

City of Mesa, Arizona

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2008



Financial Services Department
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mesaaz.gov

City of Mesa, Arizona

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2008

Scott Smith
Mayor

Dave Richins
Councilmember, District 1

Alex Finter
Councilmember, District 2

Dennis Kavanaugh
Councilmember, District 3

Kyle Jones
Vice Mayor, District 4

Dina Higgins
Councilmember, District 5

Scott Somers
Councilmember, District 6

Chris Brady
City Manager

Bryan Raines
Deputy City Manager

Jack Friedline
Deputy City Manager

Kari Kent
Deputy City Manager

Prepared By:

Financial Services Department

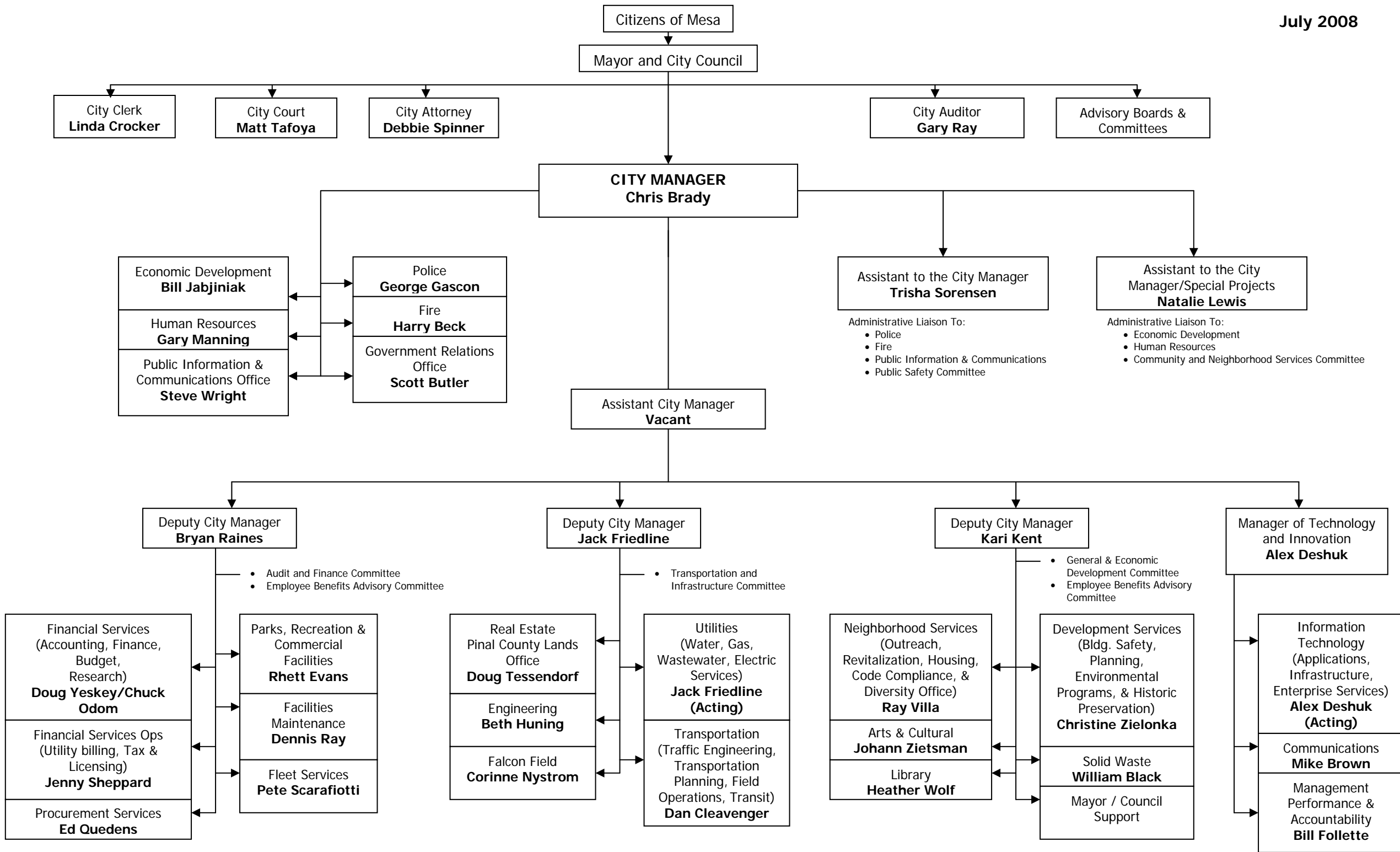
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Introductory Section



