



City of Mesa, Arizona

Comprehensive Annual Financial Report

*For the Fiscal Year Ended
June 30, 2016*



Mayor **John Giles**

Councilmember **Dave Richins** – District 1

Councilmember **Alex Finter** – District 2

Vice Mayor **Dennis Kavanaugh** – District 3

Councilmember **Christopher Glover** – District 4

Councilmember **David Luna** – District 5

Councilmember **Kevin Thompson** – District 6

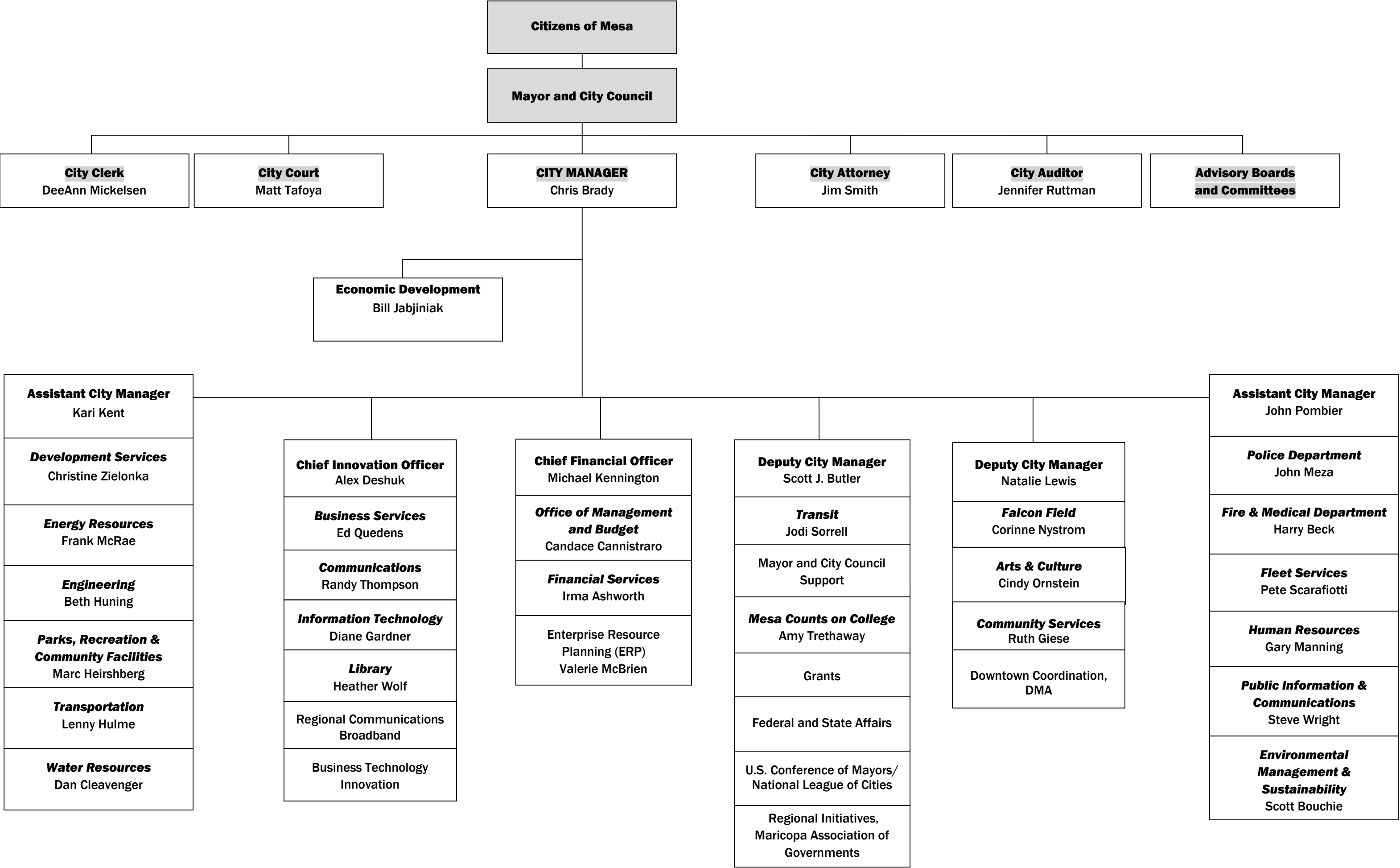
Chris Brady, City Manager

Kari Kent, Deputy City Manager

John Pombier, Deputy City Manager

Prepared by: Financial Services Department
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Introductory Section

Comprehensive Annual Financial Report
2016

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December 15, 2016

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, 2016 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, 2016, 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, 2016, 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 475,274 compared with the 2010 decennial census count of 439,041, within an incorporated area of approximately 141 square miles. Total land area encompasses 182 square miles. The City is the 38th largest city in the United States 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 3,798 full-time (equivalent) City employees working within twenty-eight different City departments undertakes the various functions of Mesa's city government and its operation. The City provides a full range of municipal services, including police and fire protection, parks and recreation, library, transportation, health and certain social services and general administration; and, the City owns and operates enterprises including operations of electric, gas, water, wastewater, solid waste, airport and 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 state. The Mesa Art Center was awarded the Venue Excellence Award by the International Association of Venue Managers. This prestigious award recognizes venues such as stadiums, convention centers, arenas, performing arts centers, and academic institutions that demonstrate excellence in the following four criteria: service to the community, team building/professional development, safety and security, and operational excellence.

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

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

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

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

Factors Affecting Financial Condition

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

Local Economy

The City's economic indicator for residential construction in fiscal year (FY) 15/16 is up 45% from FY 14/15. Commercial construction increased 16% in FY 15/16 over the previous year. During FY 15/16 the City issued 2,066 permits for new residential construction. This is 43% more than the previous fiscal year. The corresponding dollar valuation associated with all FY 15/16 permits increased approximately \$280 million from the prior fiscal year. Analysis of the recent data indicates a continued increase in construction activity in both the residential and commercial sectors. Activity levels have been increasing for the past six years and may indicate some level of sustained recovery from the economic slowdown of the prior years.

The increase in construction activity resulted in an associated increase in sales tax revenues. For the year ending June 30, 2016, retail sales tax was up 6.4% while overall sales tax revenues were up 4.4%. Tourism also increased as evidenced by a 12.1% 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 16/17 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 16/17 budget continues the City's fiscally conservative approach and reinforces the City's effort to invest in economic development, improve public safety and attract and retain excellent employees. All fund balances were maintained at or above the levels prescribed by financial policy and prudent practice.

Major Initiatives

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

- Mesa launched its open data portal in March to celebrate open data day. The portal makes it easier for citizens to access data, increases transparency and provides information about the progress Mesa is making towards addressing city-wide priorities. The City of Mesa as part of What Works Cities, an initiative of Bloomberg Philanthropies, has committed to using data and evidence based practices to improve the lives of Mesa residents. The open data portal plays an integral role in Mesa's efforts by providing easy access to data the City is using to measure progress towards the Mayor and Council's priorities.
- In March 2016, the site plans for the expansion of the A.T. Still University campus in Mesa were approved. The expansion would add a 122,000 square foot three-story academic building and parking garage to the 195,000 square feet incorporated in the four existing buildings.
- In April 2016, Santander Consumer USA held a grand opening and ribbon cutting ceremony at Centrica, a creative adaptive reuse project in Mesa's Fiesta District. Santander Consumer USA, a full-service, technology-driven consumer finance company focuses on vehicle finance, third-party servicing and delivering superior service to more than 2.7 million customers across the full credit spectrum. They currently employ 188 people at its Mesa location and plan to employ more than 970 over three years. Santander Consumer USA, based in Dallas, is an established U.S consumer finance company opening its first office in Arizona, and is leasing the entire 117,000 square foot Centrica project. Centrica was transformed from a vacant retail center into single story Class A creative office space with more than 700 parking spots and redundant fiber optic backbone connectivity.
- In March 2016, Arizona-based Ensemble Real Estate Solutions & Investments purchased the 12-story, 276-room Phoenix Marriott Mesa hotel located in downtown Mesa. Ensemble will maintain the Marriott brand and will invest \$13 million to renovate the property. Ensemble plans a "top to bottom" renovation to include all public spaces, guestrooms, food and beverage outlets and pre-function/function spaces. The majority of the renovations will be implemented during the summer of 2017 to position the property for the 2017 / 2018 peak season.
- In June 2016, H Mart, an upscale Asian-American supermarket chain, announced it will open its first Arizona store in the 63,000 square foot former Albertson's building in Mesa. H Mart will invest more than \$7 million in renovations in its flagship Arizona store and will employ approximately 100 people. The new store will stock more than 40,000 items featuring a wide variety of Asian, Hispanic and American foods and related products. The store will also include a pharmacy, cosmetics store, gift shop and an Asian food court with as many as seven restaurants and a Korean bakery.
- The Boeing Apache center continues to see brisk demand with the announcement of two major contracts. Boeing announced a \$1.5 billion contract with the United States in April 2016 to remanufacture 117 AH-64D Apaches to the new, more capable AH-64E model. In June 2016, Boeing announced a \$667 million contract to supply Qatar with 24 AH-64E Apache helicopters.

- In June 2016, Dexcom, Inc., a leader in continuous glucose monitoring for patients with diabetes, announced that it will construct a new state of the art manufacturing facility in Mesa, Arizona for the company's global manufacturing operations and is projected to create more than 500 jobs over the next several years. The company expects initial manufacturing operations in this facility to commence in the second quarter of 2017.
- In July 2016, Phoenix-Mesa Gateway Airport broke passenger records for three months in a row (108K in May, 127K in June, and 132K in July). Phoenix-Mesa Gateway Airport projects to have more than 1.4 million passengers this year. Also, the General Aviation Center at the airport is undergoing renovations, adding 3,900 square feet to its restaurant space with the addition of Barrio Brewing Company.
- In August 2016, LGE Design Build started construction on a new 33,000-square-foot distribution center for WireMasters, a distributor of wire cable and associated electrical components for cable harnesses serving the military, aerospace and defense industry. The new distribution center, expected to be complete in early 2017, will serve the southwestern United States.
- In the fall of 2016, Benedictine University (BenU) at Mesa began its fourth fall semester with a campus record 387 traditional undergraduate students. The University currently offers 10 intercollegiate sports. In January 2017, BenU at Mesa students will have access to single or double suites in the former, and recently converted, Alhambra Hotel. Amenities such as study areas, lounges, a café, kitchens, laundry and exercise rooms, an outdoor commons area, patio space and parking will be included.
- In September 2016, a grand opening ceremony was held for Southern Avenue Villas in Mesa's Fiesta District, the first major apartment development in the District in more than 20 years. The complex has eight buildings that are three stories each. The development has several significant amenities such as a cabana for social gatherings; a large pool with a spa, shade canopy and tanning ledge; a spacious clubhouse with indoor basketball, fitness center, business center, game room and large clubroom; a sand volleyball court; and a dog park.

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, 2015. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Michael Kennington", with a stylized flourish at the end.

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, 2015

A handwritten signature in black ink, reading "Jeffrey R. Evers". The signature is written in a cursive, flowing style.

Executive Director/CEO





Financial Section

Comprehensive Annual Financial Report
2016

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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

The 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016, on our consideration of the City of Mesa, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mesa, Arizona's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Phoenix, Arizona
December 15, 2016

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, 2016. This discussion and analysis is designed to 1) assist the reader in focusing on significant financial issues, 2) provide an overview of the City's financial activities, 3) identify changes in the City's financial position, 4) identify any material deviations from the financial plan (the approved annual budget), and 5) identify individual fund issues and concerns.

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

FINANCIAL HIGHLIGHTS

- The City's net position at the end of the fiscal year was \$890.5 million. The City's total net position increased by \$16.2 million from \$874.3 million in fiscal year 2015.
- The City's total revenues decreased by \$21.9 million from \$919.1 million to \$897.2 million. The decrease is primarily from Capital Grants and Contributions, specifically related to developer contributions.
- As of the end of fiscal year 2016, the City's governmental funds reported a combined ending fund balance of \$219 million, a \$61.4 million decrease from the previous year. The decrease is primarily related to the \$77.8 million pay-off of Highway Project Advancement Notes.
- The City's governmental fund balance is reported in one of five categories. Approximately 54.3% of the total fund balance amount, or \$119 million, is designated by the City as committed, assigned, or unassigned. The remaining 45.7% or \$100 million is designated as non-spendable or restricted.
- The City's total long-term liabilities increased by \$67 million to \$2.9 billion at June 30, 2016. Increase is related to new bond issuances, net of amounts refinanced and paid off; increase in post-employment benefit liabilities; and increase in pension 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 year ended June 30, 2016 and 2015.

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

	Governmental Activities		Business-Type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Cash and Other Assets	\$ 563,378	\$ 614,770	\$ 470,837	\$ 436,696	\$ 1,034,215	\$ 1,051,466
Capital Assets	1,409,939	1,365,366	1,425,547	1,421,645	2,835,486	2,787,011
Total Assets	1,973,317	1,980,136	1,896,384	1,858,341	3,869,701	3,838,477
Deferred Amounts on Refunding	7,700	5,250	30,956	23,412	38,656	28,662
Deferred Outflows on Pensions	105,401	115,762	4,555	5,320	109,956	121,082
Total Deferred Amounts	113,101	121,012	35,511	28,732	148,612	149,744
Non-Current Liabilities Outstanding	912,385	955,591	1,282,159	1,205,189	2,194,544	2,160,780
Net Pension Liability	634,414	603,333	47,493	45,382	681,907	648,715
Other Liabilities	121,635	131,598	87,174	91,166	208,809	222,764
Total Liabilities	1,668,434	1,690,522	1,416,826	1,341,737	3,085,260	3,032,259
Deferred Inflows on Pensions	37,881	72,554	4,653	9,083	42,534	81,637
Net Investment in Capital Assets	965,148	932,660	302,521	327,743	1,267,669	1,260,403
Restricted Net Position	81,941	72,170	49,139	47,576	131,080	119,746
Unrestricted Net Position	(666,986)	(666,758)	158,756	160,934	(508,230)	(505,824)
Total Net Position	\$ 380,103	\$ 338,072	\$ 510,416	\$ 536,253	\$ 890,519	\$ 874,325

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 \$890.5 million at the end of fiscal year 2016.

The largest portion of net position (\$1.3 billion or 142.3%) reflects the City's investment in capital assets (land, buildings, equipment, infrastructure, etc.) less any outstanding related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position represents resources that are subject to external restrictions on how they may be used. Such restrictions include debt service payments, transportation programs, and required bond indentures. The City's restricted assets are at \$131.1 million in fiscal year 2016.

The unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net position decreased during fiscal year 2016 by \$2.4 million to (\$508.2) million primarily due to an increase in unrestricted revenues.

Capital Assets – The following table provides a breakdown of the City's capital assets at June 30, 2016 and 2015:

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

	Governmental Activities		Business-Type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Land	\$ 383,742	\$ 348,421	\$ 54,813	\$ 54,333	\$ 438,555	\$ 402,754
Infrastructure - Nondepr	3,321	3,308	17,666	17,666	20,987	20,974
Buildings	238,691	235,707	77,665	75,464	316,356	311,171
Other Improvements	80,027	73,550	82,604	87,210	162,631	160,760
Machinery & Equipment	62,385	56,623	37,795	37,156	100,180	93,779
Intangibles	10,544	15,818	6,647	7,798	17,191	23,616
Infrastructure	549,943	574,978	1,005,053	1,043,965	1,554,996	1,618,943
Construction-in-Progress	81,286	56,961	143,304	98,052	224,590	155,013
Total	<u>\$ 1,409,939</u>	<u>\$ 1,365,366</u>	<u>\$ 1,425,547</u>	<u>\$ 1,421,644</u>	<u>\$ 2,835,486</u>	<u>\$ 2,787,010</u>

The City's investment in capital assets for its governmental and business-type activities amounts to \$2.8 billion (net of accumulated depreciation/amortization) as of June 30, 2016. 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 capital asset balances at June 30, 2016 were overall consistent with prior year balances. Land increased by \$35.8 million due to developer contributions, and acquisition of property including a future dispatch center. Construction-in-progress also increased during fiscal year 2016. Some of the larger current year project expenditures include \$10 million water project for water mains from the Val Vista Water Treatment Plant to the City Zone pump stations and \$9 million in Fiesta District improvements. The remaining projects primarily related to street overlay, transportation projects, water projects and wastewater projects.

Debt Administration – The following schedule shows the outstanding long-term debt of the City as of June 30, 2016 and 2015.

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

	Governmental Activities		Business-Type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 350,560	\$ 336,716	\$ 390	\$ 474	\$ 350,950	\$ 337,190
Utility System Revenue Bonds	-	-	1,063,710	1,007,455	1,063,710	1,007,455
Highway User Revenue Fund Bonds	92,895	100,285	-	-	92,895	100,285
Excise Tax Obligations	-	-	94,060	94,060	94,060	94,060
Special Assessment Bonds						
with Governmental Commitment	2,085	2,830	-	-	2,085	2,830
Community Facility District	19,315	10,974	-	-	19,315	10,974
Notes Payable	-	77,835	1,985	2,116	1,985	79,951
Total	<u>\$ 464,855</u>	<u>\$ 528,640</u>	<u>\$ 1,160,145</u>	<u>\$ 1,104,105</u>	<u>\$ 1,625,000</u>	<u>\$ 1,632,745</u>

At the end of the current fiscal year, the City had total outstanding debt of \$1.6 billion. Of this amount, \$445 million comprises debt backed by the full faith and credit of the City and \$1.2 billion represents bonds secured by specified revenue sources (i.e., Utility System Revenue and Highway User Revenue). An additional amount of \$21.4 million are special assessment and community facility district bonds where the City is contingently liable in the event that the assessment revenues are insufficient to satisfy the debt payments.

The City's outstanding long-term debt (considering new borrowings, debt retirements, and refunding) decreased \$7.7 million. The change in debt includes new borrowings during the fiscal year totaling \$137 million, refundings of \$181.3 million, principal payments of \$133.3 million, and payments to refund bond escrow agent of \$192.9 million.

The City's current bond ratings are as follows:

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

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

The City's total debt margin available at June 30, 2016 was \$164.4 million in the 6% capacity and \$201.7 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 also Table X in the Statistical Section.

Changes in Net Position

The following table shows the revenues and expenses of the City for the fiscal years ended June 30, 2016 and 2015.

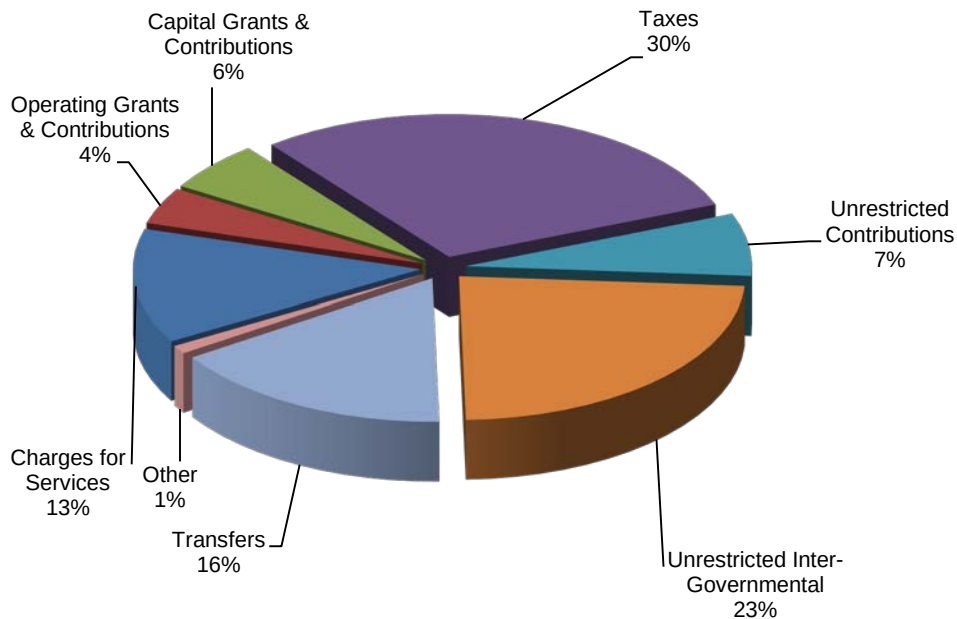
Changes in Net Position Year Ended June 30 (In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Program Revenues:						
Charges for Services	\$ 81,866	\$ 73,398	\$ 346,331	\$ 333,292	\$ 428,197	\$ 406,690
Operating Grants & Contributions	26,361	26,418	267	157	26,628	26,575
Capital Grants & Contributions	35,925	75,907	16,929	18,107	52,854	94,014
General Revenues:						
Sales Taxes	151,826	146,337	-	-	151,826	146,337
Property Taxes	33,825	33,241	-	-	33,825	33,241
Occupancy Taxes	2,331	2,081	1,161	999	3,492	3,080
Unrestricted Intergovernmental Contributions	149,350	145,266	-	-	149,350	145,266
Unrestricted Investment Income	44,928	47,761	-	-	44,928	47,761
Gain on Disposal of Capital Assets	2,210	1,786	3,020	1,141	5,230	2,927
Miscellaneous	-	-	(6,145)	233	(6,145)	233
Total Revenues	6,008	7,844	1,039	5,157	7,047	13,001
	534,630	560,039	362,602	359,086	897,232	919,125
Governmental Activities Expenses:						
General Government	96,860	102,396	-	-	96,860	102,396
Public Safety	305,376	302,633	-	-	305,376	302,633
Community Environment	117,120	101,531	-	-	117,120	101,531
Cultural-Recreational	54,967	52,430	-	-	54,967	52,430
Interest on Long-Term Debt	20,424	23,939	-	-	20,424	23,939
Business-Type Activities:						
Electric	-	-	27,647	28,495	27,647	28,495
Gas	-	-	31,549	32,104	31,549	32,104
Water	-	-	95,574	101,863	95,574	101,863
Wastewater	-	-	73,877	71,161	73,877	71,161
Solid Waste	-	-	36,586	36,979	36,586	36,979
Airport	-	-	4,865	2,863	4,865	2,863
Golf Course	-	-	2,575	2,210	2,575	2,210
Convention Center	-	-	4,252	3,715	4,252	3,715
Hohokam Stadium/Fitch Complex	-	-	2,913	1,200	2,913	1,200
Cubs Stadium	-	-	5,271	8,581	5,271	8,581
District Cooling	-	-	1,182	885	1,182	885
Interest on Long-Term Debt	-	-	-	4,124	-	4,124
Total Expenses	594,747	582,929	286,291	294,180	881,038	877,109
Increase (Decrease) in Net Position Before Transfers	(60,117)	(22,890)	76,311	64,906	16,194	42,016
Transfers	102,148	94,427	(102,148)	(94,427)	-	-
Change in Net Position	42,031	71,537	(25,837)	(29,521)	16,194	42,016
Total Net Position	338,072	266,535	536,253	565,774	874,325	832,309
Net Position - Ending	\$ 380,103	\$ 338,072	\$ 510,416	\$ 536,253	\$ 890,519	\$ 874,325

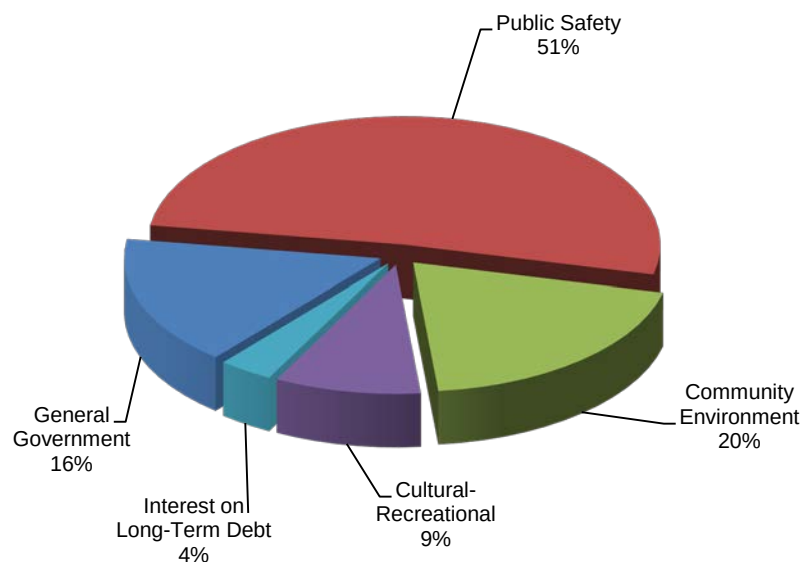
Governmental Activities

As presented in the following two graphs, the largest funding sources, including transfers, for the governmental activities are taxes (30%), Unrestricted Intergovernmental (23%), Transfers (16%), and Charges for Services (13%). The largest users of resources for the governmental activities are Public Safety (51%), Community Environment (20%), and General Government (16%).

