641
-	-	-	-	-	-	22
-	-	-	-	-	-	(176)
<u>1,257</u>	<u>5,384</u>	<u>-</u>	<u>-</u>	<u>87</u>	<u>6,728</u>	<u>174,084</u>
<u>\$ 14,760</u>	<u>\$ 37,449</u>	<u>\$ -</u>	<u>\$ 10,415</u>	<u>\$ 835</u>	<u>\$63,459</u>	<u>\$ 251,173</u>

CITY OF MESA, ARIZONA

EXHIBIT C-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(in thousands)

	Special Revenue Funds			
	Cemetery	Community Facilities District	Development Impact Fees	Environmental Compliance
Revenues:				
Sales Taxes	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	108	-	-
Occupancy Taxes	-	-	-	-
Special Assessments	-	-	-	-
Licenses and Permits	-	-	3,758	-
Intergovernmental	-	-	-	7
Charges for Services	94	-	-	15,780
Fines and Forfeitures	-	-	-	-
Investment Income	143	-	89	95
Contributions	-	20	-	-
Miscellaneous Revenues	9	5	-	-
Total Revenues	<u>246</u>	<u>133</u>	<u>3,847</u>	<u>15,882</u>
Expenditures:				
Current:				
General Government	-	116	-	1,148
Public Safety	-	-	-	67
Community Environment	-	-	-	4,606
Cultural-Recreational	-	-	-	6,551
Debt Service:				
Principal Retirement	-	-	-	-
Interest on Bonds	-	-	-	-
Service Charges	-	2	-	-
Cost of Issuance	-	-	-	-
Capital Outlay	-	-	52	829
Total Expenditures	<u>-</u>	<u>118</u>	<u>52</u>	<u>13,201</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>246</u>	<u>15</u>	<u>3,795</u>	<u>2,681</u>
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Transfers Out	-	(5)	(2,625)	-
Face Amount of Bonds Issued	-	-	-	-
Premium on Issuance of Bonds (Net)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(5)</u>	<u>(2,625)</u>	<u>-</u>
Net Change in Fund Balances	246	10	1,170	2,681
Fund Balances - Beginning	<u>6,987</u>	<u>23</u>	<u>4,634</u>	<u>10,035</u>
Fund Balances - Ending	<u>\$ 7,233</u>	<u>\$ 33</u>	<u>\$ 5,804</u>	<u>\$ 12,716</u>

EXHIBIT C-2
(Continued)

Special Revenue Funds						
Grants and Special Programs	Highway User Revenue	Mesa Arts Center Restoration	Mesa Housing Authority	Quality of Life Sales Tax	Street Sales Tax	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$24,097	\$28,903	\$53,000
-	-	-	-	-	-	108
2,603	-	-	-	-	-	2,603
-	-	-	-	-	-	-
656	-	-	-	107	495	5,016
5,633	39,477	-	22,134	-	321	67,572
7	-	-	-	-	308	16,189
1,068	-	453	-	-	-	1,521
54	83	34	295	-	188	981
86	-	-	-	-	-	106
2,285	62	-	-	-	891	3,252
<u>12,392</u>	<u>39,622</u>	<u>487</u>	<u>22,429</u>	<u>24,204</u>	<u>31,106</u>	<u>150,348</u>
3,152	-	-	20	356	4,557	9,349
4,183	-	-	-	23,939	368	28,557
163	15,477	-	18,953	-	18,500	57,699
1,234	-	-	-	-	-	7,785
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	2
-	-	-	-	-	-	-
3,066	6,811	491	3,236	-	8,163	22,648
<u>11,798</u>	<u>22,288</u>	<u>491</u>	<u>22,209</u>	<u>24,295</u>	<u>31,588</u>	<u>126,040</u>
<u>594</u>	<u>17,334</u>	<u>(4)</u>	<u>220</u>	<u>(91)</u>	<u>(482)</u>	<u>24,308</u>
10	-	-	-	-	-	10
-	(12,459)	-	-	-	-	(15,089)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>10</u>	<u>(12,459)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,079)</u>
604	4,875	(4)	220	(91)	(482)	9,229
<u>7,239</u>	<u>7,618</u>	<u>958</u>	<u>691</u>	<u>864</u>	<u>41,984</u>	<u>81,033</u>
<u>\$ 7,843</u>	<u>\$ 12,493</u>	<u>\$ 954</u>	<u>\$ 911</u>	<u>\$ 773</u>	<u>\$ 41,502</u>	<u>\$ 90,262</u>

CITY OF MESA, ARIZONA

EXHIBIT C-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(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	-	-	-	-	11,262	11,262
Charges for Services	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-
Investment Income	-	37	79	75	170	361
Contributions	248	-	-	-	-	248
Miscellaneous Revenues	-	150	4	-	373	527
Total Revenues	248	187	83	75	11,805	12,398
Expenditures:						
Current:						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Community Environment	-	-	-	-	-	-
Cultural-Recreational	-	-	-	-	-	-
Debt Service:						
Principal Retirement	-	-	-	-	-	-
Interest on Bonds	-	-	-	-	-	-
Service Charges	-	-	-	-	-	-
Cost of Issuance	870	-	110	-	43	1,023
Capital Outlay	10,360	13,192	11,437	1,767	3,614	40,370
Total Expenditures	11,230	13,192	11,547	1,767	3,657	41,393
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(10,982)</u>	<u>(13,005)</u>	<u>(11,464)</u>	<u>(1,692)</u>	<u>8,148</u>	<u>(28,995)</u>
Other Financing Sources (Uses):						
Transfers In	5	26,556	-	-	14,729	41,290
Transfers Out	(30)	(6,000)	-	-	(3,731)	(9,761)
Face Amount of Bonds Issued	10,417	-	11,590	-	4,530	26,537
Premium on Issuance of Bonds (Net)	590	-	40	-	15	645
Total Other Financing Sources (Uses)	10,982	20,556	11,630	-	15,543	58,711
Net Change in Fund Balances	-	7,551	166	(1,692)	23,691	29,716
Fund Balances - Beginning	-	12,123	2,777	4,657	27,821	47,378
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 19,674</u>	<u>\$ 2,943</u>	<u>\$ 2,965</u>	<u>\$ 51,512</u>	<u>\$ 77,094</u>

Debt Service Funds						
Community Facilities District	General Obligation Bonds	Highway Project Advancement Notes	Highway User Revenue Bonds	Special Assessment Bonds	Total Debt Service Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,000
1,383	34,125	-	-	-	35,508	35,616
-	-	-	-	-	-	2,603
885	-	-	-	289	1,174	1,174
-	-	-	-	-	-	5,016
-	560	6,229	-	-	6,789	85,623
-	-	-	-	-	-	16,189
-	760	-	-	-	760	2,281
2	26	27	-	3	58	1,400
-	-	-	-	-	-	354
-	-	-	-	-	-	3,779
<u>2,270</u>	<u>35,471</u>	<u>6,256</u>	<u>-</u>	<u>292</u>	<u>44,289</u>	<u>207,035</u>
-	-	-	-	-	-	9,349
-	-	-	-	-	-	28,557
-	-	-	-	-	-	57,699
-	-	-	-	-	-	7,785
984	25,044	-	8,375	335	34,738	34,738
1,197	13,132	-	4,080	68	18,477	18,477
2	6	-	4	-	12	14
-	-	-	-	-	-	1,023
-	-	-	-	-	-	63,018
<u>2,183</u>	<u>38,182</u>	<u>-</u>	<u>12,459</u>	<u>403</u>	<u>53,227</u>	<u>220,660</u>
<u>87</u>	<u>(2,711)</u>	<u>6,256</u>	<u>(12,459)</u>	<u>(111)</u>	<u>(8,938)</u>	<u>(13,625)</u>
30	2,688	-	12,459	-	15,177	56,477
-	-	(14,729)	-	-	(14,729)	(39,579)
208	-	-	-	-	208	26,745
-	418	-	-	-	418	1,063
<u>238</u>	<u>3,106</u>	<u>(14,729)</u>	<u>12,459</u>	<u>-</u>	<u>1,074</u>	<u>44,706</u>
325	395	(8,473)	-	(111)	(7,864)	31,081
932	4,989	8,473	-	198	14,592	143,003
<u>\$ 1,257</u>	<u>\$ 5,384</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87</u>	<u>\$ 6,728</u>	<u>\$ 174,084</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
EXHIBIT C-3
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018
(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	\$ 606	\$ 9,717	\$ 8,708	\$ 50,155	\$ 69,186
Accounts Receivable	569	-	-	23	592
Accrued Premiums Receivable	-	-	-	173	173
Accrued Interest Receivable	5	44	24	161	234
Inventory	6,079	-	-	-	6,079
Prepaid Costs	8	532	201	6	747
Deposits	-	-	-	69	69
Total Current Assets	<u>7,267</u>	<u>10,293</u>	<u>8,933</u>	<u>50,587</u>	<u>77,080</u>
Noncurrent Assets:					
Capital Assets, Not Being Depreciated	61	-	-	-	61
Capital Assets, Being Depreciated, Net	2,147	-	-	174	2,321
Total Noncurrent Assets	<u>2,208</u>	<u>-</u>	<u>-</u>	<u>174</u>	<u>2,382</u>
Total Assets	<u>9,475</u>	<u>10,293</u>	<u>8,933</u>	<u>50,761</u>	<u>79,462</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pensions and OPEB	1,484	222	137	207	2,050
Total Deferred Outflows of Resources	<u>1,484</u>	<u>222</u>	<u>137</u>	<u>207</u>	<u>2,050</u>
Total Assets and Deferred Outflows of Resources	<u>10,959</u>	<u>10,515</u>	<u>9,070</u>	<u>50,968</u>	<u>81,512</u>
LIABILITIES					
Current Liabilities					
Accounts Payable and Accrued Liabilities	787	2	48	1,253	2,090
Claims Payable	-	9,256	23,707	4,066	37,029
Current Portion of Compensated Absences	95	10	4	35	144
Total Current Liabilities	<u>882</u>	<u>9,268</u>	<u>23,759</u>	<u>5,354</u>	<u>39,263</u>
Long-Term Liabilities					
Compensated Absences	557	66	16	57	696
Net Pension and OPEB Liability	22,735	3,406	2,183	3,289	31,613
Total Long-Term Liabilities	<u>23,292</u>	<u>3,472</u>	<u>2,199</u>	<u>3,346</u>	<u>32,309</u>
Total Liabilities	<u>24,174</u>	<u>12,740</u>	<u>25,958</u>	<u>8,700</u>	<u>71,572</u>
DEFERRED INFLOWS OF RESOURCES					
Pensions and OPEB	1,369	205	131	197	1,902
Total Deferred Inflows of Resources	<u>1,369</u>	<u>205</u>	<u>131</u>	<u>197</u>	<u>1,902</u>
NET POSITION					
Net Investment in Capital Assets	2,208	-	-	174	2,382
Unrestricted	(16,792)	(2,430)	(17,019)	41,897	5,656
Total Net Position	<u>\$ (14,584)</u>	<u>\$ (2,430)</u>	<u>\$ (17,019)</u>	<u>\$ 42,071</u>	<u>\$ 8,038</u>