TABLE OF CONTENTS

	<u>Page</u>
SECTION I – INTRODUCTORY SECTION	
Table of Contents	I
Letter of Transmittal – Financial Services Manager	V
Certificate of Achievement for Excellence in Financial Reporting	X
 SECTION II - FINANCIAL SECTION	
	<u>Exhibits</u>
Independent Auditors' Report	1
Management’s Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	A-1 18
Statement of Activities	A-2 19
Fund Financial Statements	
Governmental Funds Financial Statements	
Balance Sheet	A-3 21
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	A-4 22
Statement of Revenues, Expenditures and Changes in Fund Balances	A-5 23
Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balances of Governmental Funds to the Statement of Activities	A-6 24
Proprietary Funds Financial Statements	
Statement of Net Assets	A-7 25
Statement of Revenues, Expenses and Changes in Fund Net Assets	A-8 27
Statement of Cash Flows	A-9 29
Fiduciary Funds Financial Statements	
Statement of Fiduciary Assets and Liabilities	A-10 31

TABLE OF CONTENTS (Continued)

	<u>Exhibits</u>	<u>Page</u>
Notes to Financial Statements		
Note 1 - Summary of Significant Accounting Policies		32
Note 2 - Reconciliation of Governmental Fund Financial Statements to Government-wide Financial Statements		51
Note 3 - Retirement and Pension Plans		57
Note 4 - Post Employment Benefits		60
Note 5 - Long-term Obligations		64
Note 6 - Demand Bonds		75
Note 7 - Refunding Bonds		75
Note 8 - Liabilities to be Paid From Assets Held in Escrow		76
Note 9 - Capital Contributions		77
Note 10 - Commitments and Contingent Liabilities		78
Note 11 - Enterprise Activities Operations Detail		79
Note 12 - Net Assets		79
Note 13 - Pledged Revenues		80
Note 14 - Joint Ventures		81
 Required Supplementary Information		
Budgetary Comparison Schedules – General Fund and Major Special Revenue Funds:		
General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis)	B-1	84
Highway User Revenue Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis)	B-2	85
Note to Required Supplementary Information – Budgetary Reporting		86
 Combining Financial Statements		
Non-major Governmental Funds		
Combining Balance Sheet	C-1	87
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	C-2	88
Non-major Special Revenue Funds		
Combining Balance Sheet	C-3	89
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	C-4	91
Non-major Debt Service Funds		
Combining Balance Sheet	C-5	93
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	C-6	95

TABLE OF CONTENTS (Continued)

	<u>Exhibits</u>	<u>Page</u>
Combining Financial Statements (Continued)		
Non-major Capital Projects Funds		
Combining Balance Sheet	C-7	97
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	C-8	99
Internal Service Funds		
Combining Statement of Net Assets	C-9	101
Combining Statement of Revenues, Expenses and Changes in Net Assets	C-10	103
Combining Statement of Cash Flows	C-11	105
Agency Fund		
Statement of Changes in Assets and Liabilities	C-12	107
Supplemental Information		
Budgetary Comparison Schedules – General Fund and Major Governmental Funds		
General Fund Schedule of Expenditures by Program – Budget and Actual (Budget Basis)	D-1	108
Highway User Revenue Fund Schedule of Expenditures by Program – Budget and Actual (Budget Basis)	D-2	110
Budgetary Comparison Schedules – Other Non-major Governmental Funds		
Non-major Special Revenue Funds Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis)	D-3	111
Non-major Special Revenue Funds Schedule of Expenditures by Program - Budget and Actual (Budget Basis)	D-4	122
Non-major Capital Project Funds Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis)	D-5	127
Budgetary Comparison Schedules – Proprietary Funds		
Enterprise Fund Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual (Budget Basis)	D-6	128
Enterprise Fund Reconciliation of Budget to GAAP Changes in Net Assets	D-7	129
Internal Service Funds Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual (Budget Basis)	D-8	130
Internal Service Funds Reconciliation of Budget to GAAP Changes in Net Assets	D-9	135