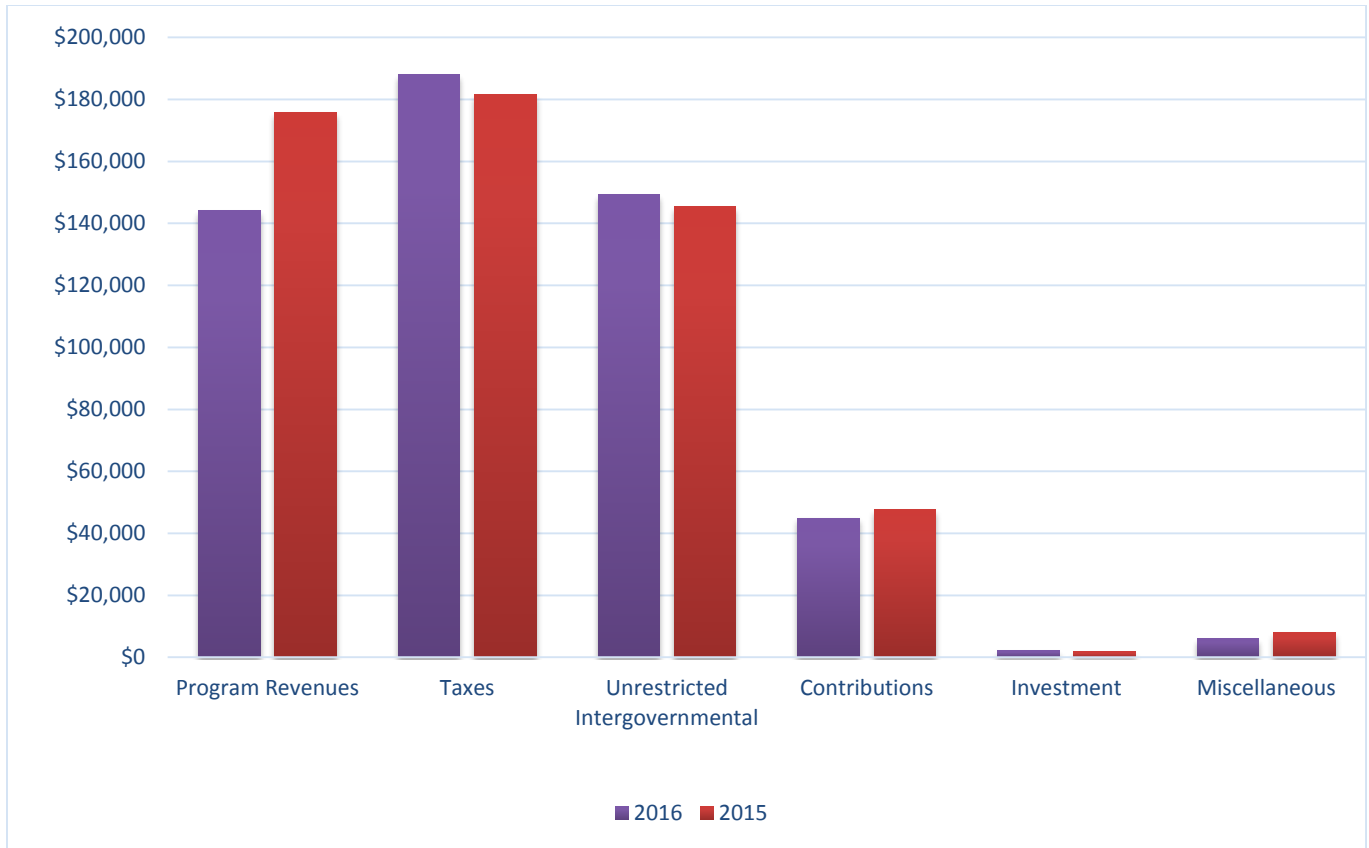
**Revenues by Source Including Transfers – Governmental Activities
For the Fiscal Year Ended June 30, 2016**



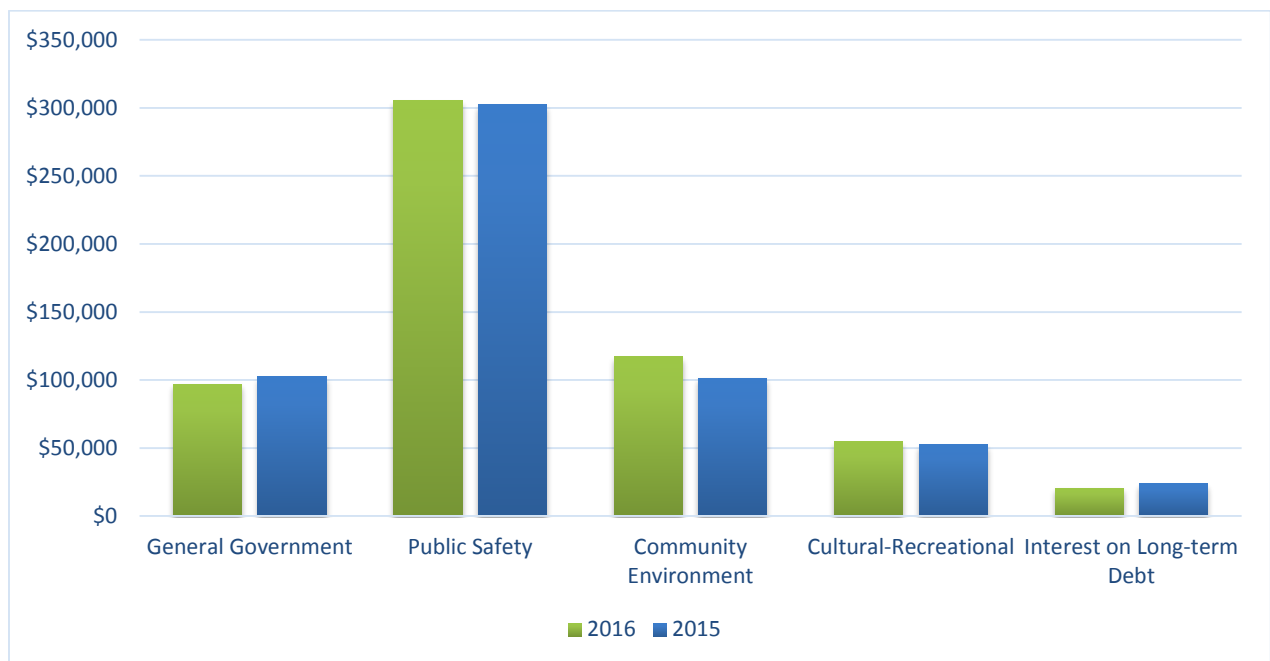
**Functional Expenses – Governmental Activities
For the Fiscal Year Ended June 30, 2016**



Governmental Activities Revenues
For Fiscal Years 2016 and 2015
(In thousands of dollars)



Governmental Activities Functional Expenses
For Fiscal Years 2016 and 2015
(In thousands of dollars)



The graphs on the previous page compare governmental activities revenues and expenses from fiscal year 2016 to fiscal year 2015. Total governmental activities revenues decreased \$25.4 million from \$560 million to \$534.6 million. Total governmental expenses increased by \$11.8 million from \$582.9 million to \$594.7 million.

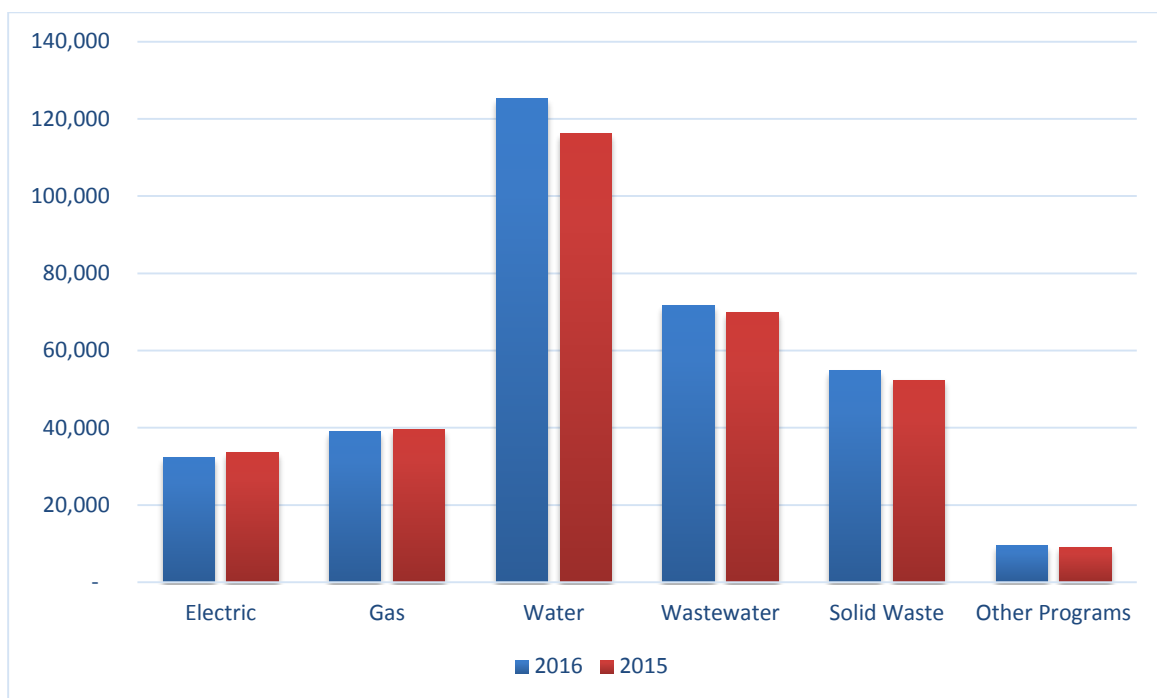
Key factors in this change include:

- Charges for services increased \$8.5 million, sales taxes increased \$5.5 million and Unrestricted Intergovernmental revenues increased \$4.1 million. These increases are due to the continuing improvement in the local economy. However, there was a corresponding decrease in Capital Grants and Contributions of \$40 million due to a decrease in developer contributions.
- Increase in governmental expenditures is primarily related to capital outlay costs in the Community Facilities district, a blended component unit of the City.

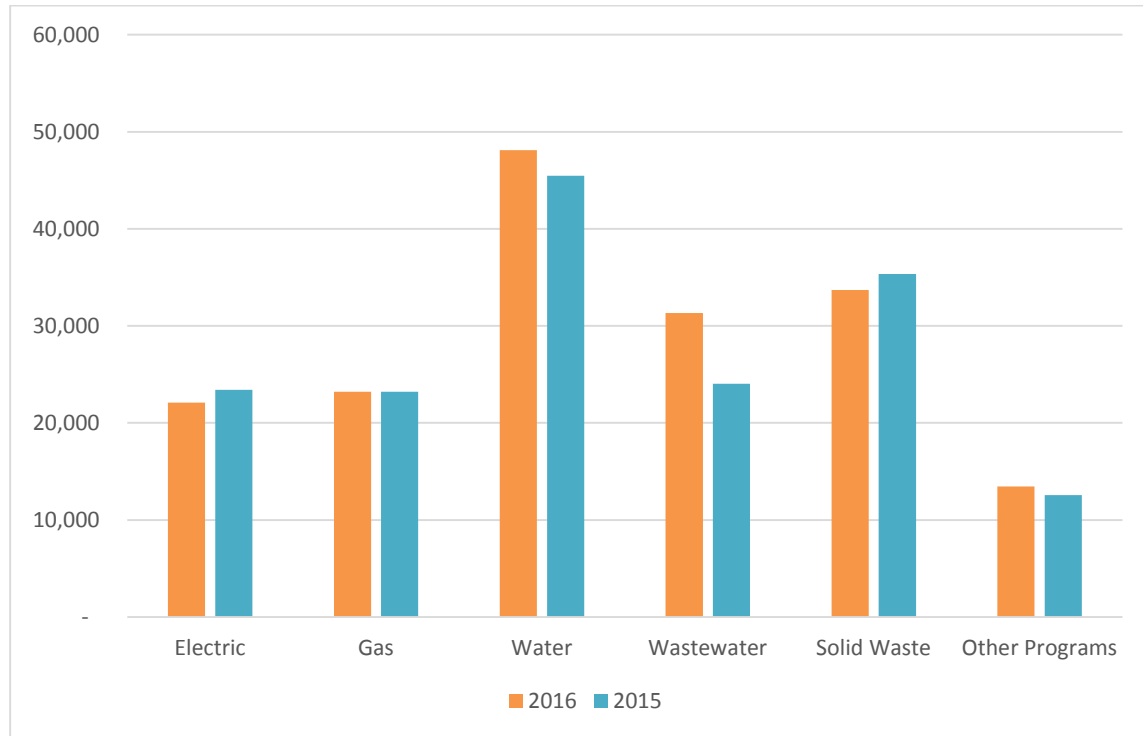
Business-type Activities

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

Revenues by Source – Business-type Activities

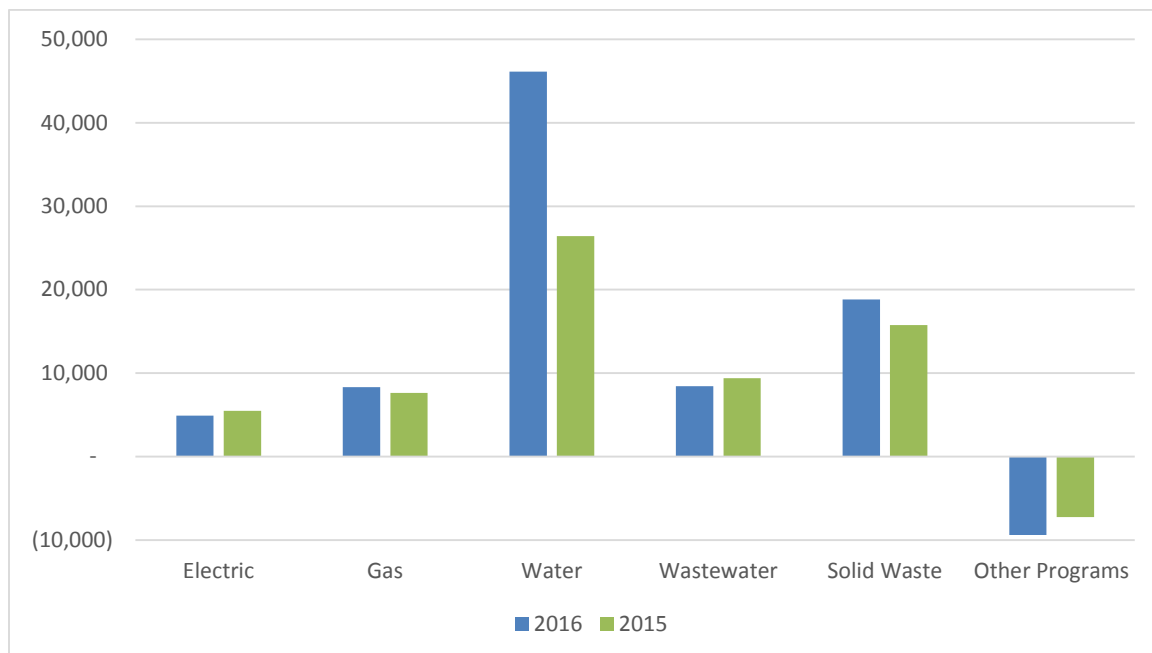


Functional Expenses – Business-Type Activities



Total business-type activities program and general revenues increased slightly by \$3.5 million from \$359.1 million to \$362.6 million. The business-type activities total expenses decreased by \$7.9 million from \$294.2 million to \$286.3 million. The largest decrease in expenses was in the water utility, and related to the joint venture activity.

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 102.

Fund Financial Statement Analysis

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

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

The City's governmental funds reported combined ending fund balance of \$219 million, a \$61.4 million decrease from the previous year. \$95.9 million of this total amount is restricted, \$28.8 million is committed, and \$4.1 million in Nonspendable, thus the balances are not available for spending in the coming year.

The decrease of \$61.4 million in the governmental funds is primarily driven by the \$77.8 million pay-off of the Highway Project Advancement Notes. Not considering the \$77.8 million debt payment, the governmental funds had a \$16.4 million increase in fund balance, primarily driven by General Fund activity.

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 \$94.8 million, while unassigned fund balance was \$79.7 million.

Total fund balance of the City's General Fund increased by \$16.9 million during the current fiscal year from \$77.9 million to \$94.8 million. This is primarily due to a decrease in transfers out in current year.

Proprietary Funds - The City's Enterprise Fund provides the same type of information as the government-wide financial statements, except in more detail. The total net position of the Enterprise Fund decreased by \$25.9 million during the current fiscal year from \$536.3 million to \$510.4 million. The unrestricted net position of the Enterprise Fund amounted to \$158.8 million. The decrease in current year is primarily related to transfers out to the General Fund.

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-6. 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 \$1.6 billion occurred during fiscal year 2016.

General Fund revenues of \$264.9 million, on a budgetary basis, were comparable to budgeted revenues of \$270.2 million. Expenditures of \$350 million were less than the budgeted expenditures of \$383.1 million. Savings were primarily in general government and capital outlay.

ECONOMIC FACTORS

In June 2016, the City Council approved a \$1.7 billion budget, which is an increase of \$60 million compared to prior year's budget. The fiscal year 2017 budget includes \$1.4 billion for operations and \$258.6 million for scheduled bond capital improvements.

The adopted fiscal year 2017 budget continues the City's fiscally conservative approach to budget development, while still providing quality services to the citizens. Rather than simply surviving budget reductions, the City has reorganized and retooled to focus on community priorities and innovative approaches. The goal has been to help Mesa grow and prosper despite a challenging national, state, and local economy.

REQUESTS FOR INFORMATION

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





Basic Financial Section

Comprehensive Annual Financial Report
2016

CITY OF MESA, ARIZONA
EXHIBIT A-1
STATEMENT OF NET POSITION
JUNE 30, 2016
(in thousands)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Pooled Cash and Investments	\$ 265,772	\$ 74,035	\$ 339,807
Accounts Receivable, Net	23,734	26,291	50,025
Accrued Interest Receivable	501	461	962
Due from Other Governments	18,497	3,167	21,664
Internal Balances	(2,773)	2,773	-
Inventory	5,897	-	5,897
Prepaid Costs	3,444	1,732	5,176
Deposits	827	45	872
Restricted Assets:			
Pooled Cash and Investments	10,900	115,149	126,049
Cash with Fiscal Agent	37,579	40,390	77,969
Cash with Trustee	8,761	61	8,822
Accounts Receivable, Net	11,616	-	11,616
Due from Other Governments	907	-	907
Customer Deposits	-	4,624	4,624
Joint Venture Construction Deposits	-	3,093	3,093
Investment in Joint Ventures	177,716	199,016	376,732
Capital Assets, Not Being Depreciated	468,349	215,783	684,132
Capital Assets, Being Depreciated, Net	941,590	1,209,764	2,151,354
Total Assets	<u>1,973,317</u>	<u>1,896,384</u>	<u>3,869,701</u>
DEFERRED OUTFLOWS OF RESOURCES			
Debt Refunding	7,700	30,956	38,656
Pensions	105,401	4,555	109,956
Total Deferred Outflows of Resources	<u>113,101</u>	<u>35,511</u>	<u>148,612</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	26,044	5,874	31,918
Claims Payable	38,448	-	38,448
Customer and Defendant Deposits	6,916	-	6,916
Compensated Absences	589	-	589
Liabilities Payable from Restricted Assets	49,638	81,300	130,938
Noncurrent Liabilities, Due Within One Year	35,487	25,775	61,262
Noncurrent Liabilities, Due in More Than One Year	876,898	1,256,384	2,133,282
Net Pension Liability	634,414	47,493	681,907
Total Liabilities	<u>1,668,434</u>	<u>1,416,826</u>	<u>3,085,260</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions	37,881	4,653	42,534
Total Deferred Inflows of Resources	<u>37,881</u>	<u>4,653</u>	<u>42,534</u>
NET POSITION			
Net Investment in Capital Assets	965,148	302,521	1,267,669
Restricted For:			
Airport	-	9,869	9,869
Bond Indentures	-	27,777	27,777
Construction	-	3,093	3,093
Debt Service	24,822	8,390	33,212
Public Safety	6,840	-	6,840
Transportation Programs	47,818	-	47,818
Other Programs	2,461	10	2,471
Unrestricted	(666,986)	158,756	(508,230)
Total Net Position	<u>\$ 380,103</u>	<u>\$ 510,416</u>	<u>\$ 890,519</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, 2016

(in thousands)

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 96,860	\$ 9,278	\$ 493	\$ 6,167
Public Safety	305,376	30,819	9,697	856
Community Environment	117,120	26,942	15,963	28,896
Cultural-Recreational	54,967	14,827	208	6
Interest on Long-Term Debt	20,424	-	-	-
Total Governmental Activities	<u>594,747</u>	<u>81,866</u>	<u>26,361</u>	<u>35,925</u>
Business-type Activities:				
Electric	27,647	32,254	8	281
Gas	31,549	38,962	4	915
Water	95,574	130,674	173	10,866
Wastewater	73,877	79,523	6	2,797
Solid Waste	36,586	55,354	74	-
Airport	4,865	3,623	-	1,770
Golf Course	2,575	1,645	-	-
Convention Center	4,252	2,798	1	200
Hohokam Stadium/Fitch Complex	2,913	63	1	100
Cubs Stadium	5,271	201	-	-
District Cooling	1,182	1,234	-	-
Total Business-type Activities	<u>286,291</u>	<u>346,331</u>	<u>267</u>	<u>16,929</u>
Total Government	<u>\$ 881,038</u>	<u>\$ 428,197</u>	<u>\$ 26,628</u>	<u>\$ 52,854</u>

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

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
\$ (80,922)	\$ -	\$ (80,922)
(264,004)	-	(264,004)
(45,319)	-	(45,319)
(39,926)	-	(39,926)
(20,424)	-	(20,424)
<u>(450,595)</u>	<u>-</u>	<u>(450,595)</u>
-	4,896	4,896
-	8,332	8,332
-	46,139	46,139
-	8,449	8,449
-	18,842	18,842
-	528	528
-	(930)	(930)
-	(1,253)	(1,253)
-	(2,749)	(2,749)
-	(5,070)	(5,070)
-	52	52
-	<u>77,236</u>	<u>77,236</u>
(450,595)	77,236	(373,359)
151,826	-	151,826
33,825	-	33,825
2,331	1,161	3,492
149,350	-	149,350
44,928	-	44,928
2,210	3,020	5,230
-	(6,145)	(6,145)
6,008	1,039	7,047
102,148	(102,148)	-
<u>492,626</u>	<u>(103,073)</u>	<u>389,553</u>
42,031	(25,837)	16,194
<u>338,072</u>	<u>536,253</u>	<u>874,325</u>
<u>\$ 380,103</u>	<u>\$ 510,416</u>	<u>\$ 890,519</u>

CITY OF MESA, ARIZONA
EXHIBIT A-3
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016
(in thousands)

	General Fund	Highway Project Advancement Notes	Non-major Governmental Funds	Total Governmental Funds
ASSETS				
Pooled Cash and Investments	\$ 81,457	\$ -	\$ 118,965	\$ 200,422
Accounts Receivable, Net	18,570	-	4,694	23,264
Accrued Interest Receivable	325	2	77	404
Due from Other Governments	6,372	-	12,120	18,492
Advances to Other Funds	1,414	-	-	1,414
Prepaid Costs	2,621	-	77	2,698
Deposits	176	-	582	758
Restricted Assets:				
Pooled Cash and Investments	-	7,898	3,002	10,900
Cash with Fiscal Agent	-	-	37,579	37,579
Cash with Trustee	-	8,761	-	8,761
Accounts Receivable	-	-	11,616	11,616
Due from Other Governments	-	-	907	907
Total Assets	<u>\$ 110,935</u>	<u>\$ 16,661</u>	<u>\$ 189,619</u>	<u>\$ 317,215</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 9,390	\$ -	\$ 14,236	\$ 23,626
Advances from Other Funds	2,773	-	1,414	4,187
Customer and Defendant Deposits	956	-	5,960	6,916
Compensated Absences	589	-	-	589
Payable from Restricted Assets:				
Accrued Interest Payable	-	-	8,885	8,885
Unearned Revenue	1,386	8,214	2,410	12,010
Matured Bonds Payable	-	-	28,743	28,743
Total Liabilities	<u>15,094</u>	<u>8,214</u>	<u>61,648</u>	<u>84,956</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	1,035	-	12,209	13,244
Total Deferred Inflows of Resources	<u>1,035</u>	<u>-</u>	<u>12,209</u>	<u>13,244</u>
FUND BALANCES				
Nonspendable	4,035	-	77	4,112
Restricted	184	8,447	87,254	95,885
Committed	227	-	28,580	28,807
Assigned	10,703	-	6	10,709
Unassigned	79,657	-	(155)	79,502
Total Fund Balances	<u>94,806</u>	<u>8,447</u>	<u>115,762</u>	<u>219,015</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 110,935</u>	<u>\$ 16,661</u>	<u>\$ 189,619</u>	<u>\$ 317,215</u>

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

CITY OF MESA, ARIZONA

EXHIBIT A-4RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

JUNE 30, 2016

(in thousands)

Fund Balances - total governmental funds	\$ 219,015
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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.	1,408,008
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Other assets used in governmental activities are not financial resources and therefore not reported in the governmental funds.	177,716
--	---------

Deferred outflows related to deferred amounts on refunding and pensions are not financial resources and therefore not reported in the funds.	111,951
--	---------

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.	(1,523,754)
--	-------------

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.	(23,461)
--	----------

Internal service funds are used by management to charge the costs of certain activities to individual funds.	10,628
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Net position of the governmental activities - statement of net position	<u>\$ 380,103</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF MESA, ARIZONA

EXHIBIT A-5

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

	General Fund	Highway Project Advancement Notes	Non-major Governmental Funds	Total Governmental Funds
REVENUES				
Sales Taxes	\$ 104,116	\$ -	\$ 47,710	\$ 151,826
Property Taxes	-	-	34,765	34,765
Occupancy Taxes	40	-	2,291	2,331
Special Assessments	-	-	1,433	1,433
Licenses and Permits	17,580	-	5,674	23,254
Intergovernmental	118,775	8,143	64,442	191,360
Charges for Services	22,649	-	15,529	38,178
Fines and Forfeitures	8,795	-	2,254	11,049
Investment Income	416	46	1,021	1,483
Contributions	300	-	661	961
Miscellaneous Revenue	1,148	-	2,846	3,994
Total Revenues	<u>273,819</u>	<u>8,189</u>	<u>178,626</u>	<u>460,634</u>
EXPENDITURES				
Current:				
General Government	71,651	-	7,797	79,448
Public Safety	223,733	-	30,795	254,528
Community Environment	13,723	-	51,836	65,559
Cultural-Recreational	36,516	-	7,135	43,651
Debt Service:				
Principal	-	77,835	29,548	107,383
Interest on Bonds	-	-	18,581	18,581
Interest on Notes	-	324	-	324
Service Charges	-	-	14	14
Cost of Issuance	-	-	1,505	1,505
Capital Outlay	4,580	-	87,204	91,784
Total Expenditures	<u>350,203</u>	<u>78,159</u>	<u>234,415</u>	<u>662,777</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(76,384)</u>	<u>(69,970)</u>	<u>(55,789)</u>	<u>(202,143)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	101,863	-	20,709	122,572
Transfers Out	(8,618)	-	(15,680)	(24,298)
Face Amount of Bonds Issued	-	-	46,530	46,530
Premium on Issuance of Bonds (Net)	-	-	2,283	2,283
Issuance of Refunding Bonds	-	-	43,304	43,304
Payment to Refunding Bond Escrow Agent	-	-	(49,693)	(49,693)
Total Other Financing Sources (Uses)	<u>93,245</u>	<u>-</u>	<u>47,453</u>	<u>140,698</u>
Net Change in Fund Balances	16,861	(69,970)	(8,336)	(61,445)
Fund Balance - Beginning	<u>77,945</u>	<u>78,417</u>	<u>124,098</u>	<u>280,460</u>
Fund Balances - Ending	<u>\$ 94,806</u>	<u>\$ 8,447</u>	<u>\$ 115,762</u>	<u>\$ 219,015</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, 2016
(in thousands)

Net change in fund balances - total governmental funds	\$ (61,445)
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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.	8,269
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore not reported as expenditures in governmental funds.	(77,407)
Current-year pension contributions are reclassified to deferred outflows of resources and therefore not reported as expenditures in governmental funds.	45,899
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 (\$91,784) exceeded depreciation (\$68,671) in the current period.	23,113
The net effect of miscellaneous transactions involving capital assets (e.g., donations, transfers and disposals) is to increase net position.	14,861
Change in equity in Joint Venture	24,659
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.	63,830
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.	7,218
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.	(6,966)

Change in net position of the governmental activities - statement of activities	<u>\$ 42,031</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, 2016

(in thousands)

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Funds
ASSETS		
Current Assets:		
Pooled Cash and Investments	\$ 74,035	\$ 65,350
Accounts Receivable (Net of Allowances)	26,291	311
Accrued Premiums Receivable	-	159
Accrued Interest Receivable	461	97
Due from Other Governments	3,167	5
Advances to Other Funds	2,773	-
Inventory	-	5,897
Prepaid Costs	1,732	746
Deposits	45	69
Restricted Assets:		
Pooled Cash and Investments	115,149	-
Cash with Fiscal Agents	40,390	-
Cash with Trustees	61	-
Customer Deposits	4,624	-
Joint Venture Construction Deposits	3,093	-
Total Current Assets	<u>271,821</u>	<u>72,634</u>
Noncurrent Assets:		
Investment in Joint Ventures	199,016	-
Capital Assets, Not Being Depreciated	215,783	80
Capital Assets, Being Depreciated, Net	<u>1,209,764</u>	<u>1,851</u>
Total Noncurrent Assets	<u>1,624,563</u>	<u>1,931</u>
Total Assets	<u>1,896,384</u>	<u>74,565</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts on Refundings	30,956	-
Deferred Outflows Related to Pensions	<u>4,555</u>	<u>1,150</u>
Total Deferred Outflows of Resources	<u>35,511</u>	<u>1,150</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,931,895</u>	<u>\$ 75,715</u>

(Continued)

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

CITY OF MESA, ARIZONA
EXHIBIT A-7 (Continued)
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016
(in thousands)