CITY OF MESA, ARIZONA
EXHIBIT C-4
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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	\$ 6,948	\$ -	\$ -	\$ -	\$ 6,948
Fleet Support Services	19,383	-	-	-	19,383
Printing and Graphics	930	-	-	-	930
Self-Insurance Contributions:					
Employee	-	-	-	17,136	17,136
City	-	5,579	3,787	59,527	68,893
State Retirement System	-	-	-	4,512	4,512
Other	-	-	233	4,889	5,122
Total Operating Revenues	<u>27,261</u>	<u>5,579</u>	<u>4,020</u>	<u>86,064</u>	<u>122,924</u>
Operating Expenses:					
Warehouse, Maintenance & Services:					
Warehouse	6,693	-	-	-	6,693
Fleet Support Services	19,065	-	-	-	19,065
Printing and Graphics	933	-	-	-	933
Self-Insurance:					
Administrative Costs	-	1,156	1,113	6,858	9,127
Claims and Premiums Paid	-	2,407	4,438	74,033	80,878
Total Operating Expenses	<u>26,691</u>	<u>3,563</u>	<u>5,551</u>	<u>80,891</u>	<u>116,696</u>
Operating Income (Loss) Before Depreciation	570	2,016	(1,531)	5,173	6,228
Depreciation	<u>(234)</u>	<u>-</u>	<u>-</u>	<u>(134)</u>	<u>(368)</u>
Operating Income (Loss)	<u>336</u>	<u>2,016</u>	<u>(1,531)</u>	<u>5,039</u>	<u>5,860</u>
Nonoperating Revenues (Expense):					
Investment Income	1	9	52	242	304
Gain/(Loss) on Disposal of Capital Assets	(20)	-	-	-	(20)
Total Nonoperating Revenues (Expenses)	<u>(19)</u>	<u>9</u>	<u>52</u>	<u>242</u>	<u>284</u>
Income (Loss) Before Capital Contributions	317	2,025	(1,479)	5,281	6,144
Capital Contributions	<u>733</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>733</u>
Change in Net Position	1,050	2,025	(1,479)	5,281	6,877
Total Net Position - As Previously Reported	(9,856)	(3,392)	(14,580)	37,786	9,958
Change in Accounting Principle	<u>(5,778)</u>	<u>(1,063)</u>	<u>(960)</u>	<u>(996)</u>	<u>(8,797)</u>
Total Net Position - Beginning	<u>(15,634)</u>	<u>(4,455)</u>	<u>(15,540)</u>	<u>36,790</u>	<u>1,161</u>
Total Net Position - Ending	<u>\$ (14,584)</u>	<u>\$ (2,430)</u>	<u>\$ (17,019)</u>	<u>\$ 42,071</u>	<u>\$ 8,038</u>

CITY OF MESA, ARIZONA

EXHIBIT C-5

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(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	\$ 27,221	\$ 5,580	\$ 4,020	\$ 86,044	\$ 122,865
Cash Payments to Suppliers	(17,329)	(5,509)	(4,567)	(81,403)	(108,808)
Cash Payments to Employees	(9,701)	(79)	(465)	(985)	(11,230)
Net Cash Provided by (Used For) Operating Activities	<u>191</u>	<u>(8)</u>	<u>(1,012)</u>	<u>3,656</u>	<u>2,827</u>
Cash Flows From Noncapital Financing Activities:					
Operating Transfers-In From Other Funds	-	-	-	-	-
Net Cash Provided By (Used For) Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition and Construction of Capital Assets	(104)	-	-	7	(97)
Proceeds from the Sale of Capital Assets	-	-	-	-	-
Contributions	-	-	-	-	-
Net Cash Provided By (Used For) Capital and Related Financing Activities	<u>(104)</u>	<u>-</u>	<u>-</u>	<u>7</u>	<u>(97)</u>
Cash Flows from Investing Activities:					
Interest Received on Investments	1	(11)	38	186	214
Net Cash Provided by Investing Activities	<u>1</u>	<u>(11)</u>	<u>38</u>	<u>186</u>	<u>214</u>
Net Change in Cash and Cash Equivalents	88	(19)	(974)	3,849	2,944
Pooled Cash and Investments at Beginning of Year	518	9,736	9,682	46,306	66,242
Pooled Cash and Investments at End of Year	<u>\$ 606</u>	<u>\$ 9,717</u>	<u>\$ 8,708</u>	<u>\$ 50,155</u>	<u>\$ 69,186</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating Income (Loss)	\$ 336	\$ 2,016	\$ (1,531)	\$ 5,039	\$ 5,860
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation	234	-	-	134	368
Changes in Assets and Liabilities:					
(Increase)/Decrease in Receivables	(40)	-	-	(20)	(60)
(Increase)/Decrease in Inventory	(131)	-	-	-	(131)
(Increase)/Decrease in Deposits and Prepaid Costs	11	(8)	7	1	11
(Decrease)/Increase in Accounts Payable	(175)	(1)	(34)	(1,401)	(1,611)
(Decrease)/Increase in Pension and OPEB Liability	(522)	(79)	(49)	(72)	(722)
Increase (Decrease) in Deferred Outflows	226	34	84	25	369
Increase (Decrease) in Deferred Inflows	242	37	30	44	353
(Decrease)/Increase in Other Accrued Expenses	10	(2,007)	481	(94)	(1,610)
Total Adjustments	<u>(145)</u>	<u>(2,024)</u>	<u>519</u>	<u>(1,383)</u>	<u>(3,033)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 191</u>	<u>\$ (8)</u>	<u>\$ (1,012)</u>	<u>\$ 3,656</u>	<u>\$ 2,827</u>
Noncash Transactions Affecting Financial Position:					
Contributions of Capital Assets	\$ (733)	\$ -	\$ -	\$ -	\$ (733)
Gain/(Loss) on Disposal of Capital Assets	(20)	-	-	-	(20)

AGENCY FUND

The Agency Fund accounts for assets held by the City in a custodial capacity for the benefit of a third party and cannot be used to address activities or obligations of the City.

The **Payroll Agency Fund** accounts for all payroll transactions.

CITY OF MESA, ARIZONA

EXHIBIT C-6

AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(in thousands)

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
PAYROLL AGENCY FUND				
Assets:				
Pooled Cash and Investments	\$ 8,257	\$ 803,639	\$ 801,107	\$ 10,789
Due from Others	33	164	113	84
Total Assets	<u>\$ 8,290</u>	<u>\$ 803,803</u>	<u>\$ 801,220</u>	<u>\$ 10,873</u>
Liabilities:				
Accounts Payable	\$ 2,559	\$ 10,343	\$ 12,879	\$ 23
Accrued Payroll Payable	5,731	599,142	594,023	10,850
Total Liabilities	<u>\$ 8,290</u>	<u>\$ 609,485</u>	<u>\$ 606,902</u>	<u>\$ 10,873</u>