TABLE OF CONTENTS (Concluded)

	<u>Exhibits</u>	<u>Page</u>
Capital Assets Used in the Operation of Governmental Funds Schedule by Source	D-10	136
 SECTION III - STATISTICAL SECTION		
Financial Trends		
Net Assets by Components - Last Six Fiscal Years (Accrual Basis of Accounting)	I	137
Changes in Net Assets - Last Six Fiscal Years (Accrual Basis of Accounting)	II	139
Fund Balance, Governmental Funds - Last Ten Fiscal Years (Modified Accrual Basis of Accounting)	III	145
Changes in Fund Balance, Governmental Funds - Last Ten Fiscal Years (Modified Accrual Basis of Accounting)	IV	147
Revenue Capacity		
Sales Tax Collections by Category - Last Ten Fiscal Years	V	149
Direct and Overlapping Sales Tax Rates - Last Ten Fiscal Years	VI	151
Debt Capacity		
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	VII	152
Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years	VIII	154
Direct and Overlapping Governmental Activities Debt	IX	155
Legal Debt Margin Information – Last Ten Fiscal Years	X	156
Pledged-Revenue Coverage – Last Ten Fiscal Years	XI	158
Demographic Information		
Demographic and Economic Statistics – Last Ten Fiscal Years	XII	160
Principal Employers – Current Year and Eight Years Ago	XIII	161
Operating Information		
Full-Time Equivalent City Government Employees by Function/Program - Last Seven Fiscal Years	XIV	162
Operating Indicators by Function/Program – Last Ten Fiscal Years	XV	164
Capital Asset Statistics by Function/Program – Last Ten Fiscal Years	XVI	166

December 1, 2008

To the Citizens, Honorable Mayor, City Council and City Manager:

The Comprehensive Annual Financial Report of the City of Mesa, Arizona (the "City") for the fiscal year ended June 30, 2008 is hereby submitted.

Prepared by the Accounting Services Division of 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 Cronstrom, Osuch & Company, PC, 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, 2008, 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 unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2008, 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.

(Continued)

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 over 460,000 within an area of approximately 133 square miles. The City is the 38th largest city in the United States as well as the third largest in the State of Arizona and 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. A staff of 3,785 full-time City employees working within thirty different City departments undertakes the various functions of Mesa's city government and its operations.

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 an enterprise whose activities include operations of electric, gas, water, wastewater, solid waste, airport, golf courses, a convention center and district cooling.

The financial statements include the funds for the City and its blended component unit, the City of Mesa Municipal Development Corporation, collectively referred to as "the financial reporting entity". Although the corporation is legally separate from the City, it is reported as if it is part of the primary government because its sole purpose is to finance the acquisition and or construction of public facilities for the City.

The annual budget serves as the foundation for the City's financial planning and control. 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.

(Continued)

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 Payroll Agency fund. Capital Projects (both General Government and Proprietary) are budgeted as one item (as shown in Exhibit D-5). General Government debt service expenditures are budgeted in the General Fund and Special Revenue Funds. Budget schedules for the major governmental funds (General and Highway User Revenue Fund) are presented in the Required Supplementary Section, and the other funds are located in the Supplementary Information Section.