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Funds
LIABILITIES		
Current Liabilities-Payable From Current Assets:		
Accounts Payable and Accrued Liabilities	\$ 5,874	\$ 2,418
Claims Payable	-	38,448
Current Liabilities-Payable From Restricted Assets:		
Accounts Payable and Accrued Liabilities	10,947	-
Interest Payable	23,520	-
Unearned Revenue	158	-
Matured Bonds Payable	16,870	-
Customer Deposits and Prepayments	29,805	-
Current Portion of Long-Term Liabilities:		
Current Portion of Bonds Payable	25,148	-
Current Portion of Notes Payable	134	-
Current Portion of Compensated Absences	493	40
Total Current Liabilities	<u>112,949</u>	<u>40,906</u>
Long-Term Liabilities:		
Bonds Payable	1,133,012	-
Notes Payable	1,851	-
Unamortized Bond Premium	39,396	-
Compensated Absences	3,618	617
Net Pension Liability	47,493	12,002
Post Employment Benefits	78,507	10,386
Total Long-Term Liabilities	<u>1,303,877</u>	<u>23,005</u>
Total Liabilities	<u>1,416,826</u>	<u>63,911</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions	4,653	1,176
Total Deferred Inflows of Resources	<u>4,653</u>	<u>1,176</u>
NET POSITION		
Net Investment in Capital Assets	302,521	1,931
Restricted For:		
Airport	9,869	-
Bond Indentures	27,777	-
Construction	3,093	-
Debt Service	8,390	-
Golf Course	10	-
Unrestricted	158,756	8,697
Total Net Position	<u>\$ 510,416</u>	<u>\$ 10,628</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, 2016

(in thousands)

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Funds
Operating Revenues:		
Electric Sales Pledged as Security for Revenue Bonds	\$ 32,254	\$ -
Gas Sales Pledged as Security for Revenue Bonds	38,962	-
Water Sales Pledged as Security for Revenue Bonds	125,304	-
Wastewater Charges Pledged as Security for Revenue Bonds	71,708	-
Solid Waste Charges Pledged as Security for Revenue Bonds	54,871	-
Airport Fees	3,623	-
Golf Course Fees	1,645	-
Convention Center Fees	2,798	-
Hohokam Stadium/Fitch Complex Fees	63	-
Cubs Stadium Fees	201	-
District Cooling Charges	1,234	-
Charges For Services	-	25,331
Self-Insurance Contributions	-	78,034
Other Revenue	-	757
Total Operating Revenues	<u>332,663</u>	<u>104,122</u>
Operating Expenses:		
Electric	22,098	-
Gas	23,222	-
Water	48,113	-
Wastewater	31,316	-
Solid Waste	33,703	-
Airport	3,368	-
Golf Course	2,312	-
Convention Center	3,999	-
Hohokam Stadium/Fitch Complex	1,131	-
Cubs Stadium	1,868	-
District Cooling	760	-
Warehouse, Maintenance & Services	-	25,461
Self-Insurance	-	86,012
Total Operating Expenses	<u>171,890</u>	<u>111,473</u>
Operating Income (Loss) Before Depreciation and Amortization	160,773	(7,351)
Depreciation and Amortization	<u>(67,883)</u>	<u>(509)</u>
Operating Income (Loss)	<u>92,890</u>	<u>(7,860)</u>

(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, 2016

(in thousands)

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Funds
Nonoperating Revenues (Expenses):		
Investment Income Pledged as Security for Revenue Bonds	2,055	-
Investment Income Unpledged	965	727
Intergovernmental	267	-
Interest Expense:		
Bonds	(44,786)	-
Notes Payable and Other Long-Term Obligations	(15)	-
Bond Administrative Costs	(43)	-
Gain/(Loss) on Disposal of Capital Assets	(10,019)	-
Net Loss from Joint Venture	(4,228)	-
Utility Development Fees	13,668	-
Bond Issuance Costs	(1,502)	-
Occupancy Tax	1,161	-
Miscellaneous Revenue	5,095	-
Total Nonoperating Revenues (Expenses)	<u>(37,382)</u>	<u>727</u>
Income before Transfers and Capital Contributions	55,508	(7,133)
Capital Contributions	16,929	167
Transfers In	3,051	-
Transfers Out	<u>(101,325)</u>	<u>-</u>
Change in Net Position	(25,837)	(6,966)
Total Net Position - Beginning	<u>536,253</u>	<u>17,594</u>
Total Net Position - Ending	<u><u>\$ 510,416</u></u>	<u><u>\$ 10,628</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, 2016

(in thousands)

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 337,692	\$ -
Cash Received from Users	-	104,789
Cash Payments to Suppliers	(116,917)	(97,971)
Cash Payments to Employees	(53,699)	(12,166)
Other Non-Operating Revenue	5,095	-
Net Cash Provided By (Used For) Operating Activities	172,171	(5,348)
Cash Flows From Noncapital Financing Activities:		
Intergovernmental	1,460	-
Transient Occupancy Tax	1,161	-
Investment in Joint Ventures	1	-
Advances to Other Funds	(2,773)	-
Transfers In from Other Funds	3,051	-
Transfers Out to Other Funds	(101,325)	-
Net Cash Used For Noncapital Financing Activities	(98,425)	-
Cash Flows From Capital and Related Financing Activities:		
Proceeds from Bond Sales	248,719	-
Acquisition and Construction of Capital Assets	(67,044)	(148)
Principal Paid on Bonds, Leases and Notes Maturities	(177,721)	-
Interest Paid on Bonds, Leases and Notes	(59,933)	-
Developer Contributions and Capital Grants	19,278	-
Net Cash Used For Capital and Related Financing Activities	(36,701)	(148)
Cash Flows From Investing Activities:		
Interest Received on Investments	2,970	710
Net Cash Provided By Investing Activities	2,970	710
Net Change in Pooled Cash and Investments	40,015	(4,786)
Total Cash and Investments at Beginning of Year	189,620	70,136
Total Cash and Investments at End of Year	\$ 229,635	\$ 65,350

(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, 2016

(in thousands)

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:		
Operating Income	\$ 92,890	\$ (7,860)
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:		
Depreciation and Amortization	67,883	509
Miscellaneous Revenue	5,095	-
Changes in Assets and Liabilities:		
(Increase)/Decrease in Receivables	4,111	(93)
(Increase)/Decrease in Inventory	-	95
(Increase)/Decrease in Deposits and Prepaid Costs	526	(29)
Increase/(Decrease) in Accounts Payable	(871)	(1,041)
Increase/(Decrease) in Unearned Revenue	36	-
Increase/(Decrease) in Pension Liability	(1,554)	(112)
Increase/(Decrease) in Other Accrued Expenses	4,055	3,183
Total Adjustments	79,281	2,512
Net Cash Provided By (Used For) Operating Activities	\$ 172,171	\$ (5,348)
Noncash Transactions Affecting Financial Position:		
Contributions of Capital Assets	\$ 11,319	\$ 167
Loss on Disposal of Capital Assets	(10,019)	-
Amortization of Bond Premium	(3,204)	-
Amortization of Deferred Amounts on Refunding	7,544	-

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

CITY OF MESA, ARIZONA

EXHIBIT A-10

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2016

(in thousands)

	Payroll Agency
ASSETS	
Pooled Cash and Investments	\$ 10,236
Due from Others	6
Total Assets	<u>\$ 10,242</u>
LIABILITIES	
Accounts Payable	\$ 1,335
Accrued Payroll Payable	8,907
Total Liabilities	<u>\$ 10,242</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, 2016

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 475,274 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 unit, Community Facilities District, collectively referred to as "the financial reporting entity". In accordance with GASB Statement No. 14, and as amended by GASB Statement No. 61, the component unit discussed below has been included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Community Facilities District ("District") is a municipal corporation political subdivision of the State of Arizona that is organized to provide a vehicle for financing certain public infrastructure that is necessary for development of the land within the boundaries of the District. The City Council serves as the board of directors of the District and the City Manager of the City currently serves as the District Manager. Although it is legally separate from the City, the District is reported as if it is part of the primary government because the District's governing body is substantively the same as the governing body of the City and management of the City has operational responsibility for the District. Separate financial statements for the District can be obtained from the City's Finance Department, through Accounting Services at 20 E. Main Street, 3rd Floor, Mesa, Arizona 85211.

b. Jointly Governed Organizations

Phoenix – Mesa Gateway Airport Authority ("PMGAA") is a nonprofit corporation 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 Board of Directors consists of the mayors of those cities and a member of the County Board of Supervisors.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a reconciliation is

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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 funds:

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

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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.

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

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

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 Fund. A budget schedule for the General Fund is presented in the

CITY OF MESA, ARIZONA
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FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Required Supplementary Information Section, and the other funds are located in the Supplementary Information Section.

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

Budgets for all funds are adopted in accordance with the requirements of the Arizona Constitution, Arizona Revised Statutes and the Mesa City Charter. There are certain differences between the basis used for budgetary purposes and that used for reporting in accordance with generally accepted accounting principles. For additional detail, see the note to required supplementary information. Budgeted amounts are as originally adopted by the City Council on June 15, 2015.

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 two local banks.

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

cost on a first-in, first out (FIFO) basis. The cost of inventory is reported as an expenditure at the time individual items are consumed.

j. **Capital Assets**

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

Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Contributions of assets are stated at fair market value based on appraisals or engineering estimates of 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. Amortization of capital leased assets has been provided using the straight-line method based on the shorter of the lease period or estimated useful lives of the leased assets.

The estimated useful lives are as follows:

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

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

k. **Compensated Absences**

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

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

m. **Long-Term Obligations**

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

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

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

n. **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arizona State Retirement System Defined Benefit Plan (ASRS) and Public Safety Personnel Retirement System (PSPRS) and additions to/deductions from ASRS and PSPRS's fiduciary net position have been determined on the same basis as they are reported by ASRS and PSPRS. 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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

approval/nonapproval. City Charter authorizes the City Manager or Designee the authority to perform all financial transactions. The City Manager has authorized the Chief Financial Officer this responsibility. Unassigned fund balance represents the residual net resources in excess of the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance.

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

p. **Statement of Cash Flows**

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

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

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, 2016 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 percent. Maricopa County, at no charge to the taxing entities, bills and collects all property taxes. Public auctions of properties which have delinquent real estate taxes are held in February.

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

In fiscal year 2015-2016, current property tax collections were \$32,894,474 or 98.10% 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

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NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

June 30, 2016 was \$907,249 of which \$435,548 was recorded as revenue and \$471,701 as unavailable revenue.

s. **New Accounting Pronouncements**

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The City implemented this Statement in fiscal year 2016. See Note 4 for the current year effect of implementing GASB Statement No. 72.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, improves the usefulness of information about pensions included in the financial reports of governments for making decisions and assessing accountability. The City has implemented this Statement in fiscal year 2016 with no impact.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the financial reports of governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. The City will implement this Statement in fiscal year 2017.

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 will implement this Statement in fiscal year 2018.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, identifies the hierarchy of generally accepted accounting principles and the framework for selecting those principles reducing the GAAP hierarchy to two categories of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The City has implemented this Statement in fiscal year 2016 with no impact.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The City will implement this Statement in fiscal year 2017.

CITY OF MESA, ARIZONA
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GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, amends Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The City is not a participant in this type of pension plan and therefore has early implemented this statement in fiscal year 2016 with no effect.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement also adds additional note disclosure requirements for governments that participate in those pools. The City has implemented this Statement in fiscal year 2016 with no impact.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, amends the blending requirements for certain component units. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The City will implement this Statement in fiscal year 2017.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, provides recognition and measurement guidance for situations in which a government is a beneficiary of an irrevocable split-interest agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. The City will implement this Statement in fiscal year 2017.

GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The City has early implemented this statement in fiscal year 2016 with no effect.

Implementation Guide No. 2015-1, provides guidance that clarifies, explains, or elaborates on GASB Statements and Interpretations and supersedes all previously issued Implementation Guides, including the 2013-2014 Comprehensive Implementation Guide. The requirements of this Implementation Guide were implemented by the City in fiscal year 2016 with no effect.

Implementation Guide No. 2016-1, *Implementation Guidance Update – 2016*, 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. The requirements of this Implementation Guide are effective for reporting periods beginning after June 15, 2016. The City will implement this Implementation Guide in fiscal year 2017.

Although expected to be significant, the City has not fully determined the effects that implementation of Statements No. 74 and 75 will have on the City's financial statements. The City has also not fully determined the effects that implementation of Statements No. 77 and 80, and the Implementation Guide No. 2016-1 will have on the City's financial statements.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**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, 2016

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	\$ 200,422	\$ -	\$ 65,350	\$ -	\$ 265,772
Account and Misc Receivables, Net	23,264	-	470	-	23,734
Accrued Interest Receivable	404	-	97	-	501
Due from Other Governments	18,492	-	5	-	18,497
Advances to Other Funds	1,414	-	-	(4,187)	(2,773)
Inventory	-	-	5,897	-	5,897
Prepaid Costs □	2,698	-	746	-	3,444
Deposits	758	-	69	-	827
Restricted Assets:					
Pooled Cash and Investments	10,900	-	-	-	10,900
Cash with Fiscal Agent	37,579	-	-	-	37,579
Cash with Trustee	8,761	-	-	-	8,761
Accounts Receivable	11,616	-	-	-	11,616
Due from Other Governments	907	-	-	-	907
Investment in Joint Ventures	-	177,716	-	-	177,716
Capital Assets	-	1,408,008	1,931	-	1,409,939
Total Assets	<u>317,215</u>	<u>1,585,724</u>	<u>74,565</u>	<u>(4,187)</u>	<u>1,973,317</u>
Deferred Outflows of Resources					
Deferred Amounts on Refunding	-	7,700	-	-	7,700
Pensions	-	104,251	1,150	-	105,401
Total Deferred Outflows of Resources	<u>-</u>	<u>111,951</u>	<u>1,150</u>	<u>-</u>	<u>113,101</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 317,215</u>	<u>\$ 1,697,675</u>	<u>\$ 75,715</u>	<u>\$ (4,187)</u>	<u>\$ 2,086,418</u>
Liabilities					
Accounts Payable and Accrued Liabilities	\$ 23,626	\$ -	\$ 2,418	\$ -	\$ 26,044
Claims Payable	-	-	38,448	-	38,448
Advances from Other Funds	4,187	-	-	(4,187)	-
Customer and Defendant Deposits	6,916	-	-	-	6,916
Compensated Absences	589	-	-	-	589
Restricted Bond Interest Payable	8,885	-	-	-	8,885
Restricted Unearned Revenue	12,010	-	-	-	12,010
Matured Bonds Payable	28,743	-	-	-	28,743
Pension	-	622,412	12,002	-	634,414
Long-term Liabilities	-	901,342	11,043	-	912,385
Total Liabilities	<u>84,956</u>	<u>1,523,754</u>	<u>63,911</u>	<u>(4,187)</u>	<u>1,668,434</u>
Deferred Inflows of Resources					
Unavailable Revenue	13,244	(13,244)	-	-	-
Pension	-	36,705	1,176	-	37,881
Total Deferred Inflows of Resources □	<u>13,244</u>	<u>23,461</u>	<u>1,176</u>	<u>-</u>	<u>37,881</u>
Fund Balance/Net Position					
Total Fund Balance/Net Position	<u>219,015</u>	<u>150,460</u>	<u>10,628</u>	<u>-</u>	<u>380,103</u>
Total Liabilities and Fund Balance/Net Position	<u>\$ 317,215</u>	<u>\$ 1,697,675</u>	<u>\$ 75,715</u>	<u>\$ (4,187)</u>	<u>\$ 2,086,418</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

- (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	\$ 177,716
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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	\$ 2,284,019
Accumulated depreciation	(876,011)
Total	<u>\$ 1,408,008</u>

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

Deferred charge on refunding	\$ 7,700
Pensions	104,251
Total	<u>\$ 111,951</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	\$ 464,855
Compensated absences	26,788
Post-employment benefits	396,132
Unamortized bond premiums	13,567
Pension liability	622,412
Total	<u>\$ 1,523,754</u>

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

Unavailable property tax revenues	\$ 472
Unavailable special assessment revenue	11,515
Receivables not yet collected	1,257
Total	<u>\$ 13,244</u>

CITY OF MESA, ARIZONA
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FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Deferred Inflows – Pensions	<u>\$ 36,705</u>
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- (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>\$ 10,628</u>
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CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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	\$ 151,826	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 151,826
Property Taxes	34,765	(940)	-	-	-	-	33,825
Occupancy Taxes	2,331	-	-	-	-	-	2,331
Special Assessments	1,433	7,952	-	-	-	-	9,385
Licenses and Permits	23,254	-	-	-	-	-	23,254
Intergovernmental	191,360	-	-	-	-	-	191,360
Charges for Services	38,178	-	-	-	-	-	38,178
Fines and Forfeitures	11,049	-	-	-	-	-	11,049
Investment Income	1,483	-	-	727	-	-	2,210
Contributions	961	-	44,935	19,308	-	-	65,204
Miscellaneous	3,994	1,257	-	757	-	-	6,008
Other Sources:							
Transfers In	122,572	-	4,040	-	-	(24,298)	102,314
Face Amount of Bonds Issued	89,834	-	-	-	(89,834)	-	-
Premiums on Issuance of Bonds	2,283	-	-	-	(2,283)	-	-
Total Revenue and Other Sources	<u>\$ 675,323</u>	<u>\$ 8,269</u>	<u>\$ 48,975</u>	<u>\$ 20,792</u>	<u>\$ (92,117)</u>	<u>\$ (24,298)</u>	<u>\$ 636,944</u>
Expenditures/Expenses and Other Financing Uses							
Expenditures/Expenses:							
Current:							
General Government	\$ 79,448	\$ 2,067	\$ 8,014	\$ 13,420	\$ (6,089)	\$ -	\$ 96,860
Public Safety	254,528	27,389	11,463	11,996	-	-	305,376
Community Environment	65,559	1,100	49,424	1,037	-	-	117,120
Cultural-Recreational	43,651	952	9,059	1,305	-	-	54,967
Debt Service:							
Principal	107,383	-	-	-	(107,383)	-	-
Interest on Bonds	18,581	-	-	-	-	-	18,581
Interest on Notes	324	-	-	-	-	-	324
Service Charge	14	-	-	-	-	-	14
Cost of Issuance	1,505	-	-	-	-	-	1,505
Capital Outlay	91,784	-	(91,784)	-	-	-	-
Other Financing Uses:							
Transfers Out	24,298	-	166	-	-	(24,298)	166
Pmt to Ref Bond Escrow Agent	49,693	-	-	-	(49,693)	-	-
Total Expenditures/Expenses & Other Financing Uses	<u>736,768</u>	<u>31,508</u>	<u>(13,658)</u>	<u>27,758</u>	<u>(163,165)</u>	<u>(24,298)</u>	<u>594,913</u>
Net Change for the Year	<u>\$ (61,445)</u>	<u>\$ (23,239)</u>	<u>\$ 62,633</u>	<u>\$ (6,966)</u>	<u>\$ 71,048</u>	<u>\$ -</u>	<u>\$ 42,031</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

- (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	\$ (940)
Special assessment revenue	7,952
Unavailable revenue	<u>1,257</u>
Total	<u>\$ 8,269</u>

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

Accrual of long-term compensated absences	\$ 860
Accrual of post-employment benefits	23,766
Pension Expense	<u>52,781</u>
Total	<u>\$ 77,407</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 contribution	<u>\$ (45,899)</u>
---	--------------------

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

Capital outlay for capital assets	\$ 91,784
Depreciation expense	<u>(68,671)</u>
Total	<u>\$ 23,113</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	\$ 24,659
Donated capital and transfers	<u>14,861</u>
Total	<u>\$ 39,520</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

- (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	\$	20,792
Expenditures and other uses		(27,758)
Change in net position	\$	<u>(6,966)</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	\$	(81,004)
Community Facilities District Bonds		(8,830)
Principal repayments		107,383
Payment to refunded bond escrow accounts		46,281
Total	\$	<u>63,830</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	\$	3,412
Amortization of bond premiums		7,051
Premiums on bonds		(2,283)
Deferred Amounts on refunding		(962)
Total	\$	<u>7,218</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	\$	(24,298)
Transfers in		24,298
Total	\$	<u>-</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

3. FUND BALANCE

As of June 30, 2016 the fund balance details by classification are listed below (in thousands):

	General	Highway Project Advancement	Non-Major Governmental Funds	Total Governmental Funds
Fund Balances:	Fund	Notes		
Nonspendable:				
Prepaid Costs	\$ 2,621	\$ -	\$ 77	\$ 2,698
Advances to Other Funds	1,414	-	-	1,414
Nonspendable Sub-total	4,035	-	77	4,112
Restricted:				
Arts & Culture	184	-	-	184
Capital Projects	-	-	25,931	25,931
Community Facility District	-	-	22	22
Court	-	-	1,279	1,279
Debt Service	-	8,447	4,388	12,835
Fire	-	-	3,338	3,338
Housing	-	-	664	664
Library	-	-	313	313
Police	-	-	3,501	3,501
Transportation Programs	-	-	47,818	47,818
Restricted Sub-total	184	8,447	87,254	95,885
Committed To:				
Arts & Culture	-	-	1,129	1,129
Capital Projects	-	-	4,533	4,533
Cemetery	193	-	6,863	7,056
Debt Service	-	-	2,618	2,618
Development Services	-	-	995	995
Economic Development	34	-	-	34
Environmental Compliance	-	-	9,494	9,494
Parks & Recreation	-	-	49	49
Vehicle Replacement	-	-	2,899	2,899
Committed To Sub-total	227	-	28,580	28,807
Assigned To:				
Development Services	27	-	-	27
Economic Development	2,010	-	-	2,010
General Government	5,023	-	6	5,029
Parks & Recreation	398	-	-	398
Police	3,245	-	-	3,245
Assigned To Sub-total	10,703	-	6	10,709
Unassigned	79,657	-	(155)	79,502
Total Fund Balances	\$ 94,806	\$ 8,447	\$ 115,762	\$ 219,015

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 2016 as reported in Exhibit B-6 is 13.4% of General Fund expenditures budgeted for fiscal year 2015-2016.

4. POOLED CASH AND INVESTMENTS

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

Cash on Hand	\$	136
Carrying Amount of City Deposits		47,371
Investment in Insured Cash Sweep Accounts		41,036
Investments in Local Govt Invest Pool		44,257
Cash with Trustee (1)		8,822
Cash with Fiscal Agent (2)		77,969
Long-Term Investments		343,292
Pooled Cash and Investments		562,883
Less: Cash in Agency Fund		(10,236)
Total City Pooled Cash and Investments	\$	<u>552,647</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, 2016 for debt service payments due to bondholders on July 1, 2016.

Deposits

At year-end, the City's cash totaled \$47,506,310 which included \$135,805 of petty cash. The carrying amount of the City's deposits was \$47,370,505 and the bank balance was \$51,209,621. The difference of \$3,839,116 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, 2016 are covered under House Bill 2619.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 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 limits its purchase of investments to the top ratings issued by nationally recognized statistical ratings organizations such as Standard & Poor's "S&P" and Moody's Investors Service "Moody's". The City's portfolio is primarily invested in securities issued by the U.S. Treasury and by U.S. Government Agency; Securities which are rated Aaa by Moody's and AA+ by S&P.

The City's portfolio also invests in Corporate Notes rated "A" or better by 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 Deposit. Within the State Treasurer's Investment Pools, the City participates in Investment Pools 7 and 700. Pool 7 is a short-term fund and Pool 700 is a medium-term fund; both funds invest only in products backed by the full faith and credit of the United States Government. The Pools carried weighted average credit ratings of AAA. The City also maintains short-term investments in FDIC Insured Cash Sweep Accounts held by two local banks.

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, 2016

At June 30, 2016 the City had the following recurring fair value measurements (in thousands):

		Fair Value Measurements Using:		
<u>Investment by Fair Value Level</u>	<u>Fair Value</u> <u>6/30/2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Debt Securities</u>				
U.S. Treasuries	\$ 118,216	\$118,216	\$ -	\$ -
U.S. Agencies:				
Federal Home Loan Bank	38,218	38,218	-	-
Federal Home Loan Mortgage Corp.	28,056	28,056	-	-
Federal National Mortgage Assn	90,919	90,919	-	-
Tennessee Valley Authority	2,594	2,594	-	-
Corporate Notes			-	-
Apple, Inc.	5,012	5,012	-	-
Bank of New York Mellon Inc.	5,050	5,050	-	-
Cisco Systems Inc.	2,836	2,836	-	-
General Electric Co.	4,756	4,756	-	-
American Honda Finance Corp.	5,049	5,049	-	-
Pepsico Inc.	995	995	-	-
Texas Instruments Inc.	5,014	5,014	-	-
Wells Fargo & Company	4,475	4,475	-	-
Chevron Corp	3,388	3,388	-	-
JP Morgan Chase & Corp	3,385	3,385	-	-
Toyota Motor Credit Co	3,370	3,370	-	-
Commercial Paper				
Bank of Tokyo Mitsubishi	6,720	6,720	-	-
Bank of Montreal Chicago	6,701	6,701	-	-
BNP Paribas NY	6,701	6,701	-	-
City of Mesa Special Improvement				
District Bonds	1,836	-	1,836	-
JP Morgan MMF	1	1	-	-
FDIC Insured Cash Sweep Money Market Funds	41,036	41,036	-	-
Total Debt Securities at Fair Value	<u>384,328</u>	<u>\$382,492</u>	<u>\$ 1,836</u>	<u>\$ -</u>
<u>Investments Measured at Fair Value</u>				
Arizona State Treasurers Investment Pool:				
State of Arizona Pool 7	33,640			
State of Arizona Pool 700	<u>10,617</u>			
Total Investments Measured at Fair Value:	<u>44,257</u>			
Total Investments Measured At Fair Value:	\$ 428,585			

Debt classified in Level 1 are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 are valued using quoted prices for similar securities in active markets.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 2016.