SUPPLEMENTAL INFORMATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018



DESERT TRAILS **PARK**

CITY OF MESA, ARIZONA
EXHIBIT D-1
 SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 COMMUNITY FACILITIES DISTRICT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018
 (in thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$ 111	\$ 111	\$ 108	\$ (3)
Contributions	-	-	268	268
Miscellaneous Revenues	137	137	5	(132)
Total Revenues	<u>248</u>	<u>248</u>	<u>381</u>	<u>133</u>
Expenditures:				
Current:				
General Government	4,066	2,943	116	2,827
Service Charges	-	2	2	-
Cost of Issuance	750	880	870	10
Capital Outlay	10,432	11,283	10,360	923
Total Expenditures	<u>15,248</u>	<u>15,108</u>	<u>11,348</u>	<u>3,760</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(15,000)</u>	<u>(14,860)</u>	<u>(10,967)</u>	<u>3,893</u>
Other Financing Uses:				
Transfers In	-	-	5	5
Transfers Out	-	-	(35)	(35)
Face Amount of Bonds Issued	15,000	15,000	10,417	4,583
Premium on Issuance of Bonds	-	-	590	(590)
Total Other Financing Uses	<u>15,000</u>	<u>15,000</u>	<u>10,977</u>	<u>3,963</u>
Net Change in Fund Balances	-	140	10	(130)
Fund Balance - Beginning	<u>371</u>	<u>76</u>	<u>23</u>	<u>(53)</u>
Fund Balance - Ending	<u>\$ 371</u>	<u>\$ 216</u>	<u>\$ 33</u>	<u>\$ (183)</u>

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

CITY OF MESA, ARIZONA
EXHIBIT D-2
 SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 ENVIRONMENTAL COMPLIANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018
 (in thousands)

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	-	-	7	7
Charges for Services	\$ 15,617	\$ 15,617	\$ 15,780	\$ 163
Investment Income	45	45	95	50
Total Revenues	<u>15,662</u>	<u>15,662</u>	<u>15,882</u>	<u>220</u>
Expenditures:				
Current:				
General Government	1,354	1,384	1,148	236
Public Safety	64	67	67	-
Community Environment	6,960	5,819	4,606	1,213
Cultural-Recreational	6,871	6,871	6,551	320
Capital Outlay	5,184	6,844	829	6,015
Total Expenditures	<u>20,433</u>	<u>20,985</u>	<u>13,201</u>	<u>7,784</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,771)</u>	<u>(5,323)</u>	<u>2,681</u>	<u>8,004</u>
Net Change in Fund Balances	(4,771)	(5,323)	2,681	8,004
Fund Balances - Beginning	<u>10,080</u>	<u>10,127</u>	<u>10,035</u>	<u>(92)</u>
Fund Balance - Ending	<u>\$ 5,309</u>	<u>\$ 4,804</u>	<u>\$ 12,716</u>	<u>\$ 7,912</u>

CITY OF MESA, ARIZONA

EXHIBIT D-3

SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

GRANTS AND SPECIAL PROGRAMS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(in thousands)

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Occupancy Taxes	\$ 2,348	\$ 2,348	\$ 2,603	\$ 255
Licenses and Permits	429	429	656	227
Intergovernmental	15,973	15,973	5,633	(10,340)
Charges for Services	-	-	7	7
Fines and Forfeitures	1,057	1,057	1,068	11
Investment Income	-	-	54	54
Contributions	352	352	86	(266)
Miscellaneous Revenues	1,945	1,945	2,285	340
Total Revenues	<u>22,104</u>	<u>22,104</u>	<u>12,392</u>	<u>(9,712)</u>
Expenditures:				
Current:				
General Government	3,108	3,638	3,152	486
Public Safety	13,027	12,683	4,183	8,500
Community Environment	491	491	163	328
Cultural-Recreational	1,326	1,829	1,234	595
Capital Outlay	7,300	8,357	3,066	5,291
Total Expenditures	<u>25,252</u>	<u>26,998</u>	<u>11,798</u>	<u>15,200</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,148)	(4,894)	594	5,488
Other Financing Sources (Uses):				
Transfers In	-	-	10	10
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>10</u>	<u>10</u>
Net Change in Fund Balances	(3,148)	(4,894)	604	5,498
Fund Balances - Beginning	<u>6,226</u>	<u>7,428</u>	<u>7,239</u>	<u>(189)</u>
Fund Balance - Ending	<u>\$ 3,078</u>	<u>\$ 2,534</u>	<u>\$ 7,843</u>	<u>\$ 5,309</u>

CITY OF MESA, ARIZONA
EXHIBIT D-4
 SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 HIGHWAY USER REVENUE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018
 (in thousands)

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 39,498	\$ 39,498	\$ 39,477	\$ (21)
Investment Income	163	163	83	(80)
Miscellaneous Revenues	-	-	62	62
Total Revenues	<u>39,661</u>	<u>39,661</u>	<u>39,622</u>	<u>(39)</u>
Expenditures:				
Current:				
Community Environment	15,819	15,866	15,477	389
Capital Outlay	18,971	18,971	6,811	12,160
Total Expenditures	<u>34,790</u>	<u>34,837</u>	<u>22,288</u>	<u>12,549</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,871</u>	<u>4,824</u>	<u>17,334</u>	<u>12,510</u>
Other Financing Uses:				
Transfers Out	(12,455)	(12,460)	(12,459)	1
Total Other Financing Uses	<u>(12,455)</u>	<u>(12,460)</u>	<u>(12,459)</u>	<u>1</u>
Net Change in Fund Balances	(7,584)	(7,636)	4,875	12,511
Fund Balances - Beginning	<u>23,762</u>	<u>17,730</u>	<u>7,618</u>	<u>(10,112)</u>
Fund Balance - Ending	<u>\$ 16,178</u>	<u>\$ 10,094</u>	<u>\$ 12,493</u>	<u>\$ 2,399</u>

CITY OF MESA, ARIZONA
EXHIBIT D-5
 SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 MESA HOUSING AUTHORITY
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018
 (in thousands)

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 32,263	\$ 32,263	\$ 22,134	\$ (10,129)
Investment Income	93	93	295	202
Total Revenues	<u>32,356</u>	<u>32,356</u>	<u>22,429</u>	<u>(9,927)</u>
Expenditures:				
Current:				
General Government	25	25	20	5
Community Environment	28,269	27,869	18,953	8,916
Capital Outlay	<u>4,062</u>	<u>4,462</u>	<u>3,236</u>	<u>1,226</u>
Total Expenditures	<u>32,356</u>	<u>32,356</u>	<u>22,209</u>	<u>10,147</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>220</u>	<u>220</u>
Net Change in Fund Balances	-	-	220	220
Fund Balances - Beginning	<u>1,069</u>	<u>1,060</u>	<u>691</u>	<u>(369)</u>
Fund Balance - Ending	<u>\$ 1,069</u>	<u>\$ 1,060</u>	<u>\$ 911</u>	<u>\$ (149)</u>

CITY OF MESA, ARIZONA
EXHIBIT D-6
 SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 QUALITY OF LIFE SALES TAX
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018
 (in thousands)

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Sales Taxes	\$ 23,247	\$ 23,247	\$ 24,097	\$ 850
Licenses and Permits	-	-	107	107
Investment Income	7	7	-	(7)
Total Revenues	<u>23,254</u>	<u>23,254</u>	<u>24,204</u>	<u>950</u>
Expenditures:				
Current:				
General Government	382	382	356	26
Public Safety	<u>23,254</u>	<u>24,294</u>	<u>23,939</u>	<u>355</u>
Total Expenditures	<u>23,636</u>	<u>24,676</u>	<u>24,295</u>	<u>381</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(382)</u>	<u>(1,422)</u>	<u>(91)</u>	<u>1,331</u>
Net Change in Fund Balances	(382)	(1,422)	(91)	1,331
Fund Balances - Beginning	<u>795</u>	<u>868</u>	<u>864</u>	<u>(4)</u>
Fund Balance - Ending	<u>\$ 413</u>	<u>\$ (554)</u>	<u>\$ 773</u>	<u>\$ 1,327</u>

CITY OF MESA, ARIZONA
EXHIBIT D-7
 SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 STREET SALES TAX
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018
 (in thousands)

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Sales Taxes	\$ 27,896	\$ 27,896	\$ 28,903	\$ 1,007
Licenses and Permits	92	92	495	403
Intergovernmental	-	-	321	321
Charges for Services	438	438	308	(130)
Investment Income	20	20	188	168
Miscellaneous Revenues	350	350	891	541
Total Revenues	<u>28,796</u>	<u>28,796</u>	<u>31,106</u>	<u>2,310</u>
Expenditures:				
Current:				
General Government	3,045	3,051	4,557	(1,506)
Public Safety	360	369	368	1
Community Environment	25,720	24,146	18,500	5,646
Capital Outlay	21,574	24,320	8,163	16,157
Total Expenditures	<u>50,699</u>	<u>51,886</u>	<u>31,588</u>	<u>20,298</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(21,903)</u>	<u>(23,090)</u>	<u>(482)</u>	<u>22,608</u>
Net Change in Fund Balances	(21,903)	(23,090)	(482)	22,608
Fund Balances - Beginning	<u>29,067</u>	<u>32,740</u>	<u>41,984</u>	<u>9,244</u>
Fund Balance - Ending	<u>\$ 7,164</u>	<u>\$ 9,650</u>	<u>\$ 41,502</u>	<u>\$ 31,852</u>

CITY OF MESA, ARIZONA
EXHIBIT D-8
 SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 GENERAL CAPITAL PROJECTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018
 (in thousands)