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 indicators, which showed signs of softening during the last quarter of the prior fiscal year, continued its decline to finish below the levels experienced in recent fiscal years. During fiscal year 2007-08, the City issued 999 new residential building permits, a decrease of 214 permits issued during the previous fiscal year. The corresponding dollar valuation associated with these permits decreased from \$294.0 million in fiscal year 2006-07 to \$221.4 million in fiscal year 2007-08.

City sales tax revenues declined by 5.2% or \$8 million during the 2007-08 fiscal year. During the prior fiscal year, the sales tax rate was increased to 1.75% from 1.50% in July 2006. After controlling for historical adjustments to sales tax rates, this decline was the largest the City had experienced in more than 20 years. Major reductions were experienced in sales tax revenues with the most significant losses in the retail sales and contracting segments.

For the 2007-08 fiscal year, General Fund allocations for a variety of City services were reduced by a total of more than \$20 million. This impacted City services throughout in every area except public safety, utilities and street maintenance.

While the economic indicators have continued to decline, the City has placed great emphasis on raising fund balance levels to provide support during the continued period of economic uncertainty. During the fiscal year ending June 30, 2008, the City's General Fund increased by \$1 million and the Enterprise Fund by \$41.4 million.

(Continued)

This focus is the result of the City Council's adoption of formal Financial Policies in the spring of 2008. A formalization of the City's current financial practices, the adopted policies established and outlined targets and provided the City Council with improved monitoring and feedback methods.

Major Initiatives

During the year several major accomplishments have continued to be realized. Some of these were:

- During the spring of 2008, the City received an upgrade in both its General Obligation and Utility System Revenue bonds from Standard and Poor's Corporation. General Obligation Bonds were upgraded to AA from AA- and the Utility System Revenue Bonds were upgraded to AA- from A+.
- Scheduled to open in December 2008, Mesa's portion of the initial 20 mile segment of the regional light rail line continues construction along Main Street in west Mesa. In this phase, the project connects the cities of Mesa, Tempe and Phoenix and several redevelopment projects along the corridor have already been initiated.
- The City has continued to invest and re-invest in necessary infrastructure. During the 2007-08 fiscal year, the City sold both General Obligation and Utility Revenue bonds for a variety of necessary utility, public safety and storm drainage projects. The City continues to forecast and manage the sales carefully and continues to have a low debt per-capita ratio when compared to comparable cities locally and throughout the state of Arizona.
- The required adjustments to City service levels in both 2006-07 and in 2008-09 have been significant but were addressed immediately with little disruption to the non-impacted services.
- Economic development continues to expand, albeit slower than in prior years. During the 2007-08 fiscal year, a primary focus has been in the area surrounding the Phoenix-Mesa Gateway Airport. The current fiscal year has brought nearer the completion of major regional facilities for both Embraer Air and Cessna.

Long-term Financial Planning

Systems have been developed and refined to provide the necessary data for making more informed financial decisions to determine whether or not a particular course of action is financially appropriate and sustainable over time. As standard practice, the City now utilizes a detailed seven-year financial forecast that coincides with the City's Capital Improvement Program and an extrapolation of the data provides a view of the City's 25-year future towards build-out.

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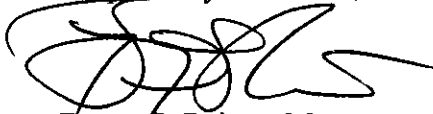
Awards and Acknowledgements

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, 2007. This was the twenty-sixth consecutive year the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

The efficient and dedicated services of the City's Controller, Doug Yeskey, and the devoted staff of the Accounting Services Division has made the preparation of the comprehensive annual financial report on a very timely basis 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,



Bryan G. Raines, Manager
Deputy City Manager

(Concluded)

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, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Charles S. Cox

President

Jeffrey R. Emer

Executive Director

Financial Section



INDEPENDENT AUDITORS' REPORT

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

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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

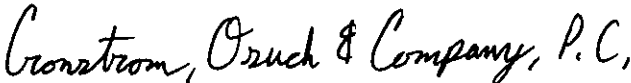
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 17, the Public Safety Personnel Retirement System Schedule of Funding Progress on page 60, the Other Post-Employment Benefit Plan Schedule of Funding Progress on page 63 and the budgetary comparison information on pages 84 through 86 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, supplemental information, introductory section and statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining and individual nonmajor fund financial statements and supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.