The City's investments at June 30, 2016 are as follows (in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)			Concentration of Credit Risk %
		Less Than 1	1-2	More than 2	
U.S. Treasuries	\$118,216	\$ 7,332	\$ 43,729	\$ 67,155	34.44%
U.S. Agencies:					
Federal Home Loan Bank	38,218	6,643	24,606	6,969	11.13%
Federal Home Loan Mortgage Corp.	28,056	6,848	16,897	4,311	8.17%
Federal National Mortgage Assn	90,919	15,393	15,554	59,972	26.48%
Tennessee Valley Authority	2,594	2,594	-	-	0.76%
Corporate Notes					
Apple, Inc.	5,012	-	5,012	-	1.46%
Bank of New York Mellon Inc.	5,050	-	5,050 *	-	1.47%
Cisco Systems Inc.	2,836	-	2,836	-	0.83%
General Electric Co.	4,756	-	4,756	-	1.39%
American Honda Finance Corp.	5,049	-	5,049	-	1.47%
Pepsico Inc.	995	-	995	-	0.29%
Texas Instruments Inc.	5,014	-	5,014	-	1.46%
Wells Fargo & Company	4,475	-	4,475	-	1.30%
Chevron Corp	3,388	-	-	3,388	0.99%
JP Morgan Chase & Corp	3,385	-	-	3,385 **	0.99%
Toyota Motor Credit Co	3,370	-	-	3,370	0.98%
Commercial Paper					
Bank of Tokyo Mitsubishi	6,720	6,720	-	-	1.96%
Bank of Montreal Chicago	6,701	6,701	-	-	1.95%
BNP Paribas NY	6,701	6,701	-	-	1.95%
City of Mesa Special Improvement					
District Bonds	1,836	343	357	1,136	0.53%
JP Morgan MMF	1	1	-	-	0.00%
Total	<u>\$343,292</u>	<u>\$ 59,276</u>	<u>\$134,330</u>	<u>\$ 149,686</u>	<u>100.00%</u>

* \$5,050 of these securities are callable on or after April 22, 2018

** \$3,385 of these securities are callable on or after February 22, 2019

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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:			
Taxes	\$ 11,771	\$ (2,038)	\$ 9,733
Courts	5,917	-	5,917
Other Customers	6,434	(3,514)	2,920
Due from Other Governments:			
State Shared Revenues	5,932	-	5,932
Other	440	-	440
Non-Major Governmental Funds:			
Taxes	4,025	-	4,025
Other Customers	669	-	669
Restricted-Spec. Assessments	11,517	-	11,517
Restricted-Other	99	-	99
Restricted-Due from Other Governments	907	-	907
Due from Other Governments	12,120	-	12,120
Internal Service Funds			
Premiums	159	-	159
Other Customers	311	-	311
Due from Other Governments	5	-	5
Total Governmental Activities	<u>\$ 60,306</u>	<u>\$ (5,552)</u>	<u>\$54,754</u>
Business-Type Activities:			
Utility Customers	\$ 26,736	\$ (747)	\$25,989
Other Customers	2,985	(2,683)	302
Due from Other Governments	3,167	-	3,167
Total Business-type Activities	<u>\$ 32,888</u>	<u>\$ (3,430)</u>	<u>\$29,458</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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):

	General Fund	Highway Project Advancement Notes	Non-Major Funds
<u>Unearned Revenue</u>			
Mesa Arts Center advanced ticket sales	\$1,239	\$ -	\$ 59
Grants received prior to meeting all eligibility requirements	-	-	2,257
Amounts paid in advance	146	8,214	94
	<u>\$1,386</u>	<u>\$ 8,214</u>	<u>\$ 2,410</u>

	General Fund	Non-Major Funds
<u>Unavailable Revenue</u>		
Receivables not yet collected	\$1,035	\$ 222
Delinquent Property Taxes	-	472
Special Assessments not yet due	-	11,515
	<u>\$1,035</u>	<u>\$ 12,209</u>

Unbilled Accounts Receivable

Unbilled utility service receivables are recorded in the year in which the services are provided. At June 30, 2016, unbilled utility service receivables are recorded in the Enterprise Fund as follows (in thousands):

Electric	\$ 1,025
Gas	782
Water	5,183
Wastewater	2,466
Solid Waste	1,941
	<u>\$11,397</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The following advances are included in the fund financial statements at June 30, 2016 (in thousands):

Fund	Advances to Other Funds	Advances from Other Funds
Governmental Funds:		
General Fund	\$ 1,414	\$ 2,773
Non-major Governmental Funds	-	1,414
Total Governmental Funds	1,414	4,187
Proprietary Funds:		
Enterprise Fund	2,773	-
Total	<u>\$ 4,187</u>	<u>\$ 4,187</u>

The advances at June 30, 2016 are long-term loans to the Development Impact Fees fund to cover expenses which exceeded revenues received, and an advance from the Enterprise Fund to the General Fund for property acquisition. The advances outstanding at June 30, 2016 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, 2016 (in thousands):

Fund	Transfers Out	Transfers In
Governmental Funds:		
General Fund	\$ 8,618	\$ 101,863
Non-major Governmental Funds	15,680	20,709
Total Governmental Funds	24,298	122,572
Proprietary Funds:		
Enterprise Fund	101,325	3,051
Total	<u>\$ 125,623</u>	<u>\$ 125,623</u>

Transfers from business-type activities to governmental activities on the government-wide statement of activities include a \$99,671,000 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 \$4,040,000 and capital asset transfers from the governmental activities to the business-type activities in the amount of \$166,000.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

7. CAPITAL ASSETS

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2016 follows (in thousands):

	Balance July 1, 2015	Additions	Retirements	Transfers	Balance June 30, 2016
Governmental Activities:					
Non-depreciable Assets:					
Land	\$ 348,421	\$ 35,322	\$ (1)	\$ -	\$ 383,742
Infrastructure	3,308	13	-	-	3,321
Construction-in-Progress	56,961	83,362	(58,871)	(166)	81,286
Total Non-depreciable Assets	<u>408,690</u>	<u>118,697</u>	<u>(58,872)</u>	<u>(166)</u>	<u>468,349</u>
Depreciable Assets:					
Buildings	325,289	8,190	-	1,463	334,942
Other Improvements	171,521	12,543	(1,593)	2,225	184,696
Machinery & Equipment	182,070	16,814	(4,224)	-	194,660
Intangibles	23,249	2	-	-	23,251
Infrastructure	<u>1,075,277</u>	<u>12,712</u>	<u>-</u>	<u>352</u>	<u>1,088,341</u>
Total Depreciable Assets	<u>1,777,406</u>	<u>50,261</u>	<u>(5,817)</u>	<u>4,040</u>	<u>1,825,890</u>
Less Accumulated Depreciation for:					
Buildings	(89,582)	(6,669)	-	-	(96,251)
Other Improvements	(97,971)	(8,127)	1,429	-	(104,669)
Machinery & Equipment	(125,447)	(11,009)	4,181	-	(132,275)
Intangibles	(7,431)	(5,276)	-	-	(12,707)
Infrastructure	<u>(500,299)</u>	<u>(38,099)</u>	<u>-</u>	<u>-</u>	<u>(538,398)</u>
Total Accum. Depreciation	<u>(820,730)</u>	<u>(69,180)</u>	<u>5,610</u>	<u>-</u>	<u>(884,300)</u>
Total Depreciable Assets, net	<u>956,676</u>	<u>(18,919)</u>	<u>(207)</u>	<u>4,040</u>	<u>941,590</u>
Governmental Activities					
Capital Assets, net	<u>\$1,365,366</u>	<u>\$ 99,778</u>	<u>\$ (59,079)</u>	<u>\$ 3,874</u>	<u>\$ 1,409,939</u>

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

General Government	\$ 7,709
Public Safety	11,319
Community Environment	40,698
Cultural-Recreational	8,945
Capital assets held by the City's Internal Service funds are charged to the various functions based on their usage of assets	<u>509</u>
	<u>\$69,180</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Balance July 1, 2015	Additions	Retirements	Transfers	Balance June 30, 2016
Business-type Activities:					
Non-depreciable Assets:					
Land	\$ 54,333	\$ 481	\$ (1)	\$ -	\$ 54,813
Water Rights	17,560	-	-	-	17,560
Collections of Art	106	-	-	-	106
Construction-in-Progress	98,052	76,686	(27,394)	(4,040)	143,304
Total Non-depreciable Assets	170,051	77,167	(27,395)	(4,040)	215,783
Depreciable Assets:					
Buildings	100,758	4,486	-	-	105,244
Other Improvements	136,983	-	-	-	136,983
Machinery & Equipment	77,410	9,338	(636)	166	86,278
Intangibles	27,753	-	-	-	27,753
Infrastructure	1,750,740	12,065	(405)	-	1,762,400
Total Depreciable Assets	2,093,644	25,889	(1,041)	166	2,118,658
Less Accumulated Depreciation for:					
Buildings	(25,294)	(2,285)	-	-	(27,579)
Other Improvements	(49,773)	(4,606)	-	-	(54,379)
Machinery & Equipment	(40,254)	(8,865)	636	-	(48,483)
Intangibles	(19,955)	(1,151)	-	-	(21,106)
Infrastructure	(706,775)	(50,976)	404	-	(757,347)
Total Accum. Depreciation	(842,051)	(67,883)	1,040	-	(908,894)
Total Depreciable Assets, net	1,251,593	(41,994)	(1)	166	1,209,764
Business-type Activities					
Capital Assets, net	\$1,421,644	\$ 35,173	\$ (27,396)	\$(3,874)	\$ 1,425,547

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

Electric	\$ 4,284
Gas	4,511
Water	28,552
Wastewater	20,213
Solid Waste	2,694
Airport	1,497
Golf Course	272
Convention Center	253
Hohokam Stadium/Fitch Complex	1,782
Cubs Stadium	3,403
District Cooling	422
	<u>\$ 67,883</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Governmental Activities	Construction in Progress	Commitments
General Government	\$ 32,303	\$ 21,204
Public Safety	978	278
Community Environment	45,203	26
Cultural-Recreational	2,722	77
Warehouse, Maintenance & Services	80	2
Total	<u>\$ 81,286</u>	<u>\$ 21,587</u>

Business-type Activities	Construction in Progress	Commitments
Electric	\$ 5,821	\$ 594
Gas	8,524	451
Water	79,637	17,053
Wastewater	26,811	4,947
Solid Waste	7,465	5,664
Airport	4,755	797
Golf Course	199	-
Convention Center	1,071	63
Spring Training	9,021	194
District Cooling	-	6
Total	<u>\$ 143,304</u>	<u>\$ 29,769</u>

For the year ended June 30, 2016, the City capitalized net interest costs of \$4,192,327. Total interest expense in the Business-type Activities Enterprise Fund before capitalization was \$49,527,045.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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	\$ 336,716	\$ 81,005	\$ (67,161)	\$ 350,560	\$ 22,737
Highway User Revenue Bonds	100,285	-	(7,390)	92,895	7,900
Special Assessment Bonds					
with Governmental Commitment	2,830	-	(745)	2,085	745
Community Facility District	10,974	8,830	(489)	19,315	511
Total Bonds Payable	<u>450,805</u>	<u>89,835</u>	<u>(75,785)</u>	<u>464,855</u>	<u>31,893</u>
Notes Payable	77,835	-	(77,835)	-	-
Unamortized Premiums	18,376	2,242	(7,051)	13,567	-
Post Employment Benefits	382,000	39,935	(15,417)	406,518	-
Compensated Absences	26,575	24,422	(23,552)	27,445	3,594
Governmental Activities Total	<u>\$ 955,591</u>	<u>\$ 156,434</u>	<u>\$ (199,640)</u>	<u>\$ 912,385</u>	<u>\$ 35,487</u>
Business-type Activities:					
Bonds Payable:					
Revenue Bonds	\$1,007,455	\$ 228,535	\$ (172,280)	\$1,063,710	\$ 25,070
General Obligation Bonds	474	105	(189)	390	78
Excise Tax Revenue Obligations	94,060	-	-	94,060	-
Total Bonds Payable	<u>1,101,989</u>	<u>228,640</u>	<u>(172,469)</u>	<u>1,158,160</u>	<u>25,148</u>
Notes Payable	2,116	-	(131)	1,985	134
Unamortized Bond Premiums	22,521	20,079	(3,204)	39,396	-
Post Employment Benefits	74,625	6,324	(2,442)	78,507	-
Compensated Absences	3,938	3,721	(3,548)	4,111	493
Business-type Activities Total	<u>\$1,205,189</u>	<u>\$ 258,764</u>	<u>\$ (181,794)</u>	<u>\$1,282,159</u>	<u>\$ 25,775</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, \$11,043,000 of internal service funds post-employment benefits and compensated absences are included in the above amounts.

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

b. Bonds Payable

At June 30, 2016, 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>
\$46,230,300 2004 general obligation refunding serial bonds, (partially refunded by 2016 taxable general obligation refunding), due in annual installments ranging from \$34,839 to \$31,852,800, plus semi-annual interest ranging from 2.4 percent to 5.0 percent through July 1, 2018.	\$ 17,066
\$11,705,000 2005 general obligation serial bonds, due in annual installments ranging from \$500,000 to \$3,250,000, plus semi-annual interest ranging from 4.0 percent to 5.0 percent through July 1, 2024.	500
\$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, 2025.	1,750
\$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, 2027.	2,815
\$15,450,000 2008 general obligation serial bonds due in annual installments ranging from \$375,000 to \$6,675,000, plus semi-annual interest ranging from 4.25 percent to 5.0 percent through July 1, 2028.	13,450
\$61,830,000 2009 general obligation serial bonds due in annual installments ranging from \$1,750,000 to \$10,125,000, plus semi-annual interest ranging from 4.0 percent to 4.625 percent through July 1, 2029.	41,995
\$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.	23,675
\$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.	23,825
\$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.	12,424

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

\$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.	\$ 8,825
\$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.	54,450
\$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.	30,925
\$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.	6,990
\$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.	37,700
\$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.	20,475
\$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 3.0 percent through July 1, 2029.	<u>\$ 22,830</u>
Total General Obligation Bonds	\$ 350,560

Street and Highway User Revenue Bonds

\$26,805,000 2003 street and highway user revenue bonds, (partially refunded by street and highway user revenue refunding bonds, series 2012) due in annual principal installments ranging from \$500,000 to \$9,750,000, plus semi-annual interest ranging from 4.25 percent to 5.50 percent through July 1, 2018.	\$ 1,700
\$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.	875
\$17,760,000 2004 street and highway user revenue refunding bonds, due in annual installments ranging from \$20,000 to \$7,250,000, plus semi-annual interest ranging from 3.5 percent to 5.0 percent through July 1, 2018.	11,875

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

\$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

\$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. 975

\$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. 22,840

\$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. 17,555

Total Street and Highway User Revenue Bonds \$ 92,895

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. \$ 1,675

\$4,091,840 2007 special assessment district bonds, due in annual principal installments ranging from \$408,840 to \$410,000, plus semi-annual interest of 5.0 percent, through January 1, 2017. 410

Total Special Assessment Bonds \$ 2,085

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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.	\$ 2,478
\$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.	3,105
\$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.	3,195
\$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.	1,929
\$6,800,000 2016 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.	6,595
\$970,000 2016 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.	953
\$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.	<u>1,060</u>
Total Community Facilities District Bonds	\$ 19,315
Total bonds payable recorded in governmental activities	\$ <u>464,855</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

General Obligation Bonds

\$214,700 2004 general obligation refunding serial bonds, due in annual principal installments ranging from \$34,839 to \$31,852,800, plus semi-annual interest ranging from 2.4 percent to 5.0 percent through July 1, 2016.	\$ 79
\$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.	206
\$105,501 2016 general obligation refunding serial bonds, due in annual principal installments ranging from \$4,600 to \$16,399, plus semi-annual interest ranging from .85 percent to 3 percent through July 1, 2029.	<u>105</u>
Total General Obligation Bonds	\$ 390

Utility Systems Revenue Bonds

\$57,950,000 2002 utility systems revenue serial bonds (partially refunded by 2004 & 2006 utility systems revenue refunding bonds), due in annual principal installments ranging from \$950,000 to \$1,000,000, plus semi-annual interest ranging from 4.25 percent to 5.75 percent through July 1, 2017.	\$ 1,000
\$129,000,000 2002 utility systems revenue refunding serial bonds, (partially refunded by 2012, 2012 taxable & 2016 utility systems revenue refunding bonds) due in annual principal installments ranging from \$65,000 to \$29,550,000, plus semi-annual interest ranging from 3.40 percent to 5.25 percent through July 1, 2017.	9,020
\$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.	40,235
\$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

CITY OF MESA, ARIZONA
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FOR THE FISCAL YEAR ENDED JUNE 30, 2016

\$105,400,000 2006 utility systems revenue serial bonds, (partially refunded by 2006 (Series 2) & 2016 utility systems revenue refunding bonds), due in annual principal installments ranging from \$8,650,000 to \$36,750,000, plus semi-annual interest ranging from 4.375 percent to 5.0 percent through July 1, 2030.	\$ 17,650
\$61,300,000 2006 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$2,075,000 to \$18,000,000, plus semi-annual interest ranging from 4.0 percent to 5.0 percent through July 1, 2021.	58,075
\$127,260,000 2006 (Series 2) utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$50,000 to \$25,845,000, plus semi-annual interest ranging from 4.0 percent to 5.25 percent through July 1, 2028.	126,700
\$65,550,000 2007 utility systems revenue serial bonds, (partially refunded by 2016 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, 2031.	8,000
\$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, 2032.	6,100
\$21,125,000 2008 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$100,000 to \$2,200,000, plus semi-annual interest ranging from 3.00 percent to 4.00 percent through July 1, 2018.	4,300
\$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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

\$31,580,000 2012 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$7,440,000 to \$9,150,000, plus semi-annual interest ranging from 4.0 percent to 4.826 percent through July 1, 2021.	\$ 22,430
\$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
\$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.	102,945
\$30,220,000 2015 utility systems revenue bonds, due in principal installments ranging from \$1,000,000 to \$2,375,000, plus semi-annual interest of 2 percent to 5 percent through July 1, 2039.	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.	<u>\$ 138,035</u>
Total Utility Systems Revenue Bonds	\$ 1,063,710
<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>\$ 94,060</u>
Total bonds payable recorded in business-type activities	\$ <u>1,158,160</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The following tables summarize the City's debt service requirements to maturity for its long term bonds payable at June 30, 2016 (in thousands). The deferred amounts on refundings are not included.

Governmental Activities

General Obligation Bonds				Highway User Revenue Bonds			
Fiscal Year	Principal	Interest	Total	Fiscal Year	Principal	Interest	Total
2017	\$ 22,737	\$ 12,996	\$ 35,733	2017	\$ 7,900	\$ 4,473	\$ 12,373
2018	19,269	12,018	31,287	2018	8,375	4,080	12,455
2019	17,754	11,253	29,007	2019	8,715	3,663	12,378
2020	17,290	10,627	27,917	2020	9,155	3,243	12,398
2021	17,837	9,999	27,836	2021	9,645	2,796	12,441
2022-26	101,685	39,963	141,648	2022-26	45,200	6,568	51,768
2027-31	107,163	19,224	126,387	2027-31	3,905	156	4,061
2032-36	46,825	2,779	49,604	2032-36	-	-	-
TOTALS	\$350,560	\$118,859	\$469,419	TOTALS	\$ 92,895	\$ 24,979	\$ 117,874

Special Assessment Bonds				Community Facilities District			
Fiscal Year	Principal	Interest	Total	Fiscal Year	Principal	Interest	Total
2017	\$ 745	\$ 98	\$ 843	2017	\$ 511	\$ 910	\$ 1,421
2018	335	68	403	2018	527	895	1,422
2019	335	48	383	2019	544	878	1,422
2020	335	29	364	2020	557	858	1,415
2021	335	10	345	2021	582	837	1,419
2022-26	-	-	-	2022-26	3,320	3,801	7,121
2027-31	-	-	-	2027-31	4,148	2,961	7,109
2032-36	-	-	-	2032-36	5,306	1,813	7,119
2037-41	-	-	-	2037-41	3,820	399	4,219
TOTALS	\$ 2,085	\$ 253	\$ 2,338	TOTALS	\$ 19,315	\$ 13,352	\$ 32,667

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Business-type Activities

General Obligation Bonds				Revenue Bonds			
Fiscal Year	Principal	Interest	Total	Fiscal Year	Principal	Interest	Total
2017	\$ 78	\$ 13	\$ 91	2017	\$ 25,070	\$ 47,931	\$ 73,001
2018	76	11	87	2018	31,355	46,500	77,855
2019	46	7	53	2019	32,660	44,990	77,650
2020	40	6	46	2020	30,560	43,380	73,940
2021	43	5	48	2021	31,840	41,951	73,791
2022-26	75	10	85	2022-26	197,950	183,658	381,608
2027-31	32	1	33	2027-31	246,235	135,751	381,986
2032-36	-	-	-	2032-36	310,545	74,318	384,863
2037-41	-	-	-	2037-41	157,495	10,268	167,763
TOTALS	\$ 390	\$ 53	\$ 443	TOTALS	\$ 1,063,710	\$628,747	\$ 1,692,457

Excise Tax Revenue Obligations

Fiscal Year	Principal	Interest	Total
2017	\$ -	\$ 4,703	\$ 4,703
2018	-	4,703	4,703
2019	-	4,703	4,703
2020	-	4,703	4,703
2021	-	4,703	4,703
2022-26	36,585	20,035	56,620
2027-31	46,690	9,928	56,618
2032	10,785	539	11,324
TOTALS	\$ 94,060	\$ 54,017	\$148,077

Special Assessment Bonds

The City acts as trustee for special assessment districts whereby it collects the assessments levied against owners of property within established districts and disburses the amounts collected to retire the bonds issued to finance the improvements. At June 30, 2016, the special assessments receivable, together with amounts paid in advance and interest to be received over the life of the assessment period, is adequate for the scheduled maturities of the bonds payable and the related interest.

Improvement bonds are collateralized by properties within the districts. In the event of default by the property owner, the City may enforce an auction sale to satisfy the debt service requirements of the improvement bonds. The City is contingently liable on special assessment bonds to the extent that proceeds from auction sales are insufficient to retire outstanding bonds. Special assessment bonds payable with governmental commitment currently outstanding as of June 30, 2016 are \$2,085,000.

General Obligation Bonds

The general obligation bonds are backed by the ultimate taxing power and general revenues of the City; however, \$390,237 of these bonds at June 30, 2016 is carried as a liability of the Enterprise Fund to reflect the intention of retirement from resources of that fund.

CITY OF MESA, ARIZONA
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FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

The total debt margin available July 1, 2016 is (in thousands):

6% Bonds	\$ 164,428
20% Bonds	<u>201,680</u>
Total Available	<u>\$ 366,108</u>

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

c. **Reserves for Bond Indentures**

Pursuant to the provisions of the Bond Resolution of the City of Mesa Utility System Revenue and Refunding bonds, Replacement and Reserve Funds are required to be established, into which a sum equal to 2 percent of the gross revenues – as determined on a modified accrual basis – must be deposited until a sum equal to two percent of all tangible assets of the Utility System is accumulated. As of June 30, 2016, the amount provided in the Replacement and Extension Funds equaled \$25,293,503 which is in compliance with the bond provisions.

d. **Notes Payable**

Governmental Activities

The City issued \$122,835,000 of Highway Project Advancement Notes (HPAN) to provide funds to the Arizona Department of Transportation (ADOT) for the acceleration of the right-of-way acquisition, design and construction of highway improvements to State Route 24 between State Route 202L and Ellsworth Road. The City entered into an intergovernmental agreement with ADOT and the Maricopa Association of Governments to advance the improvements to State Route 24. The agreement provides for repayment by ADOT to the City of the full amount of the City advance from monies available to ADOT for the project within a 60-month loan period. As of June 30, 2016, \$122,835,000 has been repaid to the City by ADOT, and the City has paid \$122,835,000 of HPAN notes.

Business Type Activities

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

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

The following table reflects the annual requirements to amortize all notes outstanding as of June 30, 2016 (in thousands):

<u>Fiscal Year</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest & Fees</u>	<u>Total</u>
2017	\$ 134	\$ 44	\$ 178
2018	137	41	178
2019	140	38	178
2020	143	35	178
2021	146	31	177
2022-26	781	107	888
2027-29	504	22	526
TOTALS	<u>\$ 1,985</u>	<u>\$ 318</u>	<u>\$2,303</u>

e. **Short-term Debt**

The City had no short-term debt activity for the fiscal year ended June 30, 2016.

f. **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.

g. **Pledged Revenues**

Utility System Revenue Bonds

The City has pledged future utility customer revenues, net of specified operating expenses, to repay approximately \$2.0 billion in utility system revenue bonds issued since 1997. Proceeds from the bonds provided financing for the construction of various utility related projects including new gas

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pipelines and water and wastewater treatment plants. The bonds are payable solely from utility customer net revenues and are payable through 2040. Annual principal and interest payments on the bonds were 35.6 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1.7 billion. Principal and interest paid for the current year and total customer net revenues were \$61,593,821 and \$166,312,000, respectively.

Highway User Revenue Bonds

The City has pledged future Highway User Taxes Revenue to repay \$230.5 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 37.9 percent of eligible revenues. The total principal and interest remaining to be paid on the bonds is \$117,874,000. Principal and interest paid for the current year and total highway user tax revenues were \$12,233,688 and \$35,383,437, respectively.

Special Assessment Bonds

The special assessment revenues collected by the City are pledged to repay \$9.1 million of special assessment bonds issued since 2005. Proceeds from the bonds are used to finance improvements that property owners have agreed to pay. In the event of default by the property owner, an auction sale may be enforced by the City. If collections and auction proceeds are not sufficient to retire outstanding bonds the City is contingently liable. These bonds are payable through 2021. Annual principal and interest payments on the bonds are expected to be covered 100% with collections from the property owners. The total principal and interest remaining to be paid on the bonds is \$2,338,125. Principal and interest paid for the current year and total assessments collected were \$882,615, and \$790,082, respectively.

9. REFUNDED, REFINANCED AND DEFEASED OBLIGATIONS

On March 17, 2016 the City defeased \$9,000,000 of utility revenue bonds.

On April 6, 2016, the City issued \$138,035,000 of utility revenue bonds with an original issue premium of \$19,395,105 to advance refund \$146,480,000 of outstanding utility revenue bonds. The refunding bonds were issued with an interest rate ranging from 4.0 to 5.0 percent. Net proceeds in the amount of \$157,081,973 (after payment of \$207,544 in underwriters' fees and deposit of \$140,588 to the City's bond fund) were provided to a refunding escrow agent to pay issuance costs of \$400,000 for insurance premiums and other issuance costs with the remaining \$156,681,973 used to provide cash and purchase United States Government securities. The cash and securities were deposited in an irrevocable trust to provide for all future debt service payments of the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the debt of the City.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$10,201,973. This difference, reported in the accompanying financial statements as a deduction from general obligation bonds payable, is being charged to operations through the year 2032 using the effective interest method. The purpose of the refunding was to take advantage of lower interest rates and restructure debt service payments to achieve a more level debt retirement schedule. The refunding will decrease debt service payments by \$11,581,762 over the next 16 years producing an economic gain (difference between the present value of old and new debt service payments) of \$13,583,987.

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On April 6, 2016, the City issued \$20,475,000 of general obligation bonds with an original issue premium of \$1,128,271 to advance refund \$20,475,000 of outstanding general obligation bonds. The refunding bonds were issued with an interest rate ranging from 2.0 to 4.0 percent. Net proceeds of \$21,536,306 (after payment of \$66,965 in underwriters' fees) were provided to a refunding escrow agent to pay issuance costs of \$187,326 for insurance premiums and other issuance costs with the remaining \$21,348,980 used to provide cash and purchase United States Government securities. The cash and securities were deposited in an irrevocable trust to provide for all future debt service payments of the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the debt of the City.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$873,980. This difference, reported in the accompanying financial statements as a deduction from general obligation bonds payable, is being charged to operations through the year 2027 using the effective interest method. The purpose of the refunding was to take advantage of lower interest rates and restructure debt service payments to achieve a more level debt retirement schedule. The refunding will decrease debt service payments by \$2,682,106 over the next 11 years producing an economic gain (difference between the present value of old and new debt service payments) of \$2,371,379.

On May 4, 2016, the City issued \$22,935,000 of taxable general obligation bonds with an original issue premium of \$133,437 and contributed cash in the amount of \$5,666,755 to advance refund and defease \$25,925,000 of outstanding general obligation bonds. The refunding bonds were issued with an interest rate ranging from 0.848 to 2.989 percent. Net proceeds in the amount of \$28,659,932 (after payment of \$71,696 in underwriters' fees and deposit of \$3,564 to the City's bond fund) were provided to a refunding escrow agent to pay issuance costs of \$185,000 for insurance premiums and other issuance costs with the remaining \$28,474,931 used to provide cash and purchase United States Government securities. The cash and securities were deposited in an irrevocable trust to provide for all future debt service payments of the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the debt of the City.

The advanced refunding and defeasance resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,549,332. This difference, reported in the accompanying financial statements as a deduction from general obligation bonds payable, is being charged to operations through the year 2029 using the effective interest method. The purpose of the refunding was to restructure debt service payments to achieve a more level debt retirement schedule. The refunding will increase debt service payments by \$4,312,717 over the next 13 years producing an economic loss (difference between the present value of old and new debt service payments) of \$1,159,105.

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.

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In accordance with GASB Statement No. 7, the refunded debt outstanding at June 30, 2016 as reflected below is not included in the City's financial statements (in thousands).