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Investment Income	-	-	37	37
Miscellaneous Revenues	223	223	150	(73)
Total Revenues	<u>223</u>	<u>223</u>	<u>187</u>	<u>(36)</u>
Expenditures:				
Current:				
General Government	81	491	-	491
Public Safety	(16)	-	-	-
Community Environment	74	(100)	-	(100)
Cultural-Recreational	-	(30)	-	(30)
Capital Outlay	27,206	33,112	13,192	19,920
Total Expenditures	<u>27,345</u>	<u>33,473</u>	<u>13,192</u>	<u>20,281</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(27,122)</u>	<u>(33,250)</u>	<u>(13,005)</u>	<u>20,245</u>
Other Financing Sources (Uses):				
Transfers In	13,836	13,836	26,556	(12,720)
Transfers Out	-	7,260	(6,000)	13,260
Total Other Financing Uses	<u>13,836</u>	<u>21,096</u>	<u>20,556</u>	<u>540</u>
Net Change in Fund Balances	(13,286)	(12,154)	7,551	19,705
Fund Balances - Beginning	<u>15,013</u>	<u>12,177</u>	<u>12,123</u>	<u>(54)</u>
Fund Balance - Ending	<u>\$ 1,727</u>	<u>\$ 23</u>	<u>\$ 19,674</u>	<u>\$ 19,651</u>

CITY OF MESA, ARIZONA
EXHIBIT D-9
 SUPPLEMENTAL INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 STREETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018
 (in thousands)

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 4,685	\$ 4,685	\$ 11,262	\$ 6,577
Investment Income	-	-	170	170
Miscellaneous Revenues	-	-	373	373
Total Revenues	<u>4,685</u>	<u>4,685</u>	<u>11,805</u>	<u>7,120</u>
Expenditures:				
Cost of Issuance	294	294	43	251
Capital Outlay	<u>36,182</u>	<u>36,182</u>	<u>3,614</u>	<u>32,568</u>
Total Expenditures	<u>36,476</u>	<u>36,476</u>	<u>3,657</u>	<u>32,819</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(31,791)</u>	<u>(31,791)</u>	<u>8,148</u>	<u>39,939</u>
Other Financing Sources (Uses):				
Transfers In	-	-	14,729	(14,729)
Transfers Out	-	(3,731)	(3,731)	-
Face Amount of Bonds Issued	17,667	23,713	4,530	19,183
Premium on Issuance of Bonds (Net)	-	-	15	(15)
Total Other Financing Uses	<u>17,667</u>	<u>19,982</u>	<u>15,543</u>	<u>4,439</u>
Net Change in Fund Balances	(14,124)	(11,809)	23,691	35,500
Fund Balances - Beginning	<u>31,253</u>	<u>28,145</u>	<u>27,821</u>	<u>(324)</u>
Fund Balance - Ending	<u>\$ 17,129</u>	<u>\$ 16,336</u>	<u>\$ 51,512</u>	<u>\$ 35,176</u>





STATISTICAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018



RED MOUNTAIN **PARK**

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.	125
Revenue Capacity These schedules contain information to help readers assess the City’s most significant local revenue source, the sales tax.	137
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.	140
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.	148
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.	150

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>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
GOVERNMENTAL ACTIVITIES				
Net Investment in Capital Assets	\$ 791,523	\$ 844,777	\$ 872,302	\$ 913,702
Restricted	92,533	86,955	39,296	41,257
Unrestricted	91,363	3,651	(6,376)	(96,986)
Total Governmental Activities Net Position	<u>\$ 975,419</u>	<u>\$ 935,383</u>	<u>\$ 905,222</u>	<u>\$ 857,973</u>
BUSINESS-TYPE ACTIVITIES				
Net Investment in Capital Assets	\$ 413,944	\$ 434,814	\$ 430,436	\$ 412,016
Restricted	82,697	47,011	55,873	69,739
Unrestricted	278,892	271,706	258,131	254,189
Total Business-type Activities	<u>\$ 775,533</u>	<u>\$ 753,531</u>	<u>\$ 744,440</u>	<u>\$ 735,944</u>
PRIMARY GOVERNMENT				
Net Investment in Capital Assets	\$ 1,205,467	\$ 1,279,591	\$ 1,302,738	\$ 1,325,718
Restricted	175,230	133,966	95,169	110,996
Unrestricted	370,255	275,357	251,755	157,203
Total Primary Government	<u>\$ 1,750,952</u>	<u>\$ 1,688,914</u>	<u>\$ 1,649,662</u>	<u>\$ 1,593,917</u>

TABLE I
(Concluded)

<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
\$ 902,397	\$ 866,332	\$ 932,660	\$ 965,148	\$ 986,354	\$ 1,019,888
56,719	60,555	72,170	81,941	88,721	88,305
<u>(184,355)</u>	<u>(120,803)</u>	<u>(666,758)</u>	<u>(666,986)</u>	<u>(711,367)</u>	<u>(858,392)</u>
<u>\$ 774,761</u>	<u>\$ 806,084</u>	<u>\$ 338,072</u>	<u>\$ 380,103</u>	<u>\$ 363,708</u>	<u>\$ 249,801</u>
\$ 346,352	\$ 393,720	\$ 327,743	\$ 302,521	\$ 247,598	\$ 266,012
37,795	43,023	47,576	49,139	43,046	40,440
<u>271,619</u>	<u>178,702</u>	<u>160,934</u>	<u>158,756</u>	<u>228,160</u>	<u>199,531</u>
<u>\$ 655,766</u>	<u>\$ 615,445</u>	<u>\$ 536,253</u>	<u>\$ 510,416</u>	<u>\$ 518,804</u>	<u>\$ 505,983</u>
\$ 1,248,749	\$ 1,260,052	\$ 1,260,403	\$ 1,267,669	\$ 1,233,952	\$ 1,285,900
94,514	103,578	119,746	131,080	131,767	128,745
<u>87,264</u>	<u>57,899</u>	<u>(505,824)</u>	<u>(508,230)</u>	<u>(483,207)</u>	<u>(658,861)</u>
<u>\$ 1,430,527</u>	<u>\$ 1,421,529</u>	<u>\$ 874,325</u>	<u>\$ 890,519</u>	<u>\$ 882,512</u>	<u>\$ 755,784</u>

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

EXPENSES	2008-09	2009-10	2010-11	2011-12	2012-13
GOVERNMENTAL ACTIVITIES:					
General Government	\$ 54,226	\$ 54,863	\$ 59,552	\$ 57,472	\$ 105,410
Public Safety	290,928	288,929	273,320	287,918	287,451
Community Environment	121,736	104,096	106,434	97,593	129,164
Cultural-Recreational	67,039	54,010	54,550	57,171	61,717
Interest on Long-term Debt	18,659	20,013	21,078	21,631	23,443
Total Governmental Activities Expenses	552,588	521,911	514,934	521,785	607,185
BUSINESS-TYPE ACTIVITIES:					
Electric	27,634	27,106	26,817	29,751	28,897
Gas	35,992	35,466	36,020	34,275	35,653
Water	68,956	80,915	82,378	74,162	103,432
Wastewater	80,349	70,228	63,613	68,540	91,739
Solid Waste	31,953	31,504	31,462	32,485	33,694
Airport	3,703	3,944	3,972	3,737	4,300
Golf Course	3,083	2,715	2,679	2,589	3,353
Convention Center	4,558	4,158	3,849	3,486	3,946
Hohokam Stadium/Fitch Complex	-	7,408	8,324	8,525	9,094
Cubs Stadium	-	-	15	54	-
District Cooling	976	1,000	965	974	1,081
Interest on Long-term Debt	-	-	-	-	3,653
Total Business-type Activities Expenses	257,204	264,444	260,094	258,578	318,842
Total Primary Government Expenses	\$ 809,792	\$ 786,355	\$ 775,028	\$ 780,363	\$ 926,027

TABLE II
(Continued)

<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
\$ 103,819	\$ 102,396	\$ 96,860	\$ 101,301	\$ 105,140
277,614	302,633	305,376	379,505	334,905
125,700	101,531	117,120	104,173	113,916
49,275	52,430	54,967	55,739	54,828
24,431	23,939	20,424	19,279	19,514
<u>580,839</u>	<u>582,929</u>	<u>594,747</u>	<u>659,997</u>	<u>628,303</u>
30,044	28,495	27,647	26,561	25,573
35,020	32,104	31,549	37,109	31,636
93,871	101,863	95,574	95,608	101,005
65,637	71,161	73,877	71,782	74,157
32,908	36,979	36,586	37,911	37,988
4,343	2,863	4,865	5,125	5,308
2,555	2,210	2,575	2,028	1,965
3,060	3,715	4,252	4,711	4,481
2,879	1,200	2,913	3,687	3,174
6,201	8,581	5,271	6,042	5,870
1,153	885	1,182	1,268	1,181
-	4,124	-	-	-
<u>277,671</u>	<u>294,180</u>	<u>286,291</u>	<u>291,832</u>	<u>292,338</u>
<u>\$ 858,510</u>	<u>\$ 877,109</u>	<u>\$ 881,038</u>	<u>\$ 951,829</u>	<u>\$ 920,641</u>