Cronstrom, Osuch & Company, P.C.

December 1, 2008

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, 2008. This discussion and analysis is designed to 1) assist the reader in focusing on significant financial issues, 2) provide an overview of the City's financial activities, 3) identify changes in the City's financial position, 4) identify any material deviations from the financial plan (the approved annual budget), and 5) identify individual fund issues and concerns.

The management's discussion and analysis should be read in conjunction with the transmittal letter presented on pages V–IX, as well as the financial statements beginning on page 18 and the accompanying notes to the financial statements.

Financial Highlights

- The City's total net assets increased \$32 million in fiscal year 2008.
- Total net assets of the City are \$1.82 billion, of which \$433 million are unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. However, \$303 million of the unrestricted net assets are invested in joint ventures as of June 30, 2008.
- As of the end of fiscal year 2008, the City's governmental funds reported a combined ending fund balance of \$179.9 million, a \$2.4 million decrease from the previous year. A complete reconciliation of the governmental funds' fund balance to the governmental activities' net assets is on page 22.
- At the end of the fiscal year, the City's unreserved fund balance for the General Fund was \$50.3 million, or 12.7% of total General Fund expenditures, compared to \$57 million, or 16.4% of total General Fund expenditures the previous year.
- The City issued \$15.5 million in general obligation debt during the current fiscal year for new storm sewer and public safety improvement projects.
- The City issued \$74 million in utility system revenue debt during the current fiscal year. \$52.9 million was issued for new electric, gas, water, and wastewater improvements and \$21.1 million was issued to refund prior outstanding utility system revenue bonds.

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 18–20) 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 assets* presents information on all the City’s assets and liabilities, with the difference between the two being reported as *net assets*. Over time increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City’s net assets changed over the most recent fiscal year. All changes to net assets 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 statement also focuses on both the gross and net costs of the various functions of the City, based only on direct functional revenues and expenses. This is designed to show the extent to which the various functions depend on general revenues for support.

The activities of the City are presented in two columns on these statements – governmental activities and business-type activities. A total column for the City is also provided.

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

Fund Financial Statements

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, proprietary funds and fiduciary funds. These fund financial statements now focus on major funds of the City, rather than fund types used in the previous financial reporting model.

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 (pages 21-24) 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 (pages 51-56).

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; and the 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 assets. 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 (pages 25–30) 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 (pages 101-106).

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 (page 31) 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 (pages 32–83) 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 and major special revenue funds 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 these budgetary statements as required supplementary information beginning on page 84.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following tables, graphs and analysis discuss the financial position and changes to the financial position for the City as a whole as of and for the year ended June 30, 2008 and as of and for the year ended June 30, 2007.

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. The following table reflects the condensed Statement of Net Assets of the City for June 30, 2008 and 2007.