Utility System Revenue Bond Issue dated February 1, 2002	\$ 15,200
Utility System Revenue Refunding Bond Issue dated February 1, 2002	7,000
Utility System Revenue Bond Issue dated February 1, 2003	4,000
General Obligation Bond Issue dated January 15, 2004	22,935
Utility System Revenue Bond Issue dated June 1, 2004	3,875
Utility System Revenue Bond Issue dated June 1, 2005	2,750
General Obligation Bond Issue dated June 1, 2006	7,375
General Obligation Bond Issue dated May 1, 2007	13,100
Utility System Revenue Bond Issue dated May 1, 2007	57,550
Street and Highway User Revenue Bond Issue dated May 1, 2007	7,675
Utility System Revenue Bond Issue dated May 29, 2008	<u>46,775</u>
Total Refunded Bonds Outstanding	<u>\$ 188,235</u>

10. SELF-INSURANCE INTERNAL SERVICE FUND

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

The Workers' Compensation Fund does not have a stop loss receivable at June 30, 2016. Over the past three fiscal years the Fund has received settlements in excess of insurance coverage of \$189,911. 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, 2016, 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, 2016. Over the past three fiscal years the Fund has received settlements in excess of insurance coverage of \$4,519,450 with \$2,023,119 received this current fiscal year.

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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, 6/30/14	\$ 9,581	\$ 22,807	\$ 4,669	\$ 37,057
Adjustments to Reserves-FY 14-15	679	3,976	54,894	59,549
Claim Payments-FY 14-15	<u>(636)</u>	<u>(3,118)</u>	<u>(56,825)</u>	<u>(60,579)</u>
Unpaid Claims, 6/30/15	9,624	23,665	2,738	36,027
Adjustments to Reserves-FY 15-16	3,578	2,481	66,977	73,036
Claim Payments-FY 15-16	<u>(603)</u>	<u>(2,993)</u>	<u>(67,019)</u>	<u>(70,615)</u>
Unpaid Claims, 6/30/16	<u>\$ 12,599</u>	<u>\$ 23,153</u>	<u>\$ 2,696</u>	<u>\$ 38,448</u>

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

11. COMMITMENTS AND CONTINGENT LIABILITIES

a. Pending Litigation

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

b. Sick Leave Benefits

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

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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, 2016, is \$11,448,098.

12. NET POSITION

a. **Restricted Net Position**

The government-wide statement of net position reports \$131.1 million of restricted net position, of which \$50.5 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. 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 Warehouse, Maintenance and Services fund and Property and Public Liability Fund were a result of other post-employment benefit charges and pension expense.

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13. ENTERPRISE ACTIVITIES OPERATIONS DETAIL

The Enterprise Fund includes operations of electricity, gas, water, wastewater, solid waste, airport, golf course, convention center, stadiums and district cooling. Although the City's Enterprise Fund does not meet the requirements for disclosing segment information, these services provided by the City are of such significance as to warrant certain additional disclosures. Operating revenue, expenses and operating income (loss) for the year ended June 30, 2016 for these services are as follows (in thousands):

Functions	Operating Revenues	Operating Expenses		Operating Income (Loss)
		Depreciation and Amortization	Other	
Electric	\$ 32,254	\$ 4,284	\$ 22,098	\$ 5,872
Gas	38,962	4,511	23,222	11,229
Water	125,304	28,552	48,113	48,639
Wastewater	71,708	20,213	31,316	20,179
Solid Waste	54,871	2,694	33,703	18,474
Airport	3,623	1,497	3,368	(1,242)
Golf Course	1,645	272	2,312	(939)
Convention Center	2,798	253	3,999	(1,454)
Hohokam /Fitch Complex	63	1,782	1,131	(2,850)
Cubs Stadium	201	3,403	1,868	(5,070)
District Cooling	1,234	422	760	52
Total	<u>\$ 332,663</u>	<u>\$ 67,883</u>	<u>\$171,890</u>	<u>\$ 92,890</u>

14. JOINT VENTURES

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

The City's investment in these Joint Ventures as of June 30, 2016 is as follows (in thousands):

	Governmental Activities	Business-Type Activities	Total
Valley Metro Rail Inc.	\$ 172,723	\$ -	\$172,723
TOPAZ Regional Wireless Cooperative	4,993	-	4,993
Subregional Operating Group	-	85,862	85,862
Val Vista Water Treatment Plant	-	56,042	56,042
Greenfield Water Reclamation Plant	-	57,112	57,112
Joint Ventures Construction Deposits	-	3,093	3,093
Total Investment in Joint Ventures	<u>\$ 177,716</u>	<u>\$ 202,109</u>	<u>\$379,825</u>

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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 \$1,244,863,412 has been spent on this project through the fiscal year ended June 30, 2016, of which the City’s share and equity interest is \$172,723,066. The City has received and accrued \$59.7 million of funding from the Federal Transit Administration (FTA), Congestion Mitigation Air Quality (CMAQ) and Public Transit Funds (PTF) related to this project.

In March 2010, the Mesa City Council approved a 3-mile extension of the LRT system and in August 2010, the Federal Transit Administration approved the alignment for project development as the next step toward federal funding. The extension begins at the eastern limits of VMRI’s existing light rail system (Sycamore) and extends east on Main Street to Mesa Drive. The entire extension is within the City of Mesa. There are four stations on Main Street including a station at Alma School Road, Country Club Drive, Center Street, and Mesa Drive. The extension opened on August 22, 2015. The total capital cost of \$199.0 million was funded with a combination of federal and regional funds.

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 \$4,993,312 and is reflected in the governmental funds financial statements. Separate financial statements are not prepared.

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Total investment in the joint venture as of June 30, 2016 is (in thousands):

City of Mesa	\$	4,993
Town of Gilbert		1,150
City of Apache Junction		101
Superstition Fire and Medical		411
Town of Queen Creek		69
Rio Verde Fire District		10
Fort McDowell		-
Total Joint Venture	\$	<u>6,734</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 \$85,861,975 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 \$57,112 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, 2016 is (in thousands):

Mesa's Share	\$	57,112
Gilbert's Share		54,279
Queen Creek's Share		<u>24,095</u>
Total Joint Venture	\$	<u>135,486</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 \$56,041,918 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. RETIREMENT AND PENSION PLANS

All benefitted employees of the City are covered by one of three pension systems. The Arizona State Retirement System is for the benefit of the employees of the state and certain other governmental jurisdictions. All benefitted City employees, except sworn fire and police personnel 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 multiple-employer 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.

At June 30, 2016, the City reported the following aggregate amounts related to pensions for all plans to which it contributes (in thousands):

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net Pension Liabilities	\$ 634,414	\$ 47,493	\$ 681,907
Deferred Outflows of Resources	105,401	4,555	109,956
Deferred Inflows of Resources	37,881	4,653	42,534
Pension Expense	53,949	2,058	56,007

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 in accordance with Title 38, Chapter 5 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.

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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.

c. **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, 2016, covered employees were required by state statute to contribute at the actuarially determined rate of 11.47 percent (11.35 pension plus 0.12 long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.47 percent (10.85 percent for retirement, 0.50 percent for the health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll.

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NOTES TO FINANCIAL STATEMENTS
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Additionally, the City is required 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, 2016 was 9.57 percent (9.31 percent retirement, 0.20 percent health, 0.06 percent long-term disability). The City's ACR contributions to the System for the year ending June 30, 2016 were \$111,503.

d. **Pension Liability**

At June 30, 2016, the City reported a liability of \$255,337,070 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2015. 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, 2014, to the measurement date of June 30, 2015.

The City's reported liability at June 30, 2016, increased by \$13,545,310 from the City's prior year liability of \$241,791,760 because of changes in the ASRS' net pension liability and the City's proportionate share of that liability. The ASRS' publicly available financial report provides details on the change in the net pension liability. The City's proportion of the net pension liability was based on the City's fiscal year 2015 contributions. The City's proportion measured as of June 30, 2015, was 1.639250 percent, which was a decrease of 0.005147 from its proportion measured as of June 30, 2014.

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

For the year ended June 30, 2016, the City recognized pension expense for ASRS of \$11,066,538. At June 30, 2016, 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	\$ 6,968	\$ 13,380
Net difference between projected and actual earnings on pension plan investments	-	8,183
Changes in proportion and differences between City contributions	569	3,455
City contributions subsequent to the measurement date	16,955	-
Total	<u>\$ 24,492</u>	<u>\$ 25,018</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The \$16,955,163 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows (in thousands):

	Year Ended June 30,
2016	\$ (7,818)
2017	(9,709)
2018	(5,861)
2019	5,907
2020	-
Thereafter	-
	<u>\$ (17,481)</u>

f. **Actuarial Assumptions**

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

Actuarial Valuation Date	June 30, 2014
Actuarial Roll Forward Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8%
Projected Salary Increases	3 - 6.75%
Inflation	3%
Permanent Benefit Increase	Included
Mortality Rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2013.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	58%	3.94%
Fixed Income	25%	0.93%
Commodities	2%	0.08%
Real Estate	10%	0.42%
Multi-asset class	5%	0.17%
Total	<u>100%</u>	

g. **Discount Rate**

The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. 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.

h. **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 percent, 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 percent) or 1 percentage point higher (9 percent) than the current rate (in thousands):

	<u>1% Decrease 7%</u>	<u>Current Discount Rate 8%</u>	<u>1% Increase 9%</u>
City's proportionate share of the net pension liability	\$ 334,579	\$ 255,337	\$ 201,031

i. **Pension Plan Fiduciary Net Position**

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Public Safety Personnel Retirement System:

a. **Plan Description**

The City contributes to the Public Safety Personnel Retirement System (“PSPRS”), an agent multiple-employer public safety employee retirement system that acts as a common investment and administrative agent for the various sworn fire and police agencies within the state. All sworn fire and police personnel are eligible to participate in the plan. The plan provides retirement, disability benefits, and death benefits to plan members and beneficiaries. The PSPRS is jointly administered by the Fund Manager and 256 Local Boards and was established by Title 38, Chapter 5 Article 4 of the Arizona Revised Statutes. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Public Safety Personnel Retirement System, 1020 East Missouri, Phoenix, Arizona, 85014 or by calling 602-255-5575.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

b. **Benefits Provided**

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

	Initial Membership Date:	
	Before January 1, 2012	On or after January 1, 2012
<u>Retirement and Disability</u>		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years age of 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percentage		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service, not to exceed 80%	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 excess investment earning. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

c. **Employees Covered by Benefit Terms**

At June 30, 2016, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Firefighters	PSPRS Police
Inactive employees or beneficiaries currently receiving benefits	219	475
Inactive employees entitled to but not yet receiving benefits	56	129
Active employees	382	748
Total	657	1,352

d. **Contributions**

Benefit and contribution provisions are established by state law and may be amended only by the State of Arizona Legislature (A.R.S. Section 38-843). PSPRS members are required to contribute 11.65 percent of their annual covered salary. The City is required to contribute an actuarially determined rate expressed as a percent of covered salary and a distribution of the net earnings of the Fund. The City's rates for the fiscal years ending June 30, 2016 were 34.40 percent (34.17 pension plus 0.23 health care), for fire personnel and 35.52 percent (34.58 pension plus 0.94 health care) for police members.

e. **Annual Pension Contributions**

Fire personnel contributed \$3,914,204 (\$3,800,638 regular members plus \$113,566 DROP members) and police personnel contributed \$7,521,263 (\$7,303,439 regular members plus \$217,824 DROP members) during fiscal year 2015-2016. For 2016, the City's annual pension cost of \$11,223,876 (\$11,146,750 pension, \$77,126 health care) for fire and \$22,267,577 (\$21,673,738 pension, \$593,839 health care) for police was equal to the City's required and actual contributions for the pension cost including health care. The required contribution was determined as part of the June 30, 2014 actuarial valuation using an individual entry-age actuarial cost method.

The City is also required to pay a PSPRS Alternate Contribution Rate (ACR) for retired members who return to work in any capacity and in a position ordinarily filled by an employee of the City, unless the retired member is required to participate in another state retirement system and the retired member returned to work before July 20, 2011. The ACR rate is equal to the portion of the total required contribution that is applied to the amortization of the unfunded actuarial accrued liability for the fiscal year beginning July 1, based on the actuarial calculation of the total required contribution for the preceding fiscal year ended on June 30. The contribution rate for the year ended June 30, 2016 was 28.62 percent for both fire and police. The City's ACR contributions for the year ending June 30, 2016 were \$49,968 for fire and \$23,632 for police.

f. **Pension Liability**

At June 30, 2016, the City reported net pension liabilities of \$143,957,780 and \$282,610,577 for fire and police, respectively. The net pension liabilities were measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

g. Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2016, the City recognized pension expense of \$14,385,864 and \$30,683,253 for fire and police, respectively. At June 30, 2016, 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
Fire		
Differences between expected and actual experience	\$ -	\$ 8,072
Changes in assumptions	16,673	-
Net difference between projected and actual earnings on pension plan investments	484	-
City contributions subsequent to the measurement date	11,197	-
Total	<u>\$ 28,354</u>	<u>\$ 8,072</u>
	Deferred Outflows of Resources	Deferred Inflows of Resources
Police		
Differences between expected and actual experience	\$ -	\$ 9,444
Changes in assumptions	34,475	-
Net difference between projected and actual earnings on pension plan investments	939	-
City contributions subsequent to the measurement date	21,697	-
Total	<u>\$ 57,111</u>	<u>\$ 9,444</u>

The amounts reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (or an increase in the net pension asset) in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

<u>Year Ending June 30,</u>	<u>Fire</u>	<u>Police</u>
2016	\$ 1,489	\$ 5,722
2017	1,489	5,722
2018	1,489	5,722
2019	3,111	8,450
2020	1,774	400
Thereafter	(267)	(46)
	<u>\$ 9,085</u>	<u>\$ 25,970</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

h. **Pension Actuarial Methods and Assumptions**

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

Actuarial Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.85%
Projected Salary Increases	4% - 8% including inflation
Inflation	3%
Permanent Benefit Increase	Included
Mortality Rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2015, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Short Term Investments	2%	0.75%
Absolute Return	5%	4.11%
Risk Parity	4%	5.13%
Fixed Income	7%	2.92%
Real Assets	8%	4.77%
GTAA	10%	4.38%
Real Estate	10%	9.50%
Private Equity	11%	4.48%
Credit Opportunities	13%	7.08%
Non-U.S. Equity	14%	8.25%
U.S. Equity	16%	6.23%
Total	100%	

i. **Discount Rate**

A discount rate of 7.85% was used to measure the total pension liability. This discount rate was based on the expected rate of return on pension plan investments of 7.85%. 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 pension plan's fiduciary net position was projected to be available to make all

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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.

j. **Changes in the Agent Plans Net Pension Liability**

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

Fire	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability
Balance at June 30, 2015	\$ 299,681	\$ 161,964	\$ 137,717
Changes for the Year:			
Service Cost	6,127	-	6,127
Interest on the Total Pension Liability	23,086	-	23,086
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual			
Experience in the Measurement of the Liability	(3,518)	-	(3,518)
Changes of Assumptions or Other Inputs	-	-	-
Contributions - Employer	-	9,828	(9,828)
Contributions - Employee	-	3,847	(3,847)
Net Investment Income	-	5,878	(5,878)
Benefit Payments, Including Refunds of			
Employee Contributions	(17,323)	(17,323)	-
Administrative Expenses	-	(144)	144
Other Changes	-	45	(45)
Net Changes	8,372	2,131	6,241
Balances as of June 30, 2016	<u>\$ 308,053</u>	<u>\$ 164,095</u>	<u>\$ 143,958</u>

Police	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability
Balance at June 30, 2015	\$ 542,745	\$ 274,946	\$ 267,799
Changes for the Year:			
Service Cost	12,216	-	12,216
Interest on the Total Pension Liability	41,908	-	41,908
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual			
Experience in the Measurement of the Liability	(2,173)	-	(2,173)
Changes of Assumptions or Other Inputs	-	-	-
Contributions - Employer	-	19,680	(19,680)
Contributions - Employee	-	7,613	(7,613)
Net Investment Income	-	10,065	(10,065)
Benefit Payments, Including Refunds of			
Employee Contributions	(29,998)	(29,998)	-
Administrative Expenses	-	(246)	246
Other Changes	-	28	(28)
Net Changes	21,953	7,142	14,811
Balances as of June 30, 2016	<u>\$ 564,698</u>	<u>\$ 282,088</u>	<u>\$ 282,610</u>

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

The following table presents the City's net pension liabilities calculated using the discount rates noted above, as well as what the City's net pension 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	Current Discount Rate	1% Increase
	6.85%	7.85%	8.85%
Fire Net Pension Liability	\$ 179,652	\$143,958	\$ 114,035
Police Net Pension Liability	352,716	282,610	224,406

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

For 2015 the City's annual Other Post-Employment Benefits (OPEB) cost of \$541,790 for fire and \$1,187,849 for police was equal to the City's required contributions.

Funded Status and Funding Progress

The funded status of the Health Insurance Subsidy plans as of June 30, 2015 (Latest actuarial date available) is as follows (in thousands):

	Fire	Police
Actuarial accrued liability (AAL)	\$ 7,702	\$17,283
Actuarial value of plan assets	7,727	10,724
Unfunded actuarial accrued liability (UAAL)	<u>\$ (25)</u>	<u>\$ 6,559</u>
Funded ratio (actuarial value of plan assets/AAL)	100%	62%
Covered payroll (active plan members)	\$31,661	\$62,461
UAAL as a percentage of covered payroll	0.00%	10.50%

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows (in thousands):

<u>Fire</u>			
Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 490	100%	\$ -
2014	495	100%	-
2015	542	100%	-

<u>Police</u>			
Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 1,105	100%	\$ -
2014	1,083	100%	-
2015	1,188	100%	-

16. POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 15, the City provides post-retirement health care benefits to all eligible retirees in accordance with the compensation plan adopted by the City Council each fiscal year. These benefits include medical, dental and vision insurance programs and are the same as those offered to active employees. Retirees may select single or family coverage. As of June 30, 2016, approximately 1,825 former employees were eligible for these benefits.

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

The unfunded actuarial accrued annual required contribution for current retirees as well as current active members for fiscal year 2015-2016 was \$28,400,907. A liability of \$3,882,510 is accrued in the business-type activities financial statements; the remaining \$24,518,397 has been accrued in the governmental activities column in the government-wide financial statements.

Plan Description

The City provides post-employment medical care (OPEB) for retired employees through a single-employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses and dependents through the City's self-insurance health insurance plan which covers both active and retired members. The benefits, benefit levels and contribution rates are determined annually

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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. The plan does not issue a separate financial report.

Benefits Provided

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

As of July 1, 2015, Membership Consisted of:

Retirees and Beneficiaries Receiving Benefits	1,825
Active Employees	<u>3,176</u>
Total	<u><u>5,001</u></u>

Funding Policy

The plan premium rates are determined annually by the Benefits Advisory Board and approved by the City Council. The City's contribution to the retiree's health insurance premium is determined by their length of service with the City and their original hire date. To receive maximum benefits an employee must meet the following:

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

For fiscal year ended June 30, 2016, the City contributed \$17,858,318 to the plan (approximately 70.4 percent of total premiums). Plan members receiving benefits contributed \$7,510,361 or approximately 29.6 percent of total premiums.

Annual OPEB Costs / Net OPEB Obligation

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The City's annual OPEB cost for the current year and the related information for the plan are as follows at June 30, 2016 (in thousands):

Annual Required Contribution	\$ 53,744
Interest on Net OPEB Obligation	20,547
Adjusted to Annual Required Contribution	<u>(28,033)</u>
Annual OPEB Cost	46,258
Contributions Made	<u>(17,858)</u>
Increase in Net OPEB Obligation	28,400
Net OPEB Obligation – Beginning of year	<u>456,625</u>
Net OPEB Obligation – End of year	<u><u>\$485,025</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the three years ending June 30, 2014 through 2016 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2014	49,962	16,011	32.0%	423,000
2015	50,750	17,125	33.7%	456,625
2016	46,258	17,858	38.6%	485,025

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2015 was as follows (in thousands): (Latest actuarial date available)

Actuarial Value of Plan Assets	\$ -
Actuarial Accrued Liability	<u>639,564</u>
Unfunded actuarial accrued liability	<u><u>\$639,564</u></u>
Funded ratio	0.0%
Covered payroll	\$380,860
Unfunded actuarial accrued liability as a percentage of covered payroll	167.9%

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Actuarial Methods and Assumptions

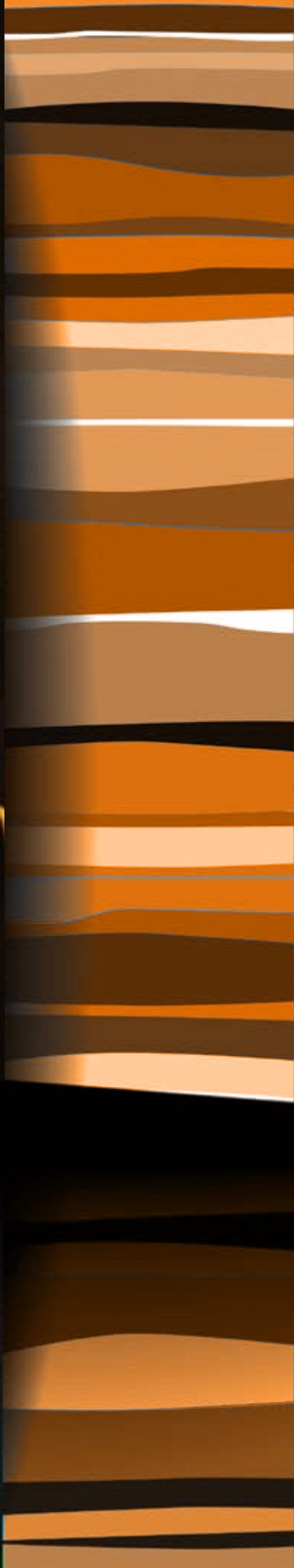
Projections of benefits are based on the substantive plan (the plan understood by the employer and plan members) and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the City and the plan members at that point. Actuarial calculations reflect a long-term 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:

Valuation Date	July 1, 2015
Actuarial Cost Method	Entry age normal, level dollar amount
Amortization method	30-year amortization open
Remaining amortization period	30 years
Asset Valuation Method	N/A, no assets in trust
Actuarial Assumptions:	
Discount rate	4.50%
Health care cost trend rate:	
• Medical, Drugs	8.5% in 2013-2014, grading down by 0.5% each year to an ultimate rate of 5.0%
• Dental, Mental Health, Vision	5%
• Retiree contribution increase	Same as medical trend



Required Supplementary Information

Comprehensive Annual Financial Report
2016



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, 2016

(in thousands)

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2006
City's Proportion of the Net Pension Liability	1.639250%	1.634103%	Information not available
City's Proportionate Share of the Net Pension Liability	\$ 255,337	\$ 241,792	
City's Covered-Employee Payroll	\$ 151,154	\$ 147,402	
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	168.93%	164.04%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.35%	69.49%	

See accompanying notes to pension plan schedules.

CITY OF MESA, ARIZONA

EXHIBIT B-2

REQUIRED SUPPLEMENTARY INFORMATION

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

AGENT PENSION PLANS

JUNE 30, 2016

(in thousands)

Public Safety Personnel Retirement System - Fire

	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2006
Total Pension Liability			Information not available
Service Cost	\$ 6,127	\$ 6,281	
Interest on the Total Pension Liability	23,086	20,708	
Changes of Benefit Terms	-	4,044	
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(3,518)	(6,961)	
Changes of Assumptions or Other Inputs	-	23,097	
Benefit Payments, Including Refunds of Employee Contributions	(17,323)	(16,309)	
Net Change in Total Pension Liability	8,372	30,860	
Total Pension Liability - Beginning	299,681	268,821	
Total Pension Liability - Ending (a)	308,053	299,681	
Plan Fiduciary Net Position			
Contributions - Employer	9,828	9,157	
Contributions - Employee	3,847	3,488	
Net Investment Income	5,878	19,840	
Benefit Payments, Including Refunds of Employee Contributions	(17,323)	(16,309)	
Administrative Expense	(144)	(160)	
Other Changes	45	(113)	
Net Change in Plan Fiduciary Net Position	2,131	15,903	
Plan Fiduciary Net Position - Beginning	161,964	146,061	
Plan Fiduciary Net Position - Ending (b)	164,095	161,964	
City's Net Pension Liability - Ending (a) - (b)	\$ 143,958	\$ 137,717	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.27%	54.05%	
Covered-Employee Payroll	\$ 31,661	\$ 30,782	
City's Net Pension Liability as a Percentage of Covered-Employee Payroll	454.69%	447.39%	

See accompanying notes to pension plan schedules.

CITY OF MESA, ARIZONA

EXHIBIT B-2 (concluded)

REQUIRED SUPPLEMENTARY INFORMATION

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

AGENT PENSION PLANS

JUNE 30, 2016

(in thousands)

Public Safety Personnel Retirement System - Police

	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2006
Total Pension Liability			Information not available
Service Cost	\$ 12,216	\$ 12,481	
Interest on the Total Pension Liability	41,908	36,514	
Changes of Benefit Terms	-	8,728	
Differences Between Expected and Actual Experience in the Measurement of the Pension Liability	(2,173)	(11,331)	
Changes of Assumptions or Other Inputs	-	51,228	
Benefit Payments, Including Refunds of Employee Contributions	(29,998)	(27,566)	
Net Change in Total Pension Liability	21,953	70,054	
Total Pension Liability - Beginning	542,745	472,691	
Total Pension Liability - Ending (a)	564,698	542,745	
Plan Fiduciary Net Position			
Contributions - Employer	19,680	17,443	
Contributions - Employee	7,613	6,784	
Net Investment Income	10,065	33,360	
Benefit Payments, Including Refunds of Employee Contributions	(29,998)	(27,566)	
Administrative Expense	(246)	(269)	
Other Changes	28	288	
Net Change in Plan Fiduciary Net Position	7,142	30,040	
Plan Fiduciary Net Position - Beginning	274,946	244,906	
Plan Fiduciary Net Position - Ending (b)	282,088	274,946	
City's Net Pension Liability - Ending (a) - (b)	<u>\$ 282,610</u>	<u>\$ 267,799</u>	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	49.95%	50.66%	
Covered-Employee Payroll	\$ 62,461	\$ 59,688	
City's Net Pension Liability as a Percentage of Covered-Employee Payroll	452.46%	448.66%	

See accompanying notes to pension plan schedules.

CITY OF MESA, ARIZONA

EXHIBIT B-3

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CITY PENSION CONTRIBUTIONS
 JUNE 30, 2016
 (in thousands)

Arizona State Retirement System

	Reporting Fiscal Year			2013 through 2006 Information not available
	2016	2015	2014	
Statutorily Required Contribution	\$ 16,955	\$ 16,146	\$ 15,750	Information not available
City's Contribution in Relation to the Statutorily Required Contribution	16,955	16,146	15,750	
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's Covered-Employee Payroll	\$ 155,868	\$ 151,154	\$ 147,402	
City's Contributions as a Percentage of Covered-Employee Payroll	10.88%	10.68%	10.68%	

Public Safety Personnel Retirement System - Fire

	Reporting Fiscal Year			2013 through 2006 Information not available
	2016	2015	2014	
Actuarially Determined Contribution	\$ 11,197	\$ 9,827	\$ 9,157	Information not available
City's Contribution in Relation to the Actuarially Determined Contribution	11,197	9,827	9,157	
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's Covered-Employee Payroll	\$ 32,796	\$ 31,661	\$ 30,782	
City's Contributions as a Percentage of Covered-Employee Payroll	34.14%	31.04%	29.75%	

Public Safety Personnel Retirement System - Police

	Reporting Fiscal Year			2013 through 2006 Information not available
	2016	2015	2014	
Actuarially Determined Contribution	\$ 21,697	\$ 19,680	\$ 17,443	Information not available
City's Contribution in Relation to the Actuarially Determined Contribution	21,697	19,680	17,443	
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's Covered-Employee Payroll	\$ 62,760	\$ 62,461	\$ 59,688	
City's Contributions as a Percentage of Covered-Employee Payroll	34.57%	31.51%	29.22%	

See accompanying notes to pension plan schedules.