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

PROGRAM REVENUES	2008-09	2009-10	2010-11	2011-12
GOVERNMENTAL ACTIVITIES:				
Charges for services:				
Licenses and Permits	\$ 13,426	\$ 11,824	\$ 12,577	\$ 13,359
Charges for Services	24,740	20,419	20,304	25,779
Fines and Forfeitures	10,215	10,135	11,820	11,294
Other activities	78	9	8	18
Operating Grants and Contributions	63,055	72,812	65,284	60,355
Capital Grants and Contributions	35,436	30,343	31,461	23,503
Total Governmental Activities Program Revenues	146,950	145,542	141,454	134,308
BUSINESS-TYPE ACTIVITIES:				
Charges for services:				
Electric	35,313	33,079	33,138	34,625
Gas	41,708	38,924	41,370	39,139
Water	95,995	98,806	102,215	113,418
Wastewater	54,720	57,699	59,659	64,544
Solid Waste	46,762	46,685	47,538	47,631
Airport	2,959	3,125	3,318	3,271
Golf Course	2,310	2,265	2,250	2,169
Convention Center	2,687	1,971	2,826	2,122
Hohokam Stadium/Fitch Complex	-	5,837	6,161	6,074
Cubs Stadium	-	-	52	825
District Cooling	834	984	945	1,092
Economic Investment	-	-	-	-
Operating Grants and Contributions	101	210	25	2,126
Capital Grants and Contributions	31,222	17,782	10,774	15,814
Total Business-type Activities Program Revenues	314,611	307,367	310,271	332,850
Total Primary Government Program Revenues	\$ 461,561	\$ 452,909	\$ 451,725	\$ 467,158
NET (EXPENSE)/REVENUE				
Governmental Activities	\$ (405,638)	\$ (376,369)	\$ (373,480)	\$ (387,477)
Business-type Activities	57,407	42,923	50,177	74,272
Total Primary Government Net Expense	\$ (348,231)	\$ (333,446)	\$ (323,303)	\$ (313,205)

TABLE II
(Continued)

<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
\$ 17,693	\$ 18,797	\$ 20,892	\$ 23,254	\$ 23,152	\$ 25,119
27,675	32,106	36,260	38,178	38,348	40,222
9,885	9,890	10,505	11,049	9,873	10,436
2,945	400	5,741	9,385	1,330	2,979
55,312	29,514	26,418	26,361	26,955	34,446
25,049	20,714	75,907	35,925	24,451	23,618
<u>138,559</u>	<u>111,421</u>	<u>175,723</u>	<u>144,152</u>	<u>124,109</u>	<u>136,820</u>
31,075	31,198	33,601	32,254	33,534	31,425
39,125	38,600	39,422	38,962	39,752	39,171
111,933	112,003	121,205	130,674	138,335	147,667
64,413	66,457	77,172	79,523	79,056	83,078
47,369	47,452	52,748	55,354	58,117	60,522
3,484	3,813	3,454	3,623	3,846	3,983
1,472	1,622	1,737	1,645	1,545	1,635
2,597	2,057	2,475	2,798	3,299	2,809
5,496	36	2	63	54	51
-	174	202	201	291	238
975	1,142	1,274	1,234	1,231	1,215
148	-	-	-	-	-
9,401	9,056	157	267	158	2,406
7,997	17,331	18,107	16,929	28,711	23,474
<u>325,485</u>	<u>330,941</u>	<u>351,556</u>	<u>363,527</u>	<u>387,929</u>	<u>397,674</u>
<u>\$ 464,044</u>	<u>\$ 442,362</u>	<u>\$ 527,279</u>	<u>\$ 507,679</u>	<u>\$ 512,038</u>	<u>\$ 534,494</u>
\$ (468,626)	\$ (469,418)	\$ (407,206)	\$ (450,595)	\$ (535,888)	\$ (491,483)
6,643	53,270	57,376	77,236	96,097	105,336
<u>\$ (461,983)</u>	<u>\$ (416,148)</u>	<u>\$ (349,830)</u>	<u>\$ (373,359)</u>	<u>\$ (439,791)</u>	<u>\$ (386,147)</u>

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

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

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
GOVERNMENTAL ACTIVITIES:				
Sales Taxes	\$ 126,520	\$ 121,557	\$ 121,046	\$ 126,644
Property Taxes	-	14,318	14,244	14,234
Occupancy Taxes	1,808	1,581	2,148	2,019
Unrestricted Intergovernmental Revenues	117,543	104,580	92,613	86,103
Contributions Not Restricted to Specific Programs	14,741	14,757	15,610	17,171
Investment Income	1,896	261	617	1,503
Miscellaneous	15,849	13,846	7,060	8,939
Gain (Loss) on Sale of Capital Assets			-	-
Transfers	<u>96,599</u>	<u>65,433</u>	<u>83,334</u>	<u>83,615</u>
Total Governmental Activities	<u>374,956</u>	<u>336,333</u>	<u>336,672</u>	<u>340,228</u>
BUSINESS-TYPE ACTIVITIES:				
Occupancy Taxes	-	-	-	-
Investment Income	1,894	508	839	850
Gain (Loss) on Sale of Capital Assets	-	-	-	-
Miscellaneous	407	-	-	-
Transfers	<u>(96,599)</u>	<u>(65,433)</u>	<u>(83,334)</u>	<u>(83,615)</u>
Total Business-type Activities	<u>(94,298)</u>	<u>(64,925)</u>	<u>(82,495)</u>	<u>(82,765)</u>
Total Primary Government	<u>\$ 280,658</u>	<u>\$ 271,408</u>	<u>\$ 254,177</u>	<u>\$ 257,463</u>
Change in Net Position				
Governmental Activities	\$ (30,682)	\$ (40,036)	\$ (36,808)	\$ (47,249)
Business-type Activities	<u>(36,891)</u>	<u>(22,002)</u>	<u>(32,318)</u>	<u>(8,493)</u>
Total Primary Government	<u>\$ (67,573)</u>	<u>\$ (62,038)</u>	<u>\$ (69,126)</u>	<u>\$ (55,742)</u>

TABLE II
(Concluded)

<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
\$ 137,280	\$ 140,567	\$ 146,337	\$ 151,826	\$ 159,735	\$ 169,024
14,354	22,549	33,241	33,825	34,684	35,571
1,903	1,919	2,081	2,331	2,536	2,628
104,462	135,075	145,266	149,350	158,916	167,540
49,569	88,646	47,761	44,928	46,817	80,312
1,692	966	1,786	2,210	448	1,912
7,424	5,550	7,844	6,008	11,161	5,418
-	-	-	-	(1,411)	(2,462)
<u>83,615</u>	<u>109,520</u>	<u>94,427</u>	<u>102,148</u>	<u>106,607</u>	<u>116,006</u>
<u>400,299</u>	<u>504,792</u>	<u>478,743</u>	<u>492,626</u>	<u>519,493</u>	<u>575,949</u>
825	851	999	1,161	1,085	1,192
860	1,453	1,141	3,020	983	1,691
-	18,697	5,157	(6,145)	16,364	261
-	288	233	1,039	466	1,915
<u>(83,615)</u>	<u>(109,520)</u>	<u>(94,427)</u>	<u>(102,148)</u>	<u>(106,607)</u>	<u>(116,006)</u>
<u>(81,930)</u>	<u>(88,231)</u>	<u>(86,897)</u>	<u>(103,073)</u>	<u>(87,709)</u>	<u>(110,947)</u>
<u>\$ 318,369</u>	<u>\$ 416,561</u>	<u>\$ 391,846</u>	<u>\$ 389,553</u>	<u>\$ 431,784</u>	<u>\$ 465,002</u>
\$ (68,327)	\$ 35,374	\$ 71,537	\$ 42,031	\$ (16,395)	\$ 84,466
<u>(75,287)</u>	<u>(34,961)</u>	<u>(29,521)</u>	<u>(25,837)</u>	<u>8,388</u>	<u>(5,611)</u>
<u>\$ (143,614)</u>	<u>\$ 413</u>	<u>\$ 42,016</u>	<u>\$ 16,194</u>	<u>\$ (8,007)</u>	<u>\$ 78,855</u>

CITY OF MESA, ARIZONA

TABLE III
FUND BALANCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(in thousands)

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
GENERAL FUND				
Reserved (1)(2)	\$ 51,862	\$ 4,048	\$ -	\$ -
Unreserved	74,711	92,187	-	-
Nonspendable	-	-	405	754
Restricted	-	-	1,992	2,012
Committed	-	-	4,898	4,992
Assigned	-	-	-	-
Unassigned	-	-	93,875	78,035
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total General Fund	<u>\$ 126,573</u>	<u>\$ 96,235</u>	<u>\$ 101,170</u>	<u>\$ 85,793</u>
ALL OTHER GOVERNMENTAL FUNDS				
Reserved	\$ 17,013	\$ 53,674	\$ -	\$ -
Unreserved, Reported in:				
Special Revenue Funds	24,816	31,871	-	-
Capital Project Funds	28,442	15,724	-	-
Nonspendable	-	-	2,906	84
Restricted (3)(4)	-	-	112,538	211,279
Committed	-	-	19,166	16,360
Assigned	-	-	-	-
Unassigned	-	-	-	(1)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total All Other Governmental Funds	<u>\$ 70,271</u>	<u>\$ 101,269</u>	<u>\$ 134,610</u>	<u>\$ 227,722</u>

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

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

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

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

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

TABLE III
(Concluded)

<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
1,724	2,956	3,490	4,035	2,145	2,304
284	188	184	184	146	-
1,185	1,484	126	227	528	10,377
-	-	-	10,703	19,367	28,346
50,426	72,683	74,145	79,657	92,240	89,347
<u>\$ 53,619</u>	<u>\$ 77,311</u>	<u>\$ 77,945</u>	<u>\$ 94,806</u>	<u>\$ 114,426</u>	<u>\$ 130,374</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
55	23	138	77	37	135
243,831	190,609	172,316	95,701	112,105	132,462
23,005	21,379	30,092	28,580	30,928	41,641
-	-	-	6	2	22
(1,177)	(675)	(31)	(155)	(69)	(176)
<u>\$ 265,714</u>	<u>\$ 211,336</u>	<u>\$ 202,515</u>	<u>\$ 124,209</u>	<u>\$ 143,003</u>	<u>\$ 174,084</u>

CITY OF MESA, ARIZONA

TABLE IV

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

(modified accrual basis of accounting)
(in thousands)

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
REVENUES				
Sales Taxes (1)(2)	\$ 126,520	\$ 121,557	\$ 121,046	\$ 126,644
Property Taxes	-	13,886	14,274	14,323
Occupancy Taxes	1,808	1,581	2,148	2,019
Special Assessments	806	923	1,069	996
Licenses and Permits	13,426	11,824	12,577	13,359
Intergovernmental	191,085	190,731	174,781	168,433
Charges for Services	24,343	20,419	20,304	25,779
Fines and Forfeitures	10,215	10,135	11,820	11,294
Investment Income	2,018	191	587	1,284
Contributions	-	-	-	-
Miscellaneous	14,755	13,675	7,417	7,573
Total Revenues	<u>384,976</u>	<u>384,922</u>	<u>366,023</u>	<u>371,704</u>
EXPENDITURES				
Current				
General Government	36,507	40,113	38,843	41,083
Public Safety	230,864	216,026	215,166	226,429
Community Environment	72,647	72,081	68,463	64,404
Cultural-Recreational	53,171	40,150	42,191	43,904
Debt Service				
Principal	36,906	34,846	31,690	25,513
Interest	18,845	21,186	21,211	22,643
Service Charges	28	9	10	8
Cost of Issuance	-	539	29	870
Capital Outlay	77,899	82,530	60,173	66,951
Total Expenditures	<u>526,867</u>	<u>507,480</u>	<u>477,776</u>	<u>491,805</u>
Excess of Revenues Under Expenditures	<u>(141,891)</u>	<u>(122,558)</u>	<u>(111,753)</u>	<u>(120,101)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	155,697	149,437	128,065	121,459
Transfers Out	(59,106)	(66,654)	(44,418)	(38,136)
Face Amount of Bonds Issued	61,830	30,865	29,320	27,290
Face Amount of Notes Issued	-	45,000	-	77,835
Premium on Issuance of Bonds (Net)	437	402	360	8,027
Premium on Issuance of Notes	-	869	-	8,250
Proceeds from Capital Leases	-	-	-	-
Issuance of Refunding Bonds	-	-	-	67,238
Payment to Refunding Bond Agent	-	-	-	(74,127)
Total Other Financing Sources (Uses)	<u>158,858</u>	<u>159,919</u>	<u>113,327</u>	<u>197,836</u>
Net Change in Fund Balances	<u>\$ 16,967</u>	<u>\$ 37,361</u>	<u>\$ 1,574</u>	<u>\$ 77,735</u>
Debt Service as a percentage of Noncapital Expenditures	12.42%	13.19%	12.67%	11.34%

(1) During fiscal year 1998-99, a voter approved one-half percent increase to sales tax was enacted.

(2) During fiscal year 2006-07, a voter approved one-half percent increase to sales tax was enacted.

In addition, a quarter percent portion of the sales tax described in (1) above expired and was not renewed by the voters.

TABLE IV
(Concluded)

<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
\$ 137,280	\$ 140,567	\$ 146,337	\$ 151,826	\$ 159,735	\$ 169,024
14,404	22,500	34,022	34,765	34,675	35,616
1,903	1,919	2,081	2,331	2,536	2,628
897	1,062	1,264	1,433	2,125	1,174
17,693	18,797	20,892	23,254	23,152	25,119
184,823	185,303	185,529	191,360	200,820	223,800
27,675	32,106	36,260	38,178	38,348	40,222
9,885	9,890	10,505	11,049	9,873	10,436
1,501	589	1,793	1,483	331	1,608
2,264	1,212	1,344	961	360	429
5,940	4,524	6,587	3,994	4,348	5,547
<u>404,265</u>	<u>418,469</u>	<u>446,614</u>	<u>460,634</u>	<u>476,303</u>	<u>515,603</u>
74,596	75,077	81,066	79,448	86,360	90,209
226,677	231,364	243,570	254,528	261,892	266,459
55,197	56,573	60,512	65,559	68,403	73,404
37,787	38,788	40,365	43,651	43,744	46,143
31,519	71,015	28,367	107,383	32,587	34,738
23,433	23,704	23,269	18,905	17,994	18,477
10	-	13	14	15	14
1,448	727	657	1,505	1,271	1,023
<u>91,537</u>	<u>102,657</u>	<u>74,150</u>	<u>91,784</u>	<u>82,062</u>	<u>76,279</u>
<u>542,204</u>	<u>599,905</u>	<u>551,969</u>	<u>662,777</u>	<u>594,328</u>	<u>606,746</u>
<u>(137,939)</u>	<u>(181,436)</u>	<u>(105,355)</u>	<u>(202,143)</u>	<u>(118,025)</u>	<u>(91,143)</u>
147,818	141,909	123,044	122,572	139,516	176,572
(64,203)	(32,389)	(45,324)	(24,298)	(31,931)	(66,208)
62,672	40,800	18,999	46,530	47,682	26,745
-	-	-	-	-	-
3,681	430	2,952	2,283	4,613	1,063
-	-	-	-	-	-
-	-	-	-	-	-
17,415	-	17,555	43,304	47,450	-
<u>(19,889)</u>	<u>-</u>	<u>(20,058)</u>	<u>(49,693)</u>	<u>(50,891)</u>	<u>-</u>
<u>147,494</u>	<u>150,750</u>	<u>97,168</u>	<u>140,698</u>	<u>156,439</u>	<u>138,172</u>
<u>\$ 9,555</u>	<u>\$ (30,686)</u>	<u>\$ (8,187)</u>	<u>\$ (61,445)</u>	<u>\$ 38,414</u>	<u>\$ 47,029</u>
12.20%	19.05%	10.81%	22.12%	9.88%	10.03%

CITY OF MESA, ARIZONA

TABLE V

SALES TAX COLLECTIONS BY CATEGORY

LAST TEN FISCAL YEARS

(in thousands)

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
Utilities	\$ 9,654	\$ 9,757	\$ 11,104	\$ 11,878	\$ 12,549
Communications	3,749	3,809	4,456	4,483	4,651
Publishing	1,402	1,102	999	934	866
Printing & Advertising	280	175	342	336	434
Contracting	15,263	10,913	8,388	9,962	12,402
Retail Sales	63,230	63,469	60,266	62,191	66,789
Restaurants & Bars	10,956	10,948	11,165	11,864	12,577
Amusements	1,363	1,176	1,433	1,434	1,432
Rentals	20,514	20,123	22,219	22,968	24,847
Miscellaneous	107	84	674	595	732
Total	\$ 126,518	\$ 121,555	\$ 121,046	\$ 126,645	\$ 137,279
City Direct Tax Rate	1.75%	1.75%	1.75%	1.75%	1.75%

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

(1) During FY 2006-07, 1/4 percent of the 1/2 percent voter-approved sales tax increase that was enacted in August 1998 to fund capital improvements to quality of life projects expired and was not renewed. Also during FY 2006-07, a voter-approved 1/2 percent increase to sales tax was enacted and is restricted to fund street improvements.

Source: City of Mesa Tax & Licensing Division

TABLE V
(Concluded)

<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
\$ 12,344	\$ 13,111	\$ 13,251	\$ 13,575	\$ 14,199
4,230	4,796	4,229	4,432	3,876
830	747	688	526	362
455	461	428	446	413
13,794	14,103	14,623	16,806	18,856
69,276	71,996	76,160	79,715	84,640
12,972	13,708	14,240	15,002	16,065
1,469	1,542	1,561	1,581	1,624
24,374	25,102	25,578	26,340	28,003
823	771	1,068	1,313	986
<u>\$ 140,567</u>	<u>\$ 146,337</u>	<u>\$ 151,826</u>	<u>\$ 159,736</u>	<u>\$ 169,024</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>
2008-09	1.75%	0.70%	5.60%
2009-10	1.75%	0.70%	6.60% *
2010-11	1.75%	0.70%	6.60%
2011-12	1.75%	0.70%	6.60%
2012-13	1.75%	0.70%	5.60%
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%

Source: City of Mesa Tax & Licensing Office

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



CITY OF MESA, ARIZONA

TABLE VII

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

(in thousands)

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Governmental Activities				
General Obligation Bonds	\$ 267,063	\$ 273,869	\$ 281,514	\$ 288,669
Municipal Development Corporation Bonds	-	-	-	-
Highway User Revenue Bonds	140,265	134,545	128,515	121,395
Special Assessment Bonds	7,294	6,550	5,806	5,062
Community Facilities District	-	-	-	-
Capital Leases	9,730	5,406	2,166	822
Notes Payable	-	45,000	45,000	122,835
Business-type Activities				
Utility System Revenue Bonds	817,530	857,435	898,800	952,500
General Obligation Bonds	2,957	2,691	2,221	1,601
Excise Tax Revenue Obligation Bonds	-	-	-	-
Municipal Development Corporation Bonds	-	-	-	-
Notes Payable	333	2,964	2,731	2,493
Capital Leases	158	-	-	-
Total Primary Government	<u>\$ 1,245,330</u>	<u>\$ 1,328,460</u>	<u>\$ 1,366,753</u>	<u>\$ 1,495,377</u>
Percentage of Personal Income (1)	11.03%	11.49%	13.06%	14.10%
Per Capita (1)	\$ 2,677	\$ 2,843	\$ 3,101	\$ 3,390