CITY OF MESA, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO PENSION PLAN SCHEDULES
JUNE 30, 2016
(in thousands)

Actuarial 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	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-year smoothed market value; 20% corridor
Actuarial Assumptions:	
Investment Rate of Return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected Salary Increases	In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%
Wage Growth	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)

CITY OF MESA, ARIZONA

EXHIBIT B-4

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF AGENT OTHER POST-EMPLOYMENT BENEFITS PLAN'S FUNDING PROGRESS

JUNE 30, 2016

(in thousands)

Health Insurance Premium Benefit

Actuarial Valuation Date June 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) / c)
Fire						
2013	\$ -	\$ 7,331	\$ 7,331	0.0%	\$ 31,008	23.6%
2014	7,364	7,578	214	97.2%	30,782	0.7%
2015	7,727	7,702	(25)	100.3%	31,661	-0.1%
Police						
2013	\$ -	\$ 15,823	\$ 15,823	0.0%	\$ 60,096	26.3%
2014	10,193	16,585	6,392	61.5%	59,688	10.7%
2015	10,724	17,283	6,559	62.0%	62,461	10.5%

Note: Beginning in fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plan recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plan transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's Pension Fund to the new Health Insurance Fund.

CITY OF MESA, ARIZONA

EXHIBIT B-5

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF OTHER POST-EMPLOYMENT BENEFITS PLAN'S FUNDING PROGRESS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

Actuarial Valuation Date July 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Percent Funded (a / b)	Unfunded AAL (b - a)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b - a) / c)
2011	\$ -	\$ 992,016	0.0%	\$ 992,016	\$ 330,113	300.5%
2013	-	650,918	0.0%	650,918	360,860	180.4%
2015	-	639,563	0.0%	639,563	380,860	167.9%

CITY OF MESA, ARIZONA

EXHIBIT B-6

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

	Budgeted Amounts		Actual - Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Sales Taxes	\$ 101,807	\$ 101,807	\$ 95,334	\$ (6,473)
Occupancy Taxes	-	-	40	40
Licenses and Permits	16,489	16,489	17,580	1,091
Intergovernmental	120,070	120,070	118,775	(1,295)
Charges for Services	22,325	22,325	22,649	324
Fines and Forfeitures	7,548	7,548	8,795	1,247
Investment Income	146	146	235	89
Contributions	312	312	300	(12)
Miscellaneous Revenues	1,512	1,512	1,148	(364)
Total Revenues	<u>270,209</u>	<u>270,209</u>	<u>264,856</u>	<u>(5,353)</u>
Expenditures:				
Current:				
General Government	90,978	89,100	71,457	17,643
Public Safety	223,563	226,214	223,733	2,481
Community Environment	14,704	15,146	13,723	1,423
Cultural-Recreational	37,355	38,111	36,516	1,595
Capital Outlay	9,739	14,517	4,580	9,937
Total Expenditures	<u>376,339</u>	<u>383,088</u>	<u>350,009</u>	<u>33,079</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(106,130)	(112,879)	(85,153)	27,726
Other Financing Sources (Uses):				
Transfers In	121,789	121,789	101,863	(19,926)
Transfers Out	(27,751)	(36,511)	(8,618)	27,893
Total Other Financing Sources (Uses)	<u>94,038</u>	<u>85,278</u>	<u>93,245</u>	<u>7,967</u>
Net Change in Fund Balances	(12,092)	(27,601)	8,092	35,693
Fund Balance - Beginning	<u>55,652</u>	<u>55,652</u>	<u>43,297</u>	<u>(12,355)</u>
Fund Balance - Ending	<u>\$ 43,560</u>	<u>\$ 28,051</u>	<u>\$ 51,389</u>	<u>\$ 23,338</u>

See accompanying note to budgetary comparison schedule.

CITY OF MESA, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2016
(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, 2016 on the “GAAP basis” to the “budget basis” as follows:

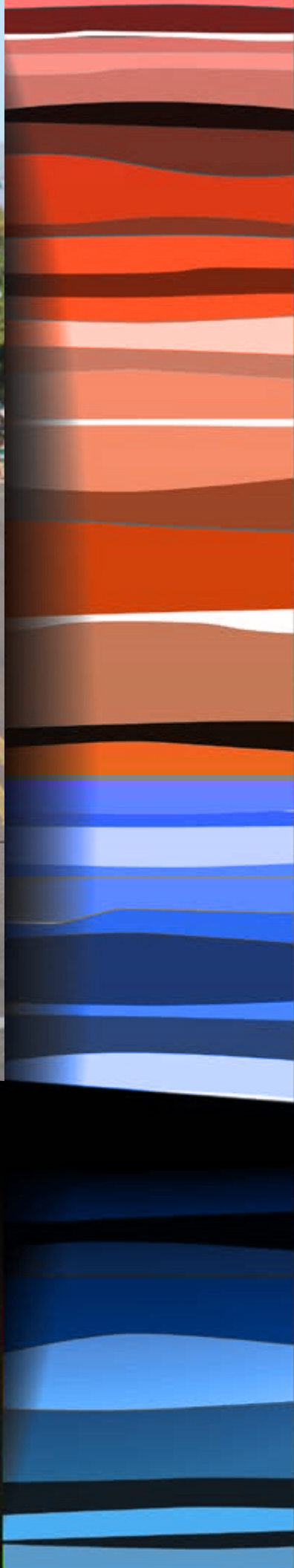
Net Change in Fund Balance-Budget Basis - Exhibit B-6	\$	8,092
Basis Differences:		
Compensated Absences		(194)
Sales Tax Accrual		8,782
Unrealized Gain on Investments		181
Net Change in Fund Balance-GAAP Basis - Exhibit A-5	\$	<u>16,861</u>





Combining Statements

Comprehensive Annual Financial Report
2016



NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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 Facility Districts which are paid from special assessments levied against the benefited properties.

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

General Capital Projects accounts for the costs of general City construction projects and for expenditures related to the acquisition of replacement vehicles for the City's governmental funds. The funds are provided through 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 Debt Service accumulates monies for the payment of Eastmark and other Community Facilities Districts Bonds that are issued to finance the costs of improvements which are to be paid from special assessments levied against the benefited properties.

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

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

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



CITY OF MESA, ARIZONA

EXHIBIT C-1

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2016

(in thousands)

Special Revenue Funds

	Cemetery	Community Facilities District	Development Impact Fees	Environmental Compliance
ASSETS				
Pooled Cash and Investments	\$ 6,779	\$ 54	\$ 4,927	\$ 9,931
Accounts Receivable, Net	73	62	-	7
Accrued Interest Receivable	14	-	3	7
Due from Other Governments	-	-	-	-
Prepaid Costs	-	-	-	-
Deposits	-	-	-	-
Restricted Assets:				
Pooled Cash and Investments	-	-	-	-
Cash with Fiscal Agent	-	-	-	-
Accounts Receivable	-	-	-	-
Due from Other Governments	-	-	-	-
Total Assets	<u>\$ 6,866</u>	<u>\$ 116</u>	<u>\$ 4,930</u>	<u>\$ 9,945</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ -	\$ 446
Advances from Other Funds	-	-	1,414	-
Customer and Defendant Deposits	-	-	-	-
Payable from Restricted Assets:				
Accrued Interest Payable	-	-	-	-
Unearned Revenue	-	94	-	-
Matured Bonds Payable	-	-	-	-
Total Liabilities	<u>-</u>	<u>94</u>	<u>1,414</u>	<u>446</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	3	-	-	5
Total Deferred Inflows of Resources	<u>3</u>	<u>-</u>	<u>-</u>	<u>5</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	22	3,516	-
Committed	6,863	-	-	9,494
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>6,863</u>	<u>22</u>	<u>3,516</u>	<u>9,494</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,866</u>	<u>\$ 116</u>	<u>\$ 4,930</u>	<u>\$ 9,945</u>

EXHIBIT C-1
(Continued)

Special Revenue Funds						Total 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	
\$ 5,161	\$ 11,916	\$ 1,344	\$ 1,489	\$ 802	\$41,252	\$ 83,655
92	-	-	176	1,830	2,454	4,694
2	2	3	-	1	44	76
3,617	3,250	-	1,360	-	-	8,227
5	-	-	-	-	69	74
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 8,877</u>	<u>\$ 15,168</u>	<u>\$ 1,347</u>	<u>\$ 3,025</u>	<u>\$ 2,633</u>	<u>\$43,819</u>	<u>\$ 96,726</u>
\$ 1,716	\$ 1,119	\$ 35	\$ 619	\$ -	\$ 3,880	\$ 7,815
-	-	-	-	-	-	1,414
-	-	-	-	-	5,960	5,960
-	-	-	-	-	-	-
515	-	59	1,742	-	-	2,410
-	-	-	-	-	-	-
<u>2,231</u>	<u>1,119</u>	<u>94</u>	<u>2,361</u>	<u>-</u>	<u>9,840</u>	<u>17,599</u>
73	-	-	-	-	141	222
<u>73</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141</u>	<u>222</u>
5	-	-	-	-	69	74
5,798	14,049	-	664	2,633	33,769	60,451
919	-	1,253	-	-	-	18,529
6	-	-	-	-	-	6
(155)	-	-	-	-	-	(155)
<u>6,573</u>	<u>14,049</u>	<u>1,253</u>	<u>664</u>	<u>2,633</u>	<u>33,838</u>	<u>78,905</u>
<u>\$ 8,877</u>	<u>\$ 15,168</u>	<u>\$ 1,347</u>	<u>\$ 3,025</u>	<u>\$ 2,633</u>	<u>\$43,819</u>	<u>\$ 96,726</u>

CITY OF MESA, ARIZONA

EXHIBIT C-1

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2016

(in thousands)

	Capital Projects Funds					Total Capital Projects Funds
	Community Facilities District	General Capital Projects	Parks	Public Safety	Streets	
ASSETS						
Pooled Cash and Investments	\$ -	\$ 8,157	\$7,681	\$4,769	\$14,703	\$ 35,310
Accounts Receivable, Net	-	-	-	-	-	-
Accrued Interest Receivable	-	-	-	-	-	-
Due from Other Governments	-	-	-	-	3,893	3,893
Prepaid Costs	-	3	-	-	-	3
Deposits	-	-	148	-	434	582
Restricted Assets:						
Pooled Cash and Investments	-	-	-	-	-	-
Cash with Fiscal Agent	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-
Due from Other Governments	-	-	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ 8,160</u>	<u>\$7,829</u>	<u>\$4,769</u>	<u>\$19,030</u>	<u>\$ 39,788</u>
LIABILITIES						
Accounts Payable and Accrued Liabilities	\$ -	\$ 724	\$ 928	\$2,017	\$ 2,752	\$ 6,421
Advances from Other Funds	-	-	-	-	-	-
Customer and Defendant Deposits	-	-	-	-	-	-
Payable from Restricted Assets:						
Accrued Interest Payable	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-
Matured Bonds Payable	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>724</u>	<u>928</u>	<u>2,017</u>	<u>2,752</u>	<u>6,421</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	-	3	-	-	-	3
Restricted	-	-	6,901	2,752	16,278	25,931
Committed	-	7,433	-	-	-	7,433
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances	<u>-</u>	<u>7,436</u>	<u>6,901</u>	<u>2,752</u>	<u>16,278</u>	<u>33,367</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ -</u>	<u>\$ 8,160</u>	<u>\$7,829</u>	<u>\$4,769</u>	<u>\$19,030</u>	<u>\$ 39,788</u>

EXHIBIT C-1
(Concluded)

Debt Service Funds				Total Debt Service Funds	Total Nonmajor Governmental Funds
Community Facilities District	General Obligation Bonds	Highway User Revenue Bonds	Special Assessment Bonds		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,965
-	-	-	-	-	4,694
-	1	-	-	1	77
-	-	-	-	-	12,120
-	-	-	-	-	77
-	-	-	-	-	582
829	2,087	37	49	3,002	3,002
934	26,823	9,812	10	37,579	37,579
9,610	95	-	1,911	11,616	11,616
-	907	-	-	907	907
<u>\$ 11,373</u>	<u>\$ 29,913</u>	<u>\$ 9,849</u>	<u>\$ 1,970</u>	<u>\$53,105</u>	<u>\$ 189,619</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,236
-	-	-	-	-	1,414
-	-	-	-	-	5,960
461	5,943	2,422	59	8,885	8,885
-	-	-	-	-	2,410
473	20,880	7,390	-	28,743	28,743
<u>934</u>	<u>26,823</u>	<u>9,812</u>	<u>59</u>	<u>37,628</u>	<u>61,648</u>
9,604	472	-	1,911	11,987	12,209
<u>9,604</u>	<u>472</u>	<u>-</u>	<u>1,911</u>	<u>11,987</u>	<u>12,209</u>
-	-	-	-	-	77
835	-	37	-	872	87,254
-	2,618	-	-	2,618	28,580
-	-	-	-	-	6
-	-	-	-	-	(155)
<u>835</u>	<u>2,618</u>	<u>37</u>	<u>-</u>	<u>3,490</u>	<u>115,762</u>
<u>\$ 11,373</u>	<u>\$ 29,913</u>	<u>\$ 9,849</u>	<u>\$ 1,970</u>	<u>\$53,105</u>	<u>\$ 189,619</u>

CITY OF MESA, ARIZONA

EXHIBIT C-2

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

	Special Revenue Funds			
	Cemetery	Community Facilities District	Development Impact Fees	Environmental Compliance
Revenues:				
Sales Taxes	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	53	-	-
Occupancy Taxes	-	-	-	-
Special Assessments	-	-	-	-
Licenses and Permits	-	-	4,941	-
Intergovernmental	-	-	-	152
Charges for Services	95	-	-	15,066
Fines and Forfeitures	-	-	-	-
Investment Income	121	-	70	76
Contributions	-	84	-	-
Miscellaneous Revenues	-	-	-	-
Total Revenues	<u>216</u>	<u>137</u>	<u>5,011</u>	<u>15,294</u>
Expenditures:				
Current:				
General Government	-	78	-	911
Public Safety	-	-	-	80
Community Environment	-	-	-	3,990
Cultural-Recreational	-	-	-	6,285
Debt Service:				
Principal Retirement	-	-	-	-
Interest on Bonds	-	-	-	-
Service Charges	-	3	-	-
Cost of Issuance	-	-	-	-
Capital Outlay	-	-	1	1,694
Total Expenditures	<u>-</u>	<u>81</u>	<u>1</u>	<u>12,960</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>216</u>	<u>56</u>	<u>5,010</u>	<u>2,334</u>
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Transfers Out	-	(32)	(2,855)	-
Face Amount of Bonds Issued	-	-	-	-
Premium on Issuance of Bonds (Net)	-	-	-	-
Issuance of Refunding Bonds	-	-	-	-
Payment to Refunding Bond Escrow Agent	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(32)</u>	<u>(2,855)</u>	<u>-</u>
Net Change in Fund Balances	216	24	2,155	2,334
Fund Balances - Beginning	<u>6,647</u>	<u>(2)</u>	<u>1,361</u>	<u>7,160</u>
Fund Balances - Ending	<u>\$ 6,863</u>	<u>\$ 22</u>	<u>\$ 3,516</u>	<u>\$ 9,494</u>

EXHIBIT C-2
(Continued)

Special Revenue Funds						Total 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	
\$ -	\$ -	\$ -	\$ -	\$ 21,693	\$ 26,017	\$ 47,710
-	-	-	-	-	-	53
2,291	-	-	-	-	-	2,291
-	-	-	-	-	-	-
492	-	-	-	90	151	5,674
11,690	35,403	2	16,319	-	152	63,718
15	10	-	1	-	342	15,529
1,051	-	560	-	-	-	1,611
27	14	30	61	31	587	1,017
196	-	-	-	-	-	280
1,620	5	-	-	-	699	2,324
<u>17,382</u>	<u>35,432</u>	<u>592</u>	<u>16,381</u>	<u>21,814</u>	<u>27,948</u>	<u>140,207</u>
2,692	-	-	-	-	4,116	7,797
7,845	-	-	266	22,258	346	30,795
175	18,130	-	15,655	-	13,886	51,836
850	-	-	-	-	-	7,135
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	3
-	-	-	-	-	-	-
5,821	1,097	538	357	-	14,611	24,119
<u>17,383</u>	<u>19,227</u>	<u>538</u>	<u>16,278</u>	<u>22,258</u>	<u>32,959</u>	<u>121,685</u>
<u>(1)</u>	<u>16,205</u>	<u>54</u>	<u>103</u>	<u>(444)</u>	<u>(5,011)</u>	<u>18,522</u>
18	-	-	-	-	-	18
(538)	(12,238)	-	-	-	-	(15,663)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>(520)</u>	<u>(12,238)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,645)</u>
(521)	3,967	54	103	(444)	(5,011)	2,877
7,094	10,082	1,199	561	3,077	38,849	76,028
<u>\$ 6,573</u>	<u>\$ 14,049</u>	<u>\$ 1,253</u>	<u>\$ 664</u>	<u>\$ 2,633</u>	<u>\$ 33,838</u>	<u>\$ 78,905</u>

CITY OF MESA, ARIZONA

EXHIBIT C-2

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(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	-	-	-	-	165	165
Charges for Services	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-
Investment Income	-	-	-	-	-	-
Contributions	217	-	-	-	-	217
Miscellaneous Revenues	-	522	-	-	-	522
Total Revenues	<u>217</u>	<u>522</u>	<u>-</u>	<u>-</u>	<u>165</u>	<u>904</u>
Expenditures:						
Current:						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Community Environment	-	-	-	-	-	-
Cultural-Recreational	-	-	-	-	-	-
Debt Service:						
Principal Retirement	44	-	-	-	-	44
Interest on Bonds	-	-	-	-	-	-
Service Charges	-	-	-	-	-	-
Cost of Issuance	626	-	27	288	120	1,061
Capital Outlay	<u>8,210</u>	<u>9,026</u>	<u>4,335</u>	<u>27,967</u>	<u>13,547</u>	<u>63,085</u>
Total Expenditures	<u>8,880</u>	<u>9,026</u>	<u>4,362</u>	<u>28,255</u>	<u>13,667</u>	<u>64,190</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,663)</u>	<u>(8,504)</u>	<u>(4,362)</u>	<u>(28,255)</u>	<u>(13,502)</u>	<u>(63,286)</u>
Other Financing Sources (Uses):						
Transfers In	-	5,456	-	-	-	5,456
Transfers Out	(17)	-	-	-	-	(17)
Face Amount of Bonds Issued	8,685	-	2,310	24,950	10,440	46,385
Premium on Issuance of Bonds (Net)	-	-	63	676	283	1,022
Issuance of Refunding Bonds	-	-	-	-	-	-
Payment to Refunding Bond Agent	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>8,668</u>	<u>5,456</u>	<u>2,373</u>	<u>25,626</u>	<u>10,723</u>	<u>52,846</u>
Net Change in Fund Balances	5	(3,048)	(1,989)	(2,629)	(2,779)	(10,440)
Fund Balances - Beginning	<u>(5)</u>	<u>10,484</u>	<u>8,890</u>	<u>5,381</u>	<u>19,057</u>	<u>43,807</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 7,436</u>	<u>\$ 6,901</u>	<u>\$ 2,752</u>	<u>\$ 16,278</u>	<u>\$ 33,367</u>

EXHIBIT C-2
(Concluded)

Debt Service Funds					
Community Facilities District	General Obligation Bonds	Highway User Revenue Bonds	Special Assessment Bonds	Total Debt Service Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,710
677	34,035	-	-	34,712	34,765
-	-	-	-	-	2,291
643	-	-	790	1,433	1,433
-	-	-	-	-	5,674
-	559	-	-	559	64,442
-	-	-	-	-	15,529
-	643	-	-	643	2,254
-	4	-	-	4	1,021
-	164	-	-	164	661
-	-	-	-	-	2,846
<u>1,320</u>	<u>35,405</u>	<u>-</u>	<u>790</u>	<u>37,515</u>	<u>178,626</u>
-	-	-	-	-	7,797
-	-	-	-	-	30,795
-	-	-	-	-	51,836
-	-	-	-	-	7,135
489	20,880	7,390	745	29,504	29,548
832	12,767	4,844	138	18,581	18,581
-	7	4	-	11	14
-	444	-	-	444	1,505
-	-	-	-	-	87,204
<u>1,321</u>	<u>34,098</u>	<u>12,238</u>	<u>883</u>	<u>48,540</u>	<u>234,415</u>
<u>(1)</u>	<u>1,307</u>	<u>(12,238)</u>	<u>(93)</u>	<u>(11,025)</u>	<u>(55,789)</u>
49	2,855	12,238	93	15,235	20,709
-	-	-	-	-	(15,680)
145	-	-	-	145	46,530
-	1,261	-	-	1,261	2,283
-	43,304	-	-	43,304	43,304
-	(49,693)	-	-	(49,693)	(49,693)
<u>194</u>	<u>(2,273)</u>	<u>12,238</u>	<u>93</u>	<u>10,252</u>	<u>47,453</u>
193	(966)	-	-	(773)	(8,336)
642	3,584	37	-	4,263	124,098
<u>\$ 835</u>	<u>\$ 2,618</u>	<u>\$ 37</u>	<u>\$ -</u>	<u>\$ 3,490</u>	<u>\$ 115,762</u>

INTERNAL SERVICE FUNDS

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

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

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

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

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

CITY OF MESA, ARIZONA
EXHIBIT C-3
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016
(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	\$ 737	\$ 9,643	\$ 8,614	\$ 46,356	\$ 65,350
Accounts Receivable	288	-	-	23	311
Accrued Premiums Receivable	-	-	-	159	159
Accrued Interest Receivable	-	15	8	74	97
Due from Other Governments	5	-	-	-	5
Inventory	5,897	-	-	-	5,897
Prepaid Costs	7	517	209	13	746
Deposits	-	-	-	69	69
Total Current Assets	<u>6,934</u>	<u>10,175</u>	<u>8,831</u>	<u>46,694</u>	<u>72,634</u>
Noncurrent Assets:					
Capital Assets, Not Being Depreciated	66	-	-	14	80
Capital Assets, Being Depreciated, Net	<u>1,407</u>	<u>-</u>	<u>-</u>	<u>444</u>	<u>1,851</u>
Total Noncurrent Assets	<u>1,473</u>	<u>-</u>	<u>-</u>	<u>458</u>	<u>1,931</u>
Total Assets	<u>8,407</u>	<u>10,175</u>	<u>8,831</u>	<u>47,152</u>	<u>74,565</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows Related to Pensions	<u>857</u>	<u>122</u>	<u>49</u>	<u>122</u>	<u>1,150</u>
Total Deferred Outflows of Resources	<u>857</u>	<u>122</u>	<u>49</u>	<u>122</u>	<u>1,150</u>
Total Assets and Deferred Outflows of Resources	<u>9,264</u>	<u>10,297</u>	<u>8,880</u>	<u>47,274</u>	<u>75,715</u>
LIABILITIES					
Current Liabilities					
Accounts Payable and Accrued Liabilities	573	30	33	1,782	2,418
Estimated Claims Incurred-Not Reported	-	1,946	9,153	2,696	13,795
Estimated Claims Incurred and Pending	-	10,653	14,000	-	24,653
Current Portion of Compensated Absences	<u>40</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40</u>
Total Current Liabilities	<u>613</u>	<u>12,629</u>	<u>23,186</u>	<u>4,478</u>	<u>40,906</u>
Long-Term Liabilities					
Compensated Absences	617	-	-	-	617
Net Pension Liability	8,937	1,277	511	1,277	12,002
Post Employment Benefits	<u>7,909</u>	<u>1,001</u>	<u>417</u>	<u>1,059</u>	<u>10,386</u>
Total Long-Term Liabilities	<u>17,463</u>	<u>2,278</u>	<u>928</u>	<u>2,336</u>	<u>23,005</u>
Total Liabilities	<u>18,076</u>	<u>14,907</u>	<u>24,114</u>	<u>6,814</u>	<u>63,911</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows Related to Pensions	<u>876</u>	<u>125</u>	<u>50</u>	<u>125</u>	<u>1,176</u>
Total Deferred Inflows of Resources	<u>876</u>	<u>125</u>	<u>50</u>	<u>125</u>	<u>1,176</u>
NET POSITION					
Net Investment in Capital Assets	1,473	-	-	458	1,931
Unrestricted	<u>(11,161)</u>	<u>(4,735)</u>	<u>(15,284)</u>	<u>39,877</u>	<u>8,697</u>
Total Net Position	<u>\$ (9,688)</u>	<u>\$ (4,735)</u>	<u>\$ (15,284)</u>	<u>\$ 40,335</u>	<u>\$ 10,628</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, 2016
(in thousands)

	Warehouse, Maintenance and Services	Property and Public Liability Self Insurance	Workers' Compensation Self Insurance	Employee Benefits Self Insurance	Total
Operating Revenues:					
Charges For Services:					
Warehouse	\$ 6,472	\$ -	\$ -	\$ -	\$ 6,472
Fleet Support Services	17,939	-	-	-	17,939
Printing and Graphics	920	-	-	-	920
Self-Insurance Contributions:					
Employee	-	-	-	14,287	14,287
City	-	2,892	4,210	52,453	59,555
State Retirement System	-	-	-	4,192	4,192
Other	-	-	213	544	757
Total Operating Revenues	<u>25,331</u>	<u>2,892</u>	<u>4,423</u>	<u>71,476</u>	<u>104,122</u>
Operating Expenses:					
Warehouse	6,292	-	-	-	6,292
Fleet Support Services	17,951	-	-	-	17,951
Printing and Graphics	1,218	-	-	-	1,218
Administrative Costs	-	1,145	979	7,199	9,323
Claims and Premiums Paid	-	4,798	2,988	68,903	76,689
Total Operating Expenses	<u>25,461</u>	<u>5,943</u>	<u>3,967</u>	<u>76,102</u>	<u>111,473</u>
Operating Income (Loss) Before Depreciation	(130)	(3,051)	456	(4,626)	(7,351)
Depreciation	<u>(315)</u>	<u>-</u>	<u>-</u>	<u>(194)</u>	<u>(509)</u>
Operating Income (Loss)	<u>(445)</u>	<u>(3,051)</u>	<u>456</u>	<u>(4,820)</u>	<u>(7,860)</u>
Nonoperating Revenues (Expense):					
Investment Income	-	125	48	554	727
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>125</u>	<u>48</u>	<u>554</u>	<u>727</u>
Income (Loss) Before Capital Contributions	(445)	(2,926)	504	(4,266)	(7,133)
Capital Contributions	167	-	-	-	167
Transfers In	2,953	-	-	-	2,953
Transfers Out	<u>(670)</u>	<u>(927)</u>	<u>(374)</u>	<u>(982)</u>	<u>(2,953)</u>
Change in Net Position	2,005	(3,853)	130	(5,248)	(6,966)
Total Net Position - Beginning	<u>(11,693)</u>	<u>(882)</u>	<u>(15,414)</u>	<u>45,583</u>	<u>17,594</u>
Total Net Position - Ending	<u>\$ (9,688)</u>	<u>\$ (4,735)</u>	<u>\$ (15,284)</u>	<u>\$ 40,335</u>	<u>\$ 10,628</u>