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

TABLE VII
(Concluded)

<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
\$ 327,265	\$ 346,860	\$ 338,401	\$ 350,593	\$ 374,443	\$ 365,519
-	-	-	-	-	-
120,942	112,882	106,740	98,743	84,995	76,620
4,318	3,574	2,830	2,085	1,340	1,005
2,712	5,897	11,012	19,300	19,172	28,813
140	72	-	-	-	-
129,435	83,610	82,785	-	-	-
973,670	987,454	996,705	1,062,871	1,161,755	1,243,390
887	605	474	390	236	236
105,079	104,499	103,919	103,339	94,060	57,144
-	-	-	-	-	-
2,370	2,244	2,116	1,985	1,851	1,714
-	-	-	-	-	-
<u>\$ 1,666,818</u>	<u>\$ 1,647,697</u>	<u>\$ 1,644,982</u>	<u>\$ 1,639,306</u>	<u>\$ 1,737,852</u>	<u>\$ 1,774,441</u>
16.09%	15.42%	14.53%	13.91%	13.74%	13.12%
\$ 3,747	\$ 3,621	\$ 3,561	\$ 3,451	\$ 3,525	\$ 3,542

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)
2009	\$ 4,793,082	\$ 259,895	\$ -	\$ 259,895	5.42%	\$ 559
2010	4,749,617	276,560	-	276,560	5.82%	592
2011	4,094,037	283,735	134	283,601	6.93%	645
2012	3,164,277	290,270	1	290,269	9.17%	658
2013	2,770,422	328,152	138	328,014	11.84%	739
2014	2,559,634	347,465	372	347,093	13.56%	765
2015	2,821,173	338,875	3,584	335,291	11.88%	726
2016	2,757,913	350,983	2,618	348,365	12.63%	733
2017	2,888,291	374,755	4,989	369,766	12.80%	750
2018	3,048,893	365,755	5,384	360,371	11.82%	719

Source: (1) Maricopa County Finance Department Assessor's Office.

(2) Population figures are found on Table XII.

CITY OF MESA, ARIZONA

TABLE IX

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)

JUNE 30, 2018

(in thousands)

Governmental Unit	Debt Outstanding (2)	Estimated Percentage Applicable to City of Mesa	
		Percent (2)(4)	Amount
Debt repaid with property taxes			
Maricopa County Community College District	\$ 445,570	7.97%	\$ 35,512
Maricopa Special Health Care District	112,000	7.97%	-
Mesa Unified School District No. 4	270,360	86.36%	233,483
Gilbert Unified School District No. 41	99,795	25.94%	25,887
Queen Creek Unified School District No. 95	100,485	30.50%	30,648
Higley Unified School District No. 60	115,040	0.82%	943
Tempe Union High School District No. 213	91,995	0.32%	294
Tempe Elementary School District No. 3	131,875	0.79%	1,042
Eastmark Community Facilities District	17,610	100.00%	17,610
Other Debt:			
Maricopa County	245,330	7.97%	<u>19,553</u>
Subtotal, overlapping debt			364,972
City direct debt (3)			<u>486,772</u>
Total Direct and Overlapping Debt			<u><u>\$ 851,744</u></u>

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

(2) Source: Hilltop Securities, Inc.

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

(4) Proportion applicable to the City is computed on the ratio of secondary assessed valuation for fiscal year 2017/2018

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>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
6% Limitation				
Legal Debt Limitation Equal to 6% of Assessed Valuation	\$ 287,585	\$ 284,977	\$ 245,642	\$ 189,857
Total Net Debt Applicable to 6% Limit	<u>13,569</u>	<u>6,064</u>	<u>5,326</u>	<u>1,370</u>
Margin Available for Future General Obligation Bond Issues for 6% Bonds	<u>\$ 274,016</u>	<u>\$ 278,913</u>	<u>\$ 240,316</u>	<u>\$ 188,487</u>
Total Net Debt Applicable to the 6% Limit as a Percentage of the 6% Legal Debt Limitation	4.72%	2.13%	2.17%	0.72%
20% Limitation				
Legal Debt Limitation Equal to 20% of Assessed Valuation	\$ 958,616	\$ 949,923	\$ 818,807	\$ 632,855
Total Net Debt Applicable to 20% Limit	<u>246,326</u>	<u>270,496</u>	<u>278,409</u>	<u>288,900</u>
Margin Available for Future General Obligation Bond Issues for 20% Bonds	<u>\$ 712,290</u>	<u>\$ 679,427</u>	<u>\$ 540,398</u>	<u>\$ 343,955</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of the 20% Legal Debt Limitation	25.70%	28.48%	34.00%	45.65%
Total Margin Available	<u>\$ 986,306</u>	<u>\$ 958,340</u>	<u>\$ 780,714</u>	<u>\$ 532,442</u>

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

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

TABLE X
(Concluded)

Legal Debt Margin Calculation for Fiscal Year 2017-18

	Secondary Assessed Value					\$ 3,048,893
		<u>6% Bonds (1)</u>		<u>20% Bonds (2)</u>		
	Legal Debt Limitation	\$ 182,934		\$ 609,779		
	Debt Applicable to Limit:					
	General Obligation Bonds	724		365,031		
	Total Net Debt Applicable to Limit	<u>724</u>		<u>365,031</u>		
	Margin Available for Future General Obligation Bond Issues	<u>\$ 182,210</u>		<u>\$ 244,748</u>		
	Total Margin Available					<u>\$ 426,958</u>
<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	
\$ 166,225	\$ 153,578	\$ 169,270	\$ 165,475	\$ 173,297	\$ 182,934	
<u>175</u>	<u>605</u>	<u>1,275</u>	<u>1,047</u>	<u>846</u>	<u>724</u>	
<u>\$ 166,050</u>	<u>\$ 152,973</u>	<u>\$ 167,995</u>	<u>\$ 164,428</u>	<u>\$ 172,451</u>	<u>\$ 182,210</u>	
0.11%	0.39%	0.75%	0.63%	0.49%	0.40%	
\$ 554,084	\$ 511,927	\$ 564,235	\$ 551,583	\$ 577,658	\$ 609,779	
<u>300,735</u>	<u>344,040</u>	<u>343,370</u>	<u>349,903</u>	<u>373,909</u>	<u>365,031</u>	
<u>\$ 253,349</u>	<u>\$ 167,887</u>	<u>\$ 220,865</u>	<u>\$ 201,680</u>	<u>\$ 203,749</u>	<u>\$ 244,748</u>	
54.28%	67.20%	60.86%	63.44%	64.73%	59.86%	
<u>\$ 419,399</u>	<u>\$ 320,860</u>	<u>\$ 388,860</u>	<u>\$ 366,108</u>	<u>\$ 376,200</u>	<u>\$ 426,958</u>	

CITY OF MESA, ARIZONA

TABLE XI

PLEDGED-REVENUE COVERAGE

LAST TEN FISCAL YEARS

(in thousands)

Utility System Revenue Bonds						
	Operating Revenues (1)	Operating Expenses	Net Revenue Available for Debt Service	Debt Service		Coverage Ratio
				Principal	Interest	
2008-09	\$ 274,497	\$ 197,992	\$ 76,505	\$ 9,815	\$ 37,225	1.63
2009-10	275,193	194,159	81,034	10,475	40,380	1.59
2010-11	283,921	190,441	93,480	12,585	42,814	1.69
2011-12	299,356	180,296	119,060	21,365	43,465	1.84
2012-13	293,915	241,128	52,787	21,630	46,412	0.78
2013-14	295,710	203,187	92,523	22,550	51,927	1.24
2014-15	311,506	209,677	101,829	21,860	46,423	1.49
2015-16	323,099	218,706	104,393	25,800	44,794	1.48
2016-17	348,794	225,257	123,537	13,885	47,187	2.02
2017-18	361,863	171,569	190,294	31,354	50,739	2.32

Highway User Revenue Fund Revenue Bonds

	Highway User Fund Revenues	Debt Service		Coverage Ratio
		Principal	Interest	
2008-09	\$ 34,260	\$ 2,025	\$ 6,823	3.87
2009-10	31,791	5,720	6,691	2.56
2010-11	32,053	6,030	6,365	2.59
2011-12	27,825	3,290	5,563	3.14
2012-13	30,046	6,145	5,627	2.55
2013-14	30,923	6,945	5,472	2.49
2014-15	33,952	6,305	5,158	2.96
2015-16	35,383	7,390	4,844	2.89
2016-17	38,048	7,900	4,473	3.08
2017-18	39,477	8,375	4,080	3.17

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

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

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

TABLE XI
(Concluded)

Special Assessment Bonds				Community Facility District Bonds			
Special Assessment Collections	Debt Service		Coverage Ratio	Community Facility District Collections	Debt Service		Coverage Ratio
	Principal	Interest			Principal	Interest	
\$ 1,202	\$ 752	\$ 417	1.03	\$ -	\$ -	\$ -	-
923	744	377	0.82	-	-	-	-
1,088	744	337	1.01	-	-	-	-
996	744	297	0.96	-	-	-	-
897	744	257	0.90	-	-	7	-
861	744	217	0.90	195	65	131	0.99
827	744	178	0.90	672	232	456	0.98
790	745	138	0.89	1,320	489	832	1.00
1,041	745	98	1.23	1,612	645	914	1.03
289	335	68	0.72	2,261	984	1,197	1.04

Municipal Development Corporation Bonds				Highway Project Advancement Notes			
Excise Tax Revenues (2)	Debt Service		Coverage Ratio	Excise Tax Revenues (2)	Debt Service		Coverage Ratio
	Principal	Interest			Principal	Interest	
\$ 203,198	\$ 9,970	\$ 17	20.35	\$ -	\$ -	\$ -	-
-	-	-	-	208,547	-	449	464.30
-	-	-	-	200,873	-	1,576	127.48
-	-	-	-	199,949	-	4,312	46.37
-	-	-	-	213,309	-	5,404	39.47
-	-	-	-	221,355	-	4,790	46.21
-	-	-	-	234,183	-	3,892	60.17
-	-	-	-	242,020	77,835	324	3.10
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-

CITY OF MESA, ARIZONA

TABLE XII

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Personal Income (1)</u>	<u>Median Age (1)</u>	<u>Public School Enrollment (2)</u>	<u>Unemployment Rate (3)</u>
2009	465,272	\$ 11,288,895	\$ 24,263	33.3	70,297	8.0%
2010	467,355	11,563,297	24,742	33.6	67,749	8.7%
2011	440,677	10,465,197	23,748	32.6	66,144	9.0%
2012	441,160	10,603,281	24,035	34.3	65,662	7.5%
2013	444,856	10,361,141	23,291	34.4	64,892	7.2%
2014	454,981	10,687,959	23,491	35.3	64,932	6.5%
2015	462,376	11,321,276	24,485	35.5	64,532	5.4%
2016	475,274	11,783,944	24,794	35.7	65,049	5.3%
2017	493,089	12,644,774	25,644	36.0	63,779	4.5%
2018	501,137	13,522,180	26,983	36.2	67,025	4.3%

Sources:

- (1) 2007-2010 Claritas, 2011-2013 SitesUSA, 2014-2016 ESRI Community Analyst
- (2) Arizona Department of Education
- (3) AZ Dept of Economic Security. Data is Phoenix-Mesa-Scottsdale Metropolitan Area. Beginning in 2011 unemployment rate is not seasonally adjusted.

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

Employer	2018			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Mesa Public Schools	8,469	1	5.25%	10,000	1	5.19%
Banner Health	8,275	2	5.13%	8,650	2	4.49%
The Boeing Company	3,642	3	2.26%	4,000	3	2.08%
City of Mesa	3,582	4	2.22%	3,601	4	1.87%
Drivetime Automotive Group, Inc	1,276	5	0.79%	-		0.00%
24-7 Intouch	1,200	6	0.74%	-		0.00%
Gilbert Unified School District	1,029	7	0.64%	-		0.00%
Maricopa County	1,020	8	0.63%	1,150	8	0.60%
State of Arizona	827	9	0.51%	-		0.00%
Mountain Vista Medical Center	820	10	0.51%	-		0.00%
Mesa Community College	-		0.00%	2,150	5	1.12%
Wal-Mart	-		0.00%	2,100	6	1.09%
Empire Southwest Machinery	-		0.00%	1,500	7	0.78%
Rural/Metro Ambulance	-		0.00%	1,100	9	0.57%
Bashas'	-		0.00%	1,000	10	0.52%
Total	<u>30,140</u>		<u>18.70%</u>	<u>35,251</u>		<u>18.30%</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>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
General Government	838	835	824	870
Police	1,282	1,240	1,163	1,158
Fire	470	455	457	473
Community Environment	189	184	189	184
Cultural-Recreational	335	329	334	332
Energy Resources	140	122	116	115
Water Resources	213	232	230	233
Environmental Management & Sustainability	126	124	120	117
Airport	10	10	9	9
Total	<u>3,603</u>	<u>3,531</u>	<u>3,442</u>	<u>3,491</u>

Source: City of Mesa Office of Management and Budget and Human Resources

TABLE XIV
(Concluded)

<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
864	880	876	860	811	826
1,163	1,173	1,154	1,155	1,189	1,189
479	482	503	492	518	522
183	178	182	189	194	195
313	317	338	599	289	315
117	117	116	116	118	120
229	238	240	238	249	257
127	125	127	138	147	148
10	10	10	11	11	11
<u>3,485</u>	<u>3,520</u>	<u>3,545</u>	<u>3,798</u>	<u>3,526</u>	<u>3,582</u>

CITY OF MESA, ARIZONA

TABLE XV

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2008-09	2009-10	2010-11	2011-12
Police				
Major Crimes	18,482	17,345	16,623	16,740
Traffic Accidents	6,256	5,890	5,952	6,047
Fire				
Fires	1,165	1,048	981	1,012
Rescue or Emergency	32,478	34,079	38,788	42,925
False Alarms	2,125	1,478	1,478	1,292
Hazardous Conditions	663	701	478	446
Other Calls	11,923	12,819	11,840	11,192
Libraries				
Number of Registered Borrowers	306,427	352,607	220,812	142,943
Total Attendance	1,348,555	1,367,667	1,095,196	1,143,718
Access to Electronic Resources	3,661,261	2,542,927	1,691,966	1,566,775
Electric Connections	14,546	14,738	15,064	15,841
Gas Connections	51,911	52,832	53,434	55,828
Water				
Connections	132,771	133,701	134,072	135,138
Average Daily Consumption (mgd)*	79.72	72.67	76.23	81.60
Peak Daily Consumption (mg)**	108.68	111.14	114.30	122.30
Wastewater				
Connections	116,721	117,831	118,413	119,615
Average Daily Sewage Treatment (mgd)*	36.00	33.60	33.70	33.40
Solid Waste				
Customers Served	112,832	113,079	115,811	118,949
Refuse Collected (tons)	234,709	217,295	223,217	209,116
Recyclables Collected (tons)	37,841	36,490	35,486	34,443
Green Waste Collected (tons)	18,936	18,588	19,149	17,882
Falcon Field				
Average Number of Aircraft Based	873	841	789	749
Aircraft Operations (annual)	283,336	248,381	221,910	222,650

* mgd - millions of gallons per day

** mg - millions of gallons

TABLE XV
(Concluded)

<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
16,149	14,561	14,795	13,208	13,151	12,347
6,186	6,107	6,622	6,968	6,966	6,599
929	1,075	1,083	1,053	1,153	1,144
43,416	44,885	45,832	49,743	50,024	53,183
1,255	1,176	1,106	1,083	989	1,087
454	477	534	507	488	471
11,803	9,403	8,964	10,613	14,034	11,536
166,492	196,020	125,336	122,810	121,340	119,489
1,178,137	1,166,560	1,166,131	1,157,394	1,067,207	1,061,875
1,515,299	1,541,323	1,549,150	1,345,977	1,272,859	1,131,101
13,815	16,460	16,703	16,854	16,724	17,066
55,544	58,011	59,214	60,383	62,010	63,969
136,640	137,910	139,560	141,824	144,276	146,172
81.03	80.85	79.55	78.55	79.78	81.84
115.68	117.13	113.45	116.62	120.35	122.51
120,953	122,623	124,142	126,359	128,782	130,343
33.60	33.10	33.30	34.60	34.28	34.06
119,142	121,674	122,552	127,517	129,479	131,991
215,463	217,745	233,754	236,849	232,812	232,756
34,616	34,629	35,541	35,499	35,546	32,367
19,878	18,854	21,151	20,602	19,639	16,688
700	729	702	663	689	717
190,605	276,731	241,848	270,702	289,801	288,122

CITY OF MESA, ARIZONA

TABLE XVI

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

Function/Program	2008-09	2009-10	2010-11	2011-12
Police Stations				
Stations	4	4	4	5
Vehicular Patrol Units	330	289	290	267
Fire Stations	17	18	18	19
Libraries	3	3	4	4
Parks and Recreation				
Developed Parks (acres)	1,180	1,154	1,154	1,553
Undeveloped Acres	1,251	1,078	1,074	705
Swimming Pools	12	12	13	9
Recreation Facilities	6	6	6	6
Community Environment				
Streets (miles)				
Paved	1,182	1,184	1,190	1,303
Unpaved	12	12	12	1
Storm Sewers (miles)	316	321	329	438
Gas Mains (miles)	1,223	1,243	1,247	1,240
Water				
Mains (miles)	2,104	2,127	2,136	2,270
Storage Capacity (millions of gallons)	125	125	125	125
Wastewater				
Mains (miles)	1,598	1,606	1,613	1,652
Treatment Capacity (millions of gallons per day)	60	60	60	60
Solid Waste				
Collection Trucks	69	69	69	70
Golf Courses	2	2	2	1

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

TABLE XVI
(Concluded)

<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
6	8	8	8	8	8
267	291	292	287	281	281
20	20	20	20	20	20
4	4	4	4	4	4
1,177	1,232	1,901	1,901	2,300	1,929
1,104	1,157	633	633	475	861
9	9	9	9	9	9
6	4	4	4	5	5
1,307	1,418	1,427	1,427	1,387	1,476
1	1	1	1	82	82
432	440	423	423	394	397
1,256	1,256	1,311	1,311	1,325	1,346
2,284	2,315	2,364	2,364	2,398	2,401
125	125	112	112	109	112
1,677	1,677	1,781	1,781	1,778	1,784
60	60	60	60	60	60
72	72	74	73	75	77
1	1	1	1	1	1





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