CITY OF MESA, ARIZONA
EXHIBIT C-5
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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	\$ 25,225	\$ 2,892	\$ 4,423	\$ 72,249	\$ 104,789
Cash Payments to Suppliers	(17,685)	(1,061)	(3,708)	(75,517)	(97,971)
Cash Payments to Employees	(9,891)	(917)	(431)	(927)	(12,166)
Net Cash Provided by (Used For) Operating Activities	(2,351)	914	284	(4,195)	(5,348)
Cash Flows From Noncapital Financing Activities:					
Operating Transfers-In From Other Funds	2,283	(927)	(374)	(982)	-
Net Cash Provided By (Used For) Noncapital Financing Activities	2,283	(927)	(374)	(982)	-
Cash Flows from Capital and Related Financing Activities:					
Acquisition and Construction of Capital Assets	(17)	-	-	(131)	(148)
Net Cash Provided By (Used For) Capital and Related Financing Activities	(17)	-	-	(131)	(148)
Cash Flows from Investing Activities:					
Interest Received on Investments	-	123	46	541	710
Net Cash Provided by Investing Activities	-	123	46	541	710
Net Change in Cash and Cash Equivalents	(85)	110	(44)	(4,767)	(4,786)
Pooled Cash and Investments at Beginning of Year	822	9,533	8,658	51,123	70,136
Pooled Cash and Investments at End of Year	<u>\$ 737</u>	<u>\$ 9,643</u>	<u>\$ 8,614</u>	<u>\$ 46,356</u>	<u>\$ 65,350</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating Income (Loss)	\$ (445)	\$ (3,051)	\$ 456	\$ (4,820)	\$ (7,860)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation	315	-	-	194	509
Changes in Assets and Liabilities:					
(Increase)/Decrease in Receivables	(106)	-	-	13	(93)
(Increase)/Decrease in Inventory	95	-	-	-	95
(Increase)/Decrease in Deposits and Prepaid Costs	-	(21)	13	(21)	(29)
(Decrease)/Increase in Accounts Payable	(416)	14	(75)	(564)	(1,041)
(Decrease)/Increase in Pension Liability	(79)	(4)	(15)	(14)	(112)
(Decrease)/Increase in Other Accrued Expenses	(1,715)	3,976	(95)	1,017	3,183
Total Adjustments	(1,906)	3,965	(172)	625	2,512
Net Cash Provided by (Used for) Operating Activities	<u>\$ (2,351)</u>	<u>\$ 914</u>	<u>\$ 284</u>	<u>\$ (4,195)</u>	<u>\$ (5,348)</u>
Noncash Transactions Affecting Financial Position:					
Contributions of Capital Assets	\$ 167	\$ -	\$ -	\$ -	\$ 167

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

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
PAYROLL AGENCY FUND				
Assets:				
Pooled Cash and Investments	\$ 14,269	\$ 637,457	\$ 641,490	\$ 10,236
Due from Others	2	58	54	6
Total Assets	<u>\$ 14,271</u>	<u>\$ 637,515</u>	<u>\$ 641,544</u>	<u>\$ 10,242</u>
Liabilities:				
Accounts Payable	\$ 98	\$ 330,323	\$ 329,086	\$ 1,335
Accrued Payroll Payable	14,173	413,486	418,752	8,907
Total Liabilities	<u>\$ 14,271</u>	<u>\$ 743,809</u>	<u>\$ 747,838</u>	<u>\$ 10,242</u>





Supplemental Information

Comprehensive Annual Financial Report
2016

CITY OF MESA, ARIZONA

EXHIBIT D-1

SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

COMMUNITY FACILITIES DISTRICT SPECIAL REVENUE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues:				
Property Taxes	\$ 60	\$ 60	\$ 53	\$ (7)
Contributions	88	88	84	(4)
Total Revenues	<u>148</u>	<u>148</u>	<u>137</u>	<u>(11)</u>
Expenditures:				
Current:				
General Government	148	145	78	67
Debt Service:				
Service Charges	-	3	3	-
Total Expenditures	<u>148</u>	<u>148</u>	<u>81</u>	<u>67</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>56</u>	<u>56</u>
Other Financing Uses:				
Transfers Out	-	(36)	(32)	4
Total Other Financing Uses	<u>-</u>	<u>(36)</u>	<u>(32)</u>	<u>4</u>
Net Change in Fund Balances	-	(36)	24	60
Fund Balance - Beginning	<u>51</u>	<u>51</u>	<u>(2)</u>	<u>(53)</u>
Fund Balance - Ending	<u>\$ 51</u>	<u>\$ 15</u>	<u>\$ 22</u>	<u>\$ 7</u>

CITY OF MESA, ARIZONA

EXHIBIT D-2

SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

ENVIRONMENTAL COMPLIANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 152	\$ 152
Charges for Services	14,800	14,800	15,066	266
Investment Income	2	2	76	74
Total Revenues	<u>14,802</u>	<u>14,802</u>	<u>15,294</u>	<u>492</u>
Expenditures:				
Current:				
General Government	1,142	1,144	911	233
Public Safety	2,010	82	80	2
Community Environment	4,599	4,940	3,990	950
Cultural-Recreational	6,356	6,359	6,285	74
Capital Outlay	2,941	4,881	1,694	3,187
Total Expenditures	<u>17,048</u>	<u>17,406</u>	<u>12,960</u>	<u>4,446</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,246)</u>	<u>(2,604)</u>	<u>2,334</u>	<u>4,938</u>
Net Change in Fund Balances	(2,246)	(2,604)	2,334	4,938
Fund Balances - Beginning	<u>3,435</u>	<u>3,435</u>	<u>7,160</u>	<u>3,725</u>
Fund Balance - Ending	<u>\$ 1,189</u>	<u>\$ 831</u>	<u>\$ 9,494</u>	<u>\$ 8,663</u>

CITY OF MESA, ARIZONA

EXHIBIT D-3

SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

GRANTS AND SPECIAL PROGRAMS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues:				
Occupancy Taxes	\$ 1,739	\$ 1,739	\$ 2,291	\$ 552
Licenses and Permits	-	-	492	492
Intergovernmental	23,421	23,421	11,690	(11,731)
Charges for Services	64	64	15	(49)
Fines and Forfeitures	1,095	1,095	1,051	(44)
Investment Income	-	-	27	27
Contributions	194	194	196	2
Miscellaneous Revenues	2,246	2,246	1,620	(626)
Total Revenues	<u>28,759</u>	<u>28,759</u>	<u>17,382</u>	<u>(11,377)</u>
Expenditures:				
Current:				
General Government	2,072	3,144	2,692	452
Public Safety	13,667	13,523	7,845	5,678
Community Environment	133	607	175	432
Cultural-Recreational	1,013	1,182	850	332
Capital Outlay	13,862	14,617	5,821	8,796
Total Expenditures	<u>30,747</u>	<u>33,073</u>	<u>17,383</u>	<u>15,690</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,988)	(4,314)	(1)	4,313
Other Financing Sources (Uses):				
Transfers In	-	-	18	18
Transfers Out	-	-	(538)	(538)
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>(520)</u>	<u>(520)</u>
Net Change in Fund Balances	(1,988)	(4,314)	(521)	3,793
Fund Balances - Beginning	<u>2,266</u>	<u>2,266</u>	<u>7,094</u>	<u>4,828</u>
Fund Balance - Ending	<u>\$ 278</u>	<u>\$ (2,048)</u>	<u>\$ 6,573</u>	<u>\$ 8,621</u>

CITY OF MESA, ARIZONA

EXHIBIT D-4

SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

HIGHWAY USER REVENUE

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Intergovernmental	\$ 34,281	\$ 34,281	\$ 35,403	\$ 1,122
Charges for Services	-	-	10	10
Investment Income	-	-	14	14
Miscellaneous Revenues	-	-	5	5
Total Revenues	<u>34,281</u>	<u>34,281</u>	<u>35,432</u>	<u>1,151</u>
Expenditures:				
Current:				
Community Environment	21,455	19,068	18,130	938
Capital Outlay	591	2,760	1,097	1,663
Total Expenditures	<u>22,046</u>	<u>21,828</u>	<u>19,227</u>	<u>2,601</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>12,235</u>	<u>12,453</u>	<u>16,205</u>	<u>3,752</u>
Other Financing Uses:				
Transfers Out	(12,235)	(12,239)	(12,238)	1
Total Other Financing Uses	<u>(12,235)</u>	<u>(12,239)</u>	<u>(12,238)</u>	<u>1</u>
Net Change in Fund Balances	-	214	3,967	3,753
Fund Balances - Beginning	<u>-</u>	<u>-</u>	<u>10,082</u>	<u>10,082</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ 214</u>	<u>\$ 14,049</u>	<u>\$ 13,835</u>

CITY OF MESA, ARIZONA

EXHIBIT D-5

SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

MESA HOUSING AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Intergovernmental	\$ 26,831	\$ 26,831	\$ 16,319	\$ (10,512)
Charges for Services	-	-	1	1
Investment Income	3	3	61	58
Total Revenues	<u>26,834</u>	<u>26,834</u>	<u>16,381</u>	<u>(10,453)</u>
Expenditures:				
Current:				
General Government	22	22	-	22
Public Safety	154	367	266	101
Community Environment	26,778	25,381	15,655	9,726
Capital Outlay	696	700	357	343
Total Expenditures	<u>27,650</u>	<u>26,470</u>	<u>16,278</u>	<u>10,192</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(816)</u>	<u>364</u>	<u>103</u>	<u>(261)</u>
Net Change in Fund Balances	(816)	364	103	(261)
Fund Balances - Beginning	<u>4,086</u>	<u>4,086</u>	<u>561</u>	<u>(3,525)</u>
Fund Balance - Ending	<u>\$ 3,270</u>	<u>\$ 4,450</u>	<u>\$ 664</u>	<u>\$ (3,786)</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, 2016

(in thousands)

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues:				
Sales Taxes	\$ 21,210	\$ 21,210	\$ 21,693	\$ 483
Licenses and Permits	-	-	90	90
Investment Income	-	-	31	31
Total Revenues	<u>21,210</u>	<u>21,210</u>	<u>21,814</u>	<u>604</u>
Expenditures:				
Current:				
Public Safety	<u>21,210</u>	<u>22,258</u>	<u>22,258</u>	<u>-</u>
Total Expenditures	<u>21,210</u>	<u>22,258</u>	<u>22,258</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(1,048)</u>	<u>(444)</u>	<u>604</u>
Net Change in Fund Balances	-	(1,048)	(444)	604
Fund Balances - Beginning	<u>-</u>	<u>-</u>	<u>3,077</u>	<u>3,077</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ (1,048)</u>	<u>\$ 2,633</u>	<u>\$ 3,681</u>

CITY OF MESA, ARIZONA

EXHIBIT D-7

SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

STREET SALES TAX

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues:				
Sales Taxes	\$ 25,452	\$ 25,452	\$ 26,017	\$ 565
Licenses and Permits	289	289	151	(138)
Intergovernmental	-	-	152	152
Charges for Services	130	130	342	212
Fines and Forfeitures	206	206	-	(206)
Investment Income	71	71	587	516
Miscellaneous Revenues	2	2	699	697
Total Revenues	<u>26,150</u>	<u>26,150</u>	<u>27,948</u>	<u>1,798</u>
Expenditures:				
Current:				
General Government	3,011	3,271	4,116	(845)
Public Safety	341	352	346	6
Community Environment	17,782	17,300	13,886	3,414
Capital Outlay	20,039	21,795	14,611	7,184
Total Expenditures	<u>41,173</u>	<u>42,718</u>	<u>32,959</u>	<u>9,759</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(15,023)</u>	<u>(16,568)</u>	<u>(5,011)</u>	<u>11,557</u>
Net Change in Fund Balances	(15,023)	(16,568)	(5,011)	11,557
Fund Balances - Beginning	<u>33,577</u>	<u>33,577</u>	<u>38,849</u>	<u>5,272</u>
Fund Balance - Ending	<u>\$ 18,554</u>	<u>\$ 17,009</u>	<u>\$ 33,838</u>	<u>\$ 16,829</u>

CITY OF MESA, ARIZONA

EXHIBIT D-8

SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

COMMUNITY FACILITIES DISTRICT CAPITAL PROJECTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Contributions	\$ -	\$ -	\$ 217	\$ 217
Total Revenues	-	-	217	217
Expenditures:				
Current:				
General Government	3,012	2,938	-	2,938
Debt Service:				
Principal Retirement	-	-	44	(44)
Cost of Issuance	900	1,025	626	399
Capital Outlay	20,500	20,375	8,210	12,165
Total Expenditures	24,412	24,338	8,880	15,458
Excess (Deficiency) of Revenues Over (Under) Expenditures	(24,412)	(24,338)	(8,663)	15,675
Other Financing Sources (Uses):				
Transfers Out	-	(19)	(17)	(2)
Face Amount of Bonds Issued	24,412	24,412	8,685	15,727
Total Other Financing Uses	24,412	24,393	8,668	15,725
Net Change in Fund Balances	-	55	5	(50)
Fund Balances - Beginning	26	26	(5)	(31)
Fund Balance - Ending	\$ 26	\$ 81	\$ -	\$ (81)

CITY OF MESA, ARIZONA

EXHIBIT D-9

SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL CAPITAL PROJECTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues:				
Miscellaneous Revenues	\$ 849	\$ 849	\$ 522	\$ (327)
Total Revenues	<u>849</u>	<u>849</u>	<u>522</u>	<u>(327)</u>
Expenditures:				
Current:				
General Government	705	697	-	697
Cultural-Recreational	1,250	1,245	-	1,245
Capital Outlay	<u>17,292</u>	<u>22,380</u>	<u>9,026</u>	<u>13,354</u>
Total Expenditures	<u>19,247</u>	<u>24,322</u>	<u>9,026</u>	<u>15,296</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(18,398)</u>	<u>(23,473)</u>	<u>(8,504)</u>	<u>14,969</u>
Other Financing Sources (Uses):				
Transfers In	<u>8,259</u>	<u>8,259</u>	<u>5,456</u>	<u>2,803</u>
Total Other Financing Uses	<u>8,259</u>	<u>8,259</u>	<u>5,456</u>	<u>2,803</u>
Net Change in Fund Balances	(10,139)	(15,214)	(3,048)	12,166
Fund Balances - Beginning	<u>11,329</u>	<u>11,329</u>	<u>10,484</u>	<u>(845)</u>
Fund Balance - Ending	<u>\$ 1,190</u>	<u>\$ (3,885)</u>	<u>\$ 7,436</u>	<u>\$ 11,321</u>

CITY OF MESA, ARIZONA

EXHIBIT D-10

SUPPLEMENTAL INFORMATION

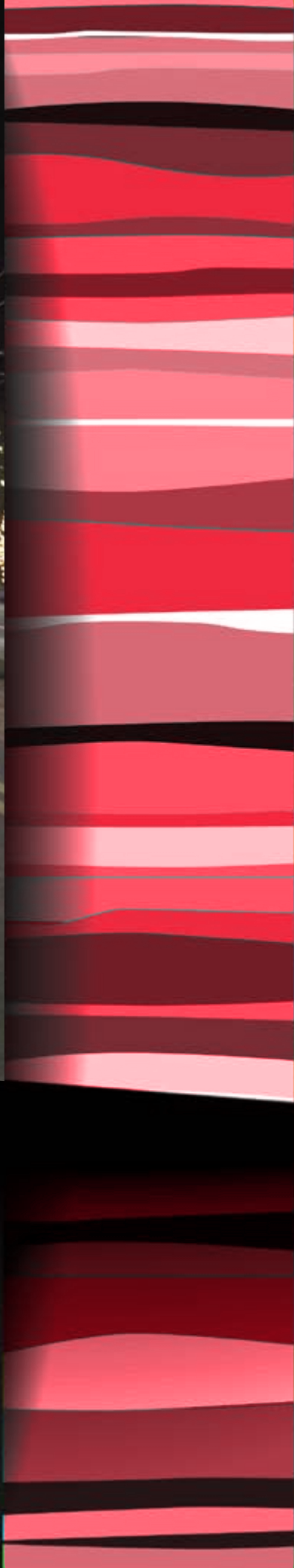
BUDGETARY COMPARISON SCHEDULE

STREETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(in thousands)

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues:				
Intergovernmental	\$ 19,126	\$ 19,126	\$ 165	\$ (18,961)
Total Revenues	<u>19,126</u>	<u>19,126</u>	<u>165</u>	<u>(18,961)</u>
Expenditures:				
Debt Service:				
Cost of Issuance	-	135	120	15
Capital Outlay	<u>43,833</u>	<u>43,783</u>	<u>13,547</u>	<u>30,236</u>
Total Expenditures	<u>43,833</u>	<u>43,918</u>	<u>13,667</u>	<u>30,251</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(24,707)</u>	<u>(24,792)</u>	<u>(13,502)</u>	<u>11,290</u>
Other Financing Sources (Uses):				
Face Amount of Bonds Issued	24,299	24,299	10,440	13,859
Premium on Issuance of Bonds (Net)	<u>-</u>	<u>-</u>	<u>283</u>	<u>(283)</u>
Total Other Financing Uses	<u>24,299</u>	<u>24,299</u>	<u>10,723</u>	<u>13,576</u>
Net Change in Fund Balances	(408)	(493)	(2,779)	(2,286)
Fund Balances - Beginning	<u>24,855</u>	<u>24,855</u>	<u>19,057</u>	<u>(5,798)</u>
Fund Balance - Ending	<u>\$ 24,447</u>	<u>\$ 24,362</u>	<u>\$ 16,278</u>	<u>\$ (8,084)</u>



Statistical Section

Comprehensive Annual Financial Report
2016

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.	126
Revenue Capacity These schedules contain information to help readers assess the City's most significant local revenue source, the sales tax.	138
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.	141
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.	149
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.	151

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

CITY OF MESA, ARIZONA

TABLE I

NET POSITION BY COMPONENTS

LAST TEN FISCAL YEARS

(accrual basis of accounting)

(in thousands)

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
GOVERNMENTAL ACTIVITIES				
Net Investment in Capital Assets	\$ 791,592	\$ 794,720	\$ 791,523	\$ 844,777
Restricted	95,107	86,252	92,533	86,955
Unrestricted	<u>128,548</u>	<u>125,128</u>	<u>91,363</u>	<u>3,651</u>
Total Governmental Activities Net Position	<u>\$ 1,015,247</u>	<u>\$ 1,006,100</u>	<u>\$ 975,419</u>	<u>\$ 935,383</u>
BUSINESS-TYPE ACTIVITIES				
Net Investment in Capital Assets	\$ 366,498	\$ 410,074	\$ 413,944	\$ 434,814
Restricted	96,756	94,133	82,697	47,011
Unrestricted	<u>308,375</u>	<u>308,216</u>	<u>278,892</u>	<u>271,706</u>
Total Business-type Activities	<u>\$ 771,629</u>	<u>\$ 812,423</u>	<u>\$ 775,533</u>	<u>\$ 753,531</u>
PRIMARY GOVERNMENT				
Net Investment in Capital Assets	\$ 1,158,090	\$ 1,204,794	\$ 1,205,467	\$ 1,279,591
Restricted	191,863	180,385	175,230	133,966
Unrestricted	<u>436,923</u>	<u>433,344</u>	<u>370,255</u>	<u>275,357</u>
Total Primary Government	<u>\$ 1,786,876</u>	<u>\$ 1,818,523</u>	<u>\$ 1,750,952</u>	<u>\$ 1,688,914</u>

TABLE I
(Concluded)

2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
\$ 872,302	\$ 913,702	\$ 902,397	\$ 866,332	\$ 932,660	\$ 965,148
39,296	41,257	56,719	60,555	72,170	81,941
(6,376)	(96,986)	(184,355)	(120,803)	(666,758)	(666,986)
<u>\$ 905,222</u>	<u>\$ 857,973</u>	<u>\$ 774,761</u>	<u>\$ 806,084</u>	<u>\$ 338,072</u>	<u>\$ 380,103</u>
\$ 430,436	\$ 412,016	\$ 346,352	\$ 393,720	\$ 327,743	\$ 302,521
55,873	69,739	37,795	43,023	47,576	49,139
258,131	254,189	271,619	178,702	160,934	158,756
<u>\$ 744,440</u>	<u>\$ 735,944</u>	<u>\$ 655,766</u>	<u>\$ 615,445</u>	<u>\$ 536,253</u>	<u>\$ 510,416</u>
\$ 1,302,738	\$ 1,325,718	\$ 1,248,749	\$ 1,260,052	\$ 1,260,403	\$ 1,267,669
95,169	110,996	94,514	103,578	119,746	131,080
251,755	157,203	87,264	57,899	(505,824)	(508,230)
<u>\$ 1,649,662</u>	<u>\$ 1,593,917</u>	<u>\$ 1,430,527</u>	<u>\$ 1,421,529</u>	<u>\$ 874,325</u>	<u>\$ 890,519</u>

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

EXPENSES	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 48,201	\$ 63,633	\$ 54,226	\$ 54,863
Public Safety	232,100	292,396	290,928	288,929
Community Environment	91,664	99,415	121,736	104,096
Cultural-Recreational	64,592	72,999	67,039	54,010
Interest on Long-term Debt	18,037	19,083	18,659	20,013
Total Governmental Activities Expenses	<u>454,594</u>	<u>547,526</u>	<u>552,588</u>	<u>521,911</u>
BUSINESS-TYPE ACTIVITIES:				
Electric	26,281	31,612	27,634	27,106
Gas	37,826	43,247	35,992	35,466
Water	59,965	59,225	68,956	80,915
Wastewater	60,603	61,293	80,349	70,228
Solid Waste	27,891	32,877	31,953	31,504
Airport	2,721	3,317	3,703	3,944
Golf Course	2,602	3,012	3,083	2,715
Convention Center	5,667	5,447	4,558	4,158
Hohokam Stadium/Fitch Complex	-	-	-	7,408
Cubs Stadium	-	-	-	-
District Cooling	1,090	769	976	1,000
Interest on Long-term Debt	-	-	-	-
Total Business-type Activities Expenses	<u>224,646</u>	<u>240,799</u>	<u>257,204</u>	<u>264,444</u>
Total Primary Government Expenses	<u><u>\$ 679,240</u></u>	<u><u>\$ 788,325</u></u>	<u><u>\$ 809,792</u></u>	<u><u>\$ 786,355</u></u>

TABLE II
(Continued)

<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
\$ 59,552	\$ 57,472	\$ 105,410	\$ 103,819	\$ 102,396	\$ 96,860
273,320	287,918	287,451	277,614	302,633	305,376
106,434	97,593	129,164	125,700	101,531	117,120
54,550	57,171	61,717	49,275	52,430	54,967
21,078	21,631	23,443	24,431	23,939	20,424
<u>514,934</u>	<u>521,785</u>	<u>607,185</u>	<u>580,839</u>	<u>582,929</u>	<u>594,747</u>
26,817	29,751	28,897	30,044	28,495	27,647
36,020	34,275	35,653	35,020	32,104	31,549
82,378	74,162	103,432	93,871	101,863	95,574
63,613	68,540	91,739	65,637	71,161	73,877
31,462	32,485	33,694	32,908	36,979	36,586
3,972	3,737	4,300	4,343	2,863	4,865
2,679	2,589	3,353	2,555	2,210	2,575
3,849	3,486	3,946	3,060	3,715	4,252
8,324	8,525	9,094	2,879	1,200	2,913
15	54	-	6,201	8,581	5,271
965	974	1,081	1,153	885	1,182
-	-	3,653	-	4,124	-
<u>260,094</u>	<u>258,578</u>	<u>318,842</u>	<u>277,671</u>	<u>294,180</u>	<u>286,291</u>
<u>\$ 775,028</u>	<u>\$ 780,363</u>	<u>\$ 926,027</u>	<u>\$ 858,510</u>	<u>\$ 877,109</u>	<u>\$ 881,038</u>

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

PROGRAM REVENUES	2006-07	2007-08	2008-09	2009-10
GOVERNMENTAL ACTIVITIES:				
Charges for services:				
Licenses and Permits	\$ 20,128	\$ 23,342	\$ 13,426	\$ 11,824
Charges for Services	22,039	23,703	24,740	20,419
Fines and Forfeitures	10,277	10,761	10,215	10,135
Other activities	433	324	78	9
Operating Grants and Contributions	74,498	63,787	63,055	72,812
Capital Grants and Contributions	44,858	21,916	35,436	30,343
Total Governmental Activities Program Revenues	<u>172,233</u>	<u>143,833</u>	<u>146,950</u>	<u>145,542</u>
BUSINESS-TYPE ACTIVITIES:				
Charges for services:				
Electric	34,519	34,148	35,313	33,079
Gas	45,250	46,540	41,708	38,924
Water	92,007	97,559	95,995	98,806
Wastewater	55,398	53,951	54,720	57,699
Solid Waste	42,895	46,168	46,762	46,685
Airport	2,954	3,192	2,959	3,125
Golf Course	2,457	2,448	2,310	2,265
Convention Center	4,746	3,658	2,687	1,971
Hohokam Stadium/Fitch Complex	-	-	-	5,837
Cubs Stadium	-	-	-	-
District Cooling	193	229	834	984
Economic Investment	-	-	-	-
Operating Grants and Contributions	147	11	101	210
Capital Grants and Contributions	20,724	80,570	31,222	17,782
Total Business-type Activities Program Revenues	<u>301,290</u>	<u>368,474</u>	<u>314,611</u>	<u>307,367</u>
Total Primary Government Program Revenues	<u>\$ 473,523</u>	<u>\$ 512,307</u>	<u>\$ 461,561</u>	<u>\$ 452,909</u>
NET (EXPENSE)/REVENUE				
Governmental Activities	\$ (282,361)	\$ (403,693)	\$ (405,638)	\$ (376,369)
Business-type Activities	<u>76,644</u>	<u>127,675</u>	<u>57,407</u>	<u>42,923</u>
Total Primary Government Net Expense	<u>\$ (205,717)</u>	<u>\$ (276,018)</u>	<u>\$ (348,231)</u>	<u>\$ (333,446)</u>

TABLE II
(Continued)

<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
\$ 12,577	\$ 13,359	\$ 17,693	\$ 18,797	\$ 20,892	\$ 23,254
20,304	25,779	27,675	32,106	36,260	38,178
11,820	11,294	9,885	9,890	10,505	11,049
8	18	2,945	400	5,741	9,385
65,284	60,355	55,312	29,514	26,418	26,361
31,461	23,503	25,049	20,714	75,907	35,925
<u>141,454</u>	<u>134,308</u>	<u>138,559</u>	<u>111,421</u>	<u>175,723</u>	<u>144,152</u>
33,138	34,625	31,075	31,198	33,601	32,254
41,370	39,139	39,125	38,600	39,422	38,962
102,215	113,418	111,933	112,003	121,205	130,674
59,659	64,544	64,413	66,457	77,172	79,523
47,538	47,631	47,369	47,452	52,748	55,354
3,318	3,271	3,484	3,813	3,454	3,623
2,250	2,169	1,472	1,622	1,737	1,645
2,826	2,122	2,597	2,057	2,475	2,798
6,161	6,074	5,496	36	2	63
52	825	-	174	202	201
945	1,092	975	1,142	1,274	1,234
-	-	148	-	-	-
25	2,126	9,401	9,056	157	267
10,774	15,814	7,997	17,331	18,107	16,929
<u>310,271</u>	<u>332,850</u>	<u>325,485</u>	<u>330,941</u>	<u>351,556</u>	<u>363,527</u>
<u>\$ 451,725</u>	<u>\$ 467,158</u>	<u>\$ 464,044</u>	<u>\$ 442,362</u>	<u>\$ 527,279</u>	<u>\$ 507,679</u>
\$ (373,480)	\$ (387,477)	\$ (468,626)	\$ (469,418)	\$ (407,206)	\$ (450,595)
<u>50,177</u>	<u>74,272</u>	<u>6,643</u>	<u>53,270</u>	<u>57,376</u>	<u>77,236</u>
<u>\$ (323,303)</u>	<u>\$ (313,205)</u>	<u>\$ (461,983)</u>	<u>\$ (416,148)</u>	<u>\$ (349,830)</u>	<u>\$ (373,359)</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>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
GOVERNMENTAL ACTIVITIES:				
Sales Taxes	\$ 155,817	\$ 147,763	\$ 126,520	\$ 121,557
Property Taxes	-	-	-	14,318
Occupancy Taxes	2,390	2,395	1,808	1,581
Unrestricted Intergovernmental Revenues	113,049	122,561	117,543	104,580
Contributions Not Restricted to Specific Programs	14,038	14,746	14,741	14,757
Investment Income	7,825	6,282	1,896	261
Miscellaneous	7,054	6,679	15,849	13,846
Transfers	61,440	94,121	96,599	65,433
Total Governmental Activities	<u>361,613</u>	<u>394,547</u>	<u>374,956</u>	<u>336,333</u>
BUSINESS-TYPE ACTIVITIES:				
Occupancy Taxes	-	-	-	-
Investment Income	8,125	6,546	1,894	508
Gain (Loss) on Sale of Capital Assets	-	-	-	-
Miscellaneous	429	694	407	-
Transfers	(61,440)	(94,121)	(96,599)	(65,433)
Total Business-type Activities	<u>(52,886)</u>	<u>(86,881)</u>	<u>(94,298)</u>	<u>(64,925)</u>
Total Primary Government	<u>\$ 308,727</u>	<u>\$ 307,666</u>	<u>\$ 280,658</u>	<u>\$ 271,408</u>
Change in Net Position				
Governmental Activities	\$ 79,252	\$ (9,146)	\$ (30,682)	\$ (40,036)
Business-type Activities	<u>23,758</u>	<u>40,794</u>	<u>(36,891)</u>	<u>(22,002)</u>
Total Primary Government	<u>\$ 103,010</u>	<u>\$ 31,648</u>	<u>\$ (67,573)</u>	<u>\$ (62,038)</u>

TABLE II
(Concluded)

<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
\$ 121,046	\$ 126,644	\$ 137,280	\$ 140,567	\$ 146,337	\$ 151,826
14,244	14,234	14,354	22,549	33,241	33,825
2,148	2,019	1,903	1,919	2,081	2,331
92,613	86,103	104,462	135,075	145,266	149,350
15,610	17,171	49,569	88,646	47,761	44,928
617	1,503	1,692	966	1,786	2,210
7,060	8,939	7,424	5,550	7,844	6,008
83,334	83,615	83,615	109,520	94,427	102,148
<u>336,672</u>	<u>340,228</u>	<u>400,299</u>	<u>504,792</u>	<u>478,743</u>	<u>492,626</u>
-	-	825	851	999	1,161
839	850	860	1,453	1,141	3,020
-	-	-	18,697	5,157	(6,145)
-	-	-	288	233	1,039
<u>(83,334)</u>	<u>(83,615)</u>	<u>(83,615)</u>	<u>(109,520)</u>	<u>(94,427)</u>	<u>(102,148)</u>
<u>(82,495)</u>	<u>(82,765)</u>	<u>(81,930)</u>	<u>(88,231)</u>	<u>(86,897)</u>	<u>(103,073)</u>
<u>\$ 254,177</u>	<u>\$ 257,463</u>	<u>\$ 318,369</u>	<u>\$ 416,561</u>	<u>\$ 391,846</u>	<u>\$ 389,553</u>
\$ (36,808)	\$ (47,249)	\$ (68,327)	\$ 35,374	\$ 71,537	\$ 42,031
<u>(32,318)</u>	<u>(8,493)</u>	<u>(75,287)</u>	<u>(34,961)</u>	<u>(29,521)</u>	<u>(25,837)</u>
<u>\$ (69,126)</u>	<u>\$ (55,742)</u>	<u>\$ (143,614)</u>	<u>\$ 413</u>	<u>\$ 42,016</u>	<u>\$ 16,194</u>

CITY OF MESA, ARIZONA

TABLE III**FUND BALANCE, GOVERNMENTAL FUNDS****LAST TEN FISCAL YEARS**

(modified accrual basis of accounting)

(in thousands)

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
GENERAL FUND					
Reserved (1)(2)	\$ 77,177	\$ 84,886	\$ 51,862	\$ 4,048	\$ -
Unreserved	57,030	50,283	74,711	92,187	-
Nonspendable	-	-	-	-	405
Restricted	-	-	-	-	1,992
Committed	-	-	-	-	4,898
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	93,875
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total General Fund	<u>\$ 134,207</u>	<u>\$ 135,169</u>	<u>\$ 126,573</u>	<u>\$ 96,235</u>	<u>\$ 101,170</u>
ALL OTHER GOVERNMENTAL FUNDS					
Reserved	\$ 5,885	\$ 8,643	\$ 17,013	\$ 53,674	\$ -
Unreserved, Reported in:					
Special Revenue Funds	24,627	24,922	24,816	31,871	-
Capital Project Funds	17,568	11,143	28,442	15,724	-
Nonspendable	-	-	-	-	2,906
Restricted (3)(4)	-	-	-	-	112,538
Committed	-	-	-	-	19,166
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total All Other Governmental Funds	<u>\$ 48,080</u>	<u>\$ 44,708</u>	<u>\$ 70,271</u>	<u>\$ 101,269</u>	<u>\$ 134,610</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)

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

CITY OF MESA, ARIZONA

TABLE IV

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

(in thousands)

	2006-07	2007-08	2008-09	2009-10
REVENUES				
Sales Taxes (1)(2)	\$ 155,817	\$ 147,763	\$ 126,520	\$ 121,557
Property Taxes	-	-	-	13,886
Occupancy Taxes	2,390	2,395	1,808	1,581
Special Assessments	417	1,218	806	923
Licenses and Permits	20,128	23,342	13,426	11,824
Intergovernmental	190,826	193,585	191,085	190,731
Charges for Services	22,039	23,703	24,343	20,419
Fines and Forfeitures	10,277	10,761	10,215	10,135
Investment Income	6,463	5,178	2,018	191
Contributions	-	-	-	-
Miscellaneous	6,366	6,422	14,755	13,675
Total Revenues	<u>414,723</u>	<u>414,367</u>	<u>384,976</u>	<u>384,922</u>
EXPENDITURES				
Current				
General Government	40,662	48,112	36,507	40,113
Public Safety	210,542	233,507	230,864	216,026
Community Environment	65,314	66,616	72,647	72,081
Cultural-Recreational	54,711	57,765	53,171	40,150
Debt Service				
Principal	8,358	25,871	36,906	34,846
Interest	18,151	19,230	18,845	21,186
Service Charges	57	58	28	9
Cost of Issuance	-	-	-	539
Capital Outlay	77,475	77,309	77,899	82,530
Total Expenditures	<u>475,270</u>	<u>528,468</u>	<u>526,867</u>	<u>507,480</u>
Excess of Revenues Under Expenditures	<u>(60,547)</u>	<u>(114,101)</u>	<u>(141,891)</u>	<u>(122,558)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	99,901	147,478	155,697	149,437
Transfers Out	(33,233)	(53,960)	(59,106)	(66,654)
Face Amount of Bonds Issued	30,682	15,450	61,830	30,865
Face Amount of Notes Issued	-	-	-	45,000
Premium on Issuance of Bonds (Net)	573	195	437	402
Premium on Issuance of Notes	-	-	-	869
Proceeds from Capital Leases	6,911	2,529	-	-
Issuance of Refunding Bonds	-	-	-	-
Payment to Refunding Bond Agent	-	-	-	-
Total Other Financing Sources (Uses)	<u>104,834</u>	<u>111,692</u>	<u>158,858</u>	<u>159,919</u>
Net Change in Fund Balances	<u>\$ 44,287</u>	<u>\$ (2,409)</u>	<u>\$ 16,967</u>	<u>\$ 37,361</u>
Debt Service as a percentage of Noncapital Expenditures	6.68%	10.01%	12.42%	13.19%

(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)

2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
\$ 121,046	\$ 126,644	\$ 137,280	\$ 140,567	\$ 146,337	\$ 151,826
14,274	14,323	14,404	22,500	34,022	34,765
2,148	2,019	1,903	1,919	2,081	2,331
1,069	996	897	1,062	1,264	1,433
12,577	13,359	17,693	18,797	20,892	23,254
174,781	168,433	184,823	185,303	185,529	191,360
20,304	25,779	27,675	32,106	36,260	38,178
11,820	11,294	9,885	9,890	10,505	11,049
587	1,284	1,501	589	1,793	1,483
-	-	2,264	1,212	1,344	961
7,417	7,573	5,940	4,524	6,587	3,994
<u>366,023</u>	<u>371,704</u>	<u>404,265</u>	<u>418,469</u>	<u>446,614</u>	<u>460,634</u>
38,843	41,083	74,596	75,077	81,066	79,448
215,166	226,429	226,677	231,364	243,570	254,528
68,463	64,404	55,197	56,573	60,512	65,559
42,191	43,904	37,787	38,788	40,365	43,651
31,690	25,513	31,519	71,015	28,367	107,383
21,211	22,643	23,433	23,704	23,269	18,905
10	8	10	-	13	14
29	870	1,448	727	657	1,505
60,173	66,951	91,537	102,657	74,150	91,784
<u>477,776</u>	<u>491,805</u>	<u>542,204</u>	<u>599,905</u>	<u>551,969</u>	<u>662,777</u>
<u>(111,753)</u>	<u>(120,101)</u>	<u>(137,939)</u>	<u>(181,436)</u>	<u>(105,355)</u>	<u>(202,143)</u>
128,065	121,459	147,818	141,909	123,044	122,572
(44,418)	(38,136)	(64,203)	(32,389)	(45,324)	(24,298)
29,320	27,290	62,672	40,800	18,999	46,530
-	77,835	-	-	-	-
360	8,027	3,681	430	2,952	2,283
-	8,250	-	-	-	-
-	-	-	-	-	-
-	67,238	17,415	-	17,555	43,304
-	(74,127)	(19,889)	-	(20,058)	(49,693)
<u>113,327</u>	<u>197,836</u>	<u>147,494</u>	<u>150,750</u>	<u>97,168</u>	<u>140,698</u>
<u>\$ 1,574</u>	<u>\$ 77,735</u>	<u>\$ 9,555</u>	<u>\$ (30,686)</u>	<u>\$ (8,187)</u>	<u>\$ (61,445)</u>
12.67%	11.34%	12.20%	19.05%	10.81%	22.12%

CITY OF MESA, ARIZONA

TABLE V

SALES TAX COLLECTIONS BY CATEGORY

LAST TEN FISCAL YEARS

(in thousands)

	<u>2006-07 (1)</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Utilities	\$ 9,116	\$ 9,668	\$ 9,654	\$ 9,757	\$ 11,104	\$ 11,878
Communications	3,939	4,312	3,749	3,809	4,456	4,483
Publishing	1,963	1,923	1,402	1,102	999	934
Printing & Advertising	478	375	280	175	342	336
Contracting	21,424	19,301	15,263	10,913	8,388	9,962
Retail Sales	85,015	77,308	63,230	63,469	60,266	62,191
Restaurants & Bars	11,726	12,039	10,956	10,948	11,165	11,864
Amusements	1,457	1,349	1,363	1,176	1,433	1,434
Rentals	20,534	21,369	20,514	20,123	22,219	22,968
Miscellaneous	165	119	107	84	674	595
Total	<u>\$ 155,817</u>	<u>\$ 147,763</u>	<u>\$ 126,518</u>	<u>\$ 121,555</u>	<u>\$ 121,046</u>	<u>\$ 126,645</u>
City Direct Tax Rate	1.75%	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)

2012-13	2013-14	2014-15	2015-16
\$ 12,549	\$ 12,344	\$ 13,111	\$ 13,251
4,651	4,230	4,796	4,229
866	830	747	688
434	455	461	428
12,402	13,794	14,103	14,623
66,789	69,276	71,996	76,160
12,577	12,972	13,708	14,240
1,432	1,469	1,542	1,561
24,847	24,374	25,102	25,578
732	823	771	1,068
\$ 137,279	\$ 140,567	\$ 146,337	\$ 151,826
1.75%	1.75%	1.75%	1.75%

CITY OF MESA, ARIZONA

TABLE VI

DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS

Fiscal Year	City Direct Rate	Maricopa County	State of Arizona
2006-07	1.75%	0.70%	5.60%
2007-08	1.75%	0.70%	5.60%
2008-09	1.75%	0.70%	5.60%
2009-10	1.75%	0.70%	6.60% *
2010-11	1.75%	0.70%	6.60%
2011-12	1.75%	0.70%	6.60%
2012-13	1.75%	0.70%	5.60%
2013-14	1.75%	0.70%	5.60%
2014-15	1.75%	0.70%	5.60%
2015-16	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)

	2006-07	2007-08	2008-09	2009-10
Governmental Activities				
General Obligation Bonds	\$ 223,115	\$ 221,625	\$ 267,063	\$ 273,869
Municipal Development Corporation Bonds	9,970	9,970	-	-
Highway User Revenue Bonds	142,460	142,290	140,265	134,545
Special Assessment Bonds	8,798	8,046	7,294	6,550
Community Facilities District	-	-	-	-
Capital Leases	22,989	17,503	9,730	5,406
Notes Payable	-	-	-	45,000
Business-type Activities				
Utility System Revenue Bonds	723,185	767,445	817,530	857,435
General Obligation Bonds	3,290	3,290	2,957	2,691
Excise Tax Revenue Obligation Bonds	-	-	-	-
Municipal Development Corporation Bonds	5,100	-	-	-
Notes Payable	589	432	333	2,964
Capital Leases	2,869	1,541	158	-
Total Primary Government	\$ 1,142,365	\$ 1,172,142	\$ 1,245,330	\$ 1,328,460
Percentage of Personal Income (1)	10.54%	10.68%	11.03%	11.49%
Per Capita (1)	\$ 2,483	\$ 2,529	\$ 2,677	\$ 2,843

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

TABLE VII
(Concluded)

2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
\$ 281,514	\$ 288,669	\$ 327,265	\$ 346,860	\$ 338,401	\$ 350,593
-	-	-	-	-	-
128,515	121,395	120,942	112,882	106,740	98,743
5,806	5,062	4,318	3,574	2,830	2,085
-	-	2,712	5,897	11,012	19,300
2,166	822	140	72	-	-
45,000	122,835	129,435	83,610	82,785	-
898,800	952,500	973,670	987,454	996,705	1,062,871
2,221	1,601	887	605	474	390
-	-	105,079	104,499	103,919	103,339
-	-	-	-	-	-
2,731	2,493	2,370	2,244	2,116	1,985
-	-	-	-	-	-
<u>\$ 1,366,753</u>	<u>\$ 1,495,377</u>	<u>\$ 1,666,818</u>	<u>\$ 1,647,697</u>	<u>\$ 1,644,982</u>	<u>\$ 1,639,306</u>
13.06%	14.10%	16.09%	15.42%	14.53%	13.91%
\$ 3,101	\$ 3,390	\$ 3,747	\$ 3,621	\$ 3,561	\$ 3,451

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)
2007	\$ 3,083,070	\$ 226,405	\$ -	\$ 226,405	7.34%	\$ 492
2008	4,114,527	224,915	-	224,915	5.47%	486
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

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, 2016

(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	\$ 593,820	7.97%	\$ 47,327
Mesa Unified School District No. 4	284,810	86.40%	246,076
Gilbert Unified School District No. 41	101,545	26.32%	26,727
Queen Creek Unified School District No. 95	60,000	32.05%	19,230
Higley Unified School District No. 60	124,290	0.83%	1,032
Tempe Union High School District No. 213	100,500	0.27%	271
Tempe Elementary School District No. 3	112,635	0.65%	732
Eastmark Community Facilities District	9,985	100.00%	9,985
Other Debt:			
Maricopa County	282,930	7.97%	22,550
Subtotal, overlapping debt			373,930
City direct debt (3)			478,422
Total Direct and Overlapping Debt			\$ 852,352

(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 Assessment 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 2015/16

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>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
6% Limitation					
Legal Debt Limitation Equal to 6% of Assessed Valuation	\$ 184,984	\$ 246,872	\$ 287,585	\$ 284,977	\$ 245,642
Total Net Debt Applicable to 6% Limit	<u>22,453</u>	<u>17,688</u>	<u>13,569</u>	<u>6,064</u>	<u>5,326</u>
Margin Available for Future General Obligation Bond Issues for 6% Bonds	<u>\$ 162,531</u>	<u>\$ 229,184</u>	<u>\$ 274,016</u>	<u>\$ 278,913</u>	<u>\$ 240,316</u>
Total Net Debt Applicable to the 6% Limit as a Percentage of the 6% Legal Debt Limitation	12.14%	7.16%	4.72%	2.13%	2.17%
20% Limitation					
Legal Debt Limitation Equal to 20% of Assessed Valuation	\$ 616,614	\$ 922,905	\$ 958,616	\$ 949,923	\$ 818,807
Total Net Debt Applicable to 20% Limit	<u>203,952</u>	<u>207,227</u>	<u>246,326</u>	<u>270,496</u>	<u>278,409</u>
Margin Available for Future General Obligation Bond Issues for 20% Bonds	<u>\$ 412,662</u>	<u>\$ 715,678</u>	<u>\$ 712,290</u>	<u>\$ 679,427</u>	<u>\$ 540,398</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of the 20% Legal Debt Limitation	33.08%	22.45%	25.70%	28.48%	34.00%
Total Margin Available	<u>\$ 575,193</u>	<u>\$ 944,862</u>	<u>\$ 986,306</u>	<u>\$ 958,340</u>	<u>\$ 780,714</u>

(1) Under Arizona law, cities can issue General Obligation Bonds for all purposes other than those listed in Note 2 below, up to an amount not exceeding 6 percent of assessed secondary valuation.

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

TABLE X
(Concluded)

Legal Debt Margin Calculation for Fiscal Year 2015-16

Secondary Assessed Value				\$	2,757,913		
				6% Bonds (1)	20% Bonds (2)		
Legal Debt Limitation				\$	165,475	\$	551,583
Debt Applicable to Limit:							
General Obligation Bonds				1,047		349,903	
Total Net Debt Applicable to Limit				1,047		349,903	
Margin Available for Future General Obligation Bond Issues				\$	164,428	\$	201,680
Total Margin Available						\$	366,108
2011-12	2012-13	2013-14	2014-15	2015-16			
\$ 189,857	\$ 166,225	\$ 153,578	\$ 169,270	\$ 165,475			
1,370	175	605	1,275	1,047			
<u>\$ 188,487</u>	<u>\$ 166,050</u>	<u>\$ 152,973</u>	<u>\$ 167,995</u>	<u>\$ 164,428</u>			
0.72%	0.11%	0.39%	0.75%	0.63%			
\$ 632,855	\$ 554,084	\$ 511,927	\$ 564,235	\$ 551,583			
288,900	300,735	344,040	343,370	349,903			
<u>\$ 343,955</u>	<u>\$ 253,349</u>	<u>\$ 167,887</u>	<u>\$ 220,865</u>	<u>\$ 201,680</u>			
45.65%	54.28%	67.20%	60.86%	63.44%			
\$ 532,442	\$ 419,399	\$ 320,860	\$ 388,860	\$ 366,108			

CITY OF MESA, ARIZONA

TABLE XI

PLEDGED-REVENUE COVERAGE

LAST TEN FISCAL YEARS

(in thousands)

	Utility System Revenue Bonds						
	Net Revenue Available for Debt Service			Debt Service		Coverage Ratio	
	Operating Revenues (1)	Operating Expenses		Principal	Interest		
2006-07	\$ 270,070	\$ 175,942	\$ 94,128	\$ 340	\$ 29,305	3.18	
2007-08	278,366	196,130	82,236	7,960	34,658	1.93	
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	

Highway User Revenue Fund Revenue Bonds

	Highway User Fund Revenues	Debt Service		Coverage Ratio
		Principal	Interest	
2006-07	\$ 40,975	\$ 135	\$ 6,401	6.27
2007-08	38,512	170	6,828	5.50
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

(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	
\$ 851	\$ 343	\$ 357	1.21	\$ -	\$ -	\$ -	-
1,710	752	457	1.41	-	-	-	-
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

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	
\$ 216,897	\$ 4,500	\$ 309	\$ 45	\$ -	\$ -	\$ -	-
226,910	5,100	108	44	-	-	-	-
203,198	9,970	17	20	-	-	-	-
-	-	-	-	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>
2007	460,155	\$ 10,840,792	\$ 23,559	32.9	74,128	2.9%
2008	463,397	10,977,412	23,689	33.1	73,054	4.3%
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%

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	2016			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Banner Health Systems	9,573	1	6.11%	6,600	2	3.43%
Mesa Public Schools	8,435	2	5.39%	10,000	1	5.19%
Boeing	4,700	3	3.00%	4,600	3	2.39%
City of Mesa	3,798	4	2.43%	3,851	4	2.00%
Wal-Mart	2,541	5	1.62%	2,280	5	1.18%
Gilbert Unified School District	1,229	6	0.78%	-		0.00%
Fry's Food Stores	1,128	7	0.72%	1,000	8	0.52%
Drivetime Automotive Group	990	8	0.63%	-		0.00%
County of Maricopa	986	9	0.63%	1,300	6	0.67%
Santander Consumer Holdings USA	970	10	0.62%	-		0.00%
Home Depot	-		0.00%	750	10	0.39%
Empire Southwest Machinery	-		0.00%	1,025	7	0.53%
Bashas'	-		0.00%	1,000	8	0.52%
Total	<u>34,350</u>		<u>21.93%</u>	<u>32,406</u>		<u>16.83%</u>

Source: City of Mesa Office of Economic Development

CITY OF MESA, ARIZONA

TABLE XIV

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Function/Program				
General Government	979	966	838	835
Police	1,332	1,306	1,282	1,240
Fire	468	472	470	455
Community Environment	183	181	189	184
Cultural-Recreational	445	417	335	329
Energy Resources	125	132	140	122
Water Resources	177	166	213	232
Environmental Management & Sustainability	132	136	126	124
Airport	10	9	10	10
Total	<u>3,851</u>	<u>3,785</u>	<u>3,603</u>	<u>3,531</u>

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

TABLE XIV
(Concluded)

<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
824	870	864	880	876	860
1,163	1,158	1,163	1,173	1,154	1,155
457	473	479	482	503	492
189	184	183	178	182	189
334	332	313	317	338	599
116	115	117	117	116	116
230	233	229	238	240	238
120	117	127	125	127	138
9	9	10	10	10	11
<u>3,442</u>	<u>3,491</u>	<u>3,485</u>	<u>3,520</u>	<u>3,545</u>	<u>3,798</u>

CITY OF MESA, ARIZONA

TABLE XVOPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2006-07	2007-08	2008-09	2009-10
Police				
Major Crimes	22,437	21,388	18,482	17,345
Traffic Accidents	12,184	7,578	6,256	5,890
Fire				
Fires	1,428	1,200	1,165	1,048
Rescue or Emergency	38,003	34,207	32,478	34,079
False Alarms	2,875	2,456	2,125	1,478
Hazardous Conditions	608	567	663	701
Other Calls	11,792	12,976	11,923	12,819
Libraries				
Number of Registered Borrowers	266,839	275,449	306,427	352,607
Total Attendance	1,161,887	1,165,451	1,348,555	1,367,667
Access to Electronic Resources	3,029,001	2,910,088	3,661,261	2,542,927
Electric Connections	15,723	15,215	14,546	14,738
Gas Connections	50,478	51,454	51,911	52,832
Water				
Connections	133,249	133,086	132,771	133,701
Average Daily Consumption (mgd)*	89.64	85.76	79.72	72.67
Peak Daily Consumption (mg)**	128.83	125.72	108.68	111.14
Wastewater				
Connections	116,190	116,465	116,721	117,831
Average Daily Sewage Treatment (mgd)*	38.10	38.00	36.00	33.60
Solid Waste				
Customers Served	115,305	112,632	112,832	113,079
Refuse Collected (tons)	266,817	243,208	234,709	217,295
Recyclables Collected (tons)	38,660	39,296	37,841	36,490
Green Waste Collected (tons)	18,215	17,601	18,936	18,588
Falcon Field				
Average Number of Aircraft Based	901	934	873	841
Aircraft Operations (annual)	261,623	337,178	283,336	248,381

* mgd - millions of gallons per day

** mg - millions of gallons

TABLE XV
(Concluded)

<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
16,623	16,740	16,149	14,561	14,795	13,208
5,952	6,047	6,186	6,107	6,622	6,968
981	1,012	929	1,075	1,083	1,053
38,788	42,925	43,416	44,885	45,832	49,743
1,478	1,292	1,255	1,176	1,106	1,083
478	446	454	477	534	507
11,840	11,192	11,803	9,403	8,964	10,613
220,812	142,943	166,492	196,020	125,336	122,810
1,095,196	1,143,718	1,178,137	1,166,560	1,166,131	1,157,394
1,691,966	1,566,775	1,515,299	1,541,323	1,549,150	1,345,977
15,064	15,841	13,815	16,460	16,703	16,854
53,434	55,828	55,544	58,011	59,214	60,383
134,072	135,138	136,640	137,910	139,560	141,824
76.23	81.60	81.03	80.85	79.55	78.55
114.30	122.30	115.68	117.13	113.45	116.62
118,413	119,615	120,953	122,623	124,142	126,359
33.70	33.40	33.60	33.10	33.30	34.60
115,811	118,949	119,142	121,674	122,552	127,517
223,217	209,116	215,463	217,745	233,754	236,849
35,486	34,443	34,616	34,629	35,541	35,499
19,149	17,882	19,878	18,854	21,151	20,602
789	749	700	729	702	663
221,910	222,650	190,605	276,731	241,848	270,702

CITY OF MESA, ARIZONA

TABLE XVICAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Police Stations				
Stations	4	4	4	4
Vehicular Patrol Units	351	368	330	289
Fire Stations	17	17	17	18
Libraries	3	3	3	3
Parks and Recreation				
Developed Parks (acres)	1,184	1,180	1,180	1,154
Undeveloped Acres	1,251	1,251	1,251	1,078
Swimming Pools	12	12	12	12
Recreation Facilities	6	6	6	6
Community Environment				
Streets (miles)				
Paved	1,169	1,178	1,182	1,184
Unpaved	12	12	12	12
Storm Sewers (miles)	303	308	316	321
Gas Mains (miles)	1,147	1,202	1,223	1,243
Water				
Mains (miles)	2,008	2,068	2,104	2,127
Storage Capacity (millions of gallons)	117	117	125	125
Wastewater				
Mains (miles)	1,544	1,577	1,598	1,606
Treatment Capacity (millions of gallons per day)	60	60	60	60
Solid Waste				
Collection Trucks	68	70	69	69
Golf Courses	2	2	2	2

TABLE XVI
(Concluded)

<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
4	5	6	8	8	8
290	267	267	291	292	287
18	19	20	20	20	20
4	4	4	4	4	4
1,154	1,553	1,177	1,232	1,901	1,901
1,074	705	1,104	1,157	633	633
13	9	9	9	9	9
6	6	6	4	4	4
1,190	1,303	1,307	1,418	1,427	1,427
12	1	1	1	1	1
329	438	432	440	423	423
1,247	1,240	1,256	1,256	1,311	1,311
2,136	2,270	2,284	2,315	2,364	2,364
125	125	125	125	112	112
1,613	1,652	1,677	1,677	1,781	1,781
60	60	60	60	60	60
69	70	72	72	74	73
2	1	1	1	1	1





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