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

	Governmental Activities		Business-type Activities		Total Primary Government		Change	
	2008	2007	2008	2007	2008	2007	Dollars	Percent
Cash and Other Assets	\$ 358,566	\$ 316,524	\$ 467,744	\$ 452,587	\$ 826,310	\$ 769,111	\$ 57,199	7.44 %
Capital Assets	1,213,950	1,190,689	1,187,868	1,105,007	2,401,818	2,295,696	106,122	4.62
Total Assets	<u>1,572,516</u>	<u>1,507,213</u>	<u>1,655,612</u>	<u>1,557,594</u>	<u>3,228,128</u>	<u>3,064,807</u>	<u>163,321</u>	5.33
Non-current Liabilities,								
Outstanding	470,338	429,257	788,301	741,168	1,258,639	1,170,425	88,214	7.54
Other Liabilities	96,077	62,709	54,888	44,797	150,965	107,506	43,459	40.42
Total Liabilities	<u>566,415</u>	<u>491,966</u>	<u>843,189</u>	<u>785,965</u>	<u>1,409,604</u>	<u>1,277,931</u>	<u>131,673</u>	10.30
Net Assets:								
Invested in Capital Assets,								
Net of Related Debt	794,721	791,592	410,074	366,498	1,204,795	1,158,090	46,705	4.03
Restricted	86,252	95,107	94,133	96,756	180,385	191,863	(11,478)	(5.98)
Unrestricted	<u>125,128</u>	<u>128,548</u>	<u>308,216</u>	<u>308,375</u>	<u>433,344</u>	<u>436,923</u>	<u>(3,579)</u>	(0.82)
Total Net Assets	<u>\$ 1,006,101</u>	<u>\$ 1,015,247</u>	<u>\$ 812,423</u>	<u>\$ 771,629</u>	<u>\$ 1,818,524</u>	<u>\$ 1,786,876</u>	<u>\$ 31,648</u>	1.77

In the case of the City, the combined net assets (governmental activities and business-type activities) exceeded liabilities by \$1.82 billion at the close of the most recent year.

The net assets increased \$32 million (1.8%) in fiscal year 2008. The governmental activities decreased \$9.1 million, a 0.9% decrease, while the business-type activities increased \$40.8 million, a 5.3% increase.

The largest portion of net assets (66%) 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.

\$180.4 million of the City's net assets represent resources that are subject to external restrictions on how they may be used. The unrestricted net assets of \$433 million may be used to meet the City's ongoing obligations to citizens and creditors. However, \$303 million of the unrestricted net assets are invested in joint ventures.

Changes in Net Assets

The following table shows the revenues and expenses of the City for the fiscal years ended June 30, 2008 and 2007.

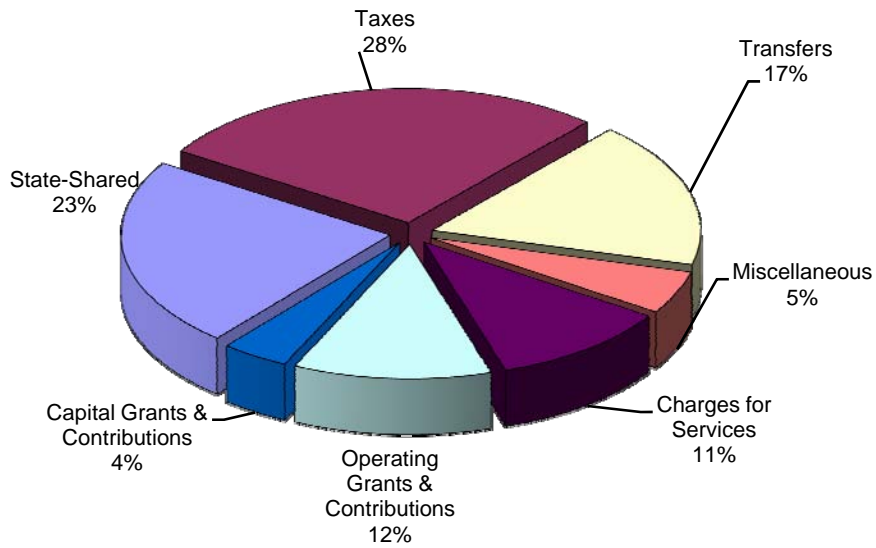
Changes in Net Assets
(In thousands of dollars)

	Governmental		Business-type		Total Primary		Change		
	Activities		Activities		Government		Dollars	Percent	
	2008	2007	2008	2007	2008	2007			
REVENUES									
Program Revenues:									
Charges for Services	\$ 58,130	\$ 52,877	\$ 287,894	\$ 280,418	\$ 346,024	\$ 333,295	\$ 12,729	3.82	%
Operating Grants & Contributions	63,787	74,498	11	147	63,798	74,645	(10,847)	(14.53)	
Capital Grants & Contributions	21,916	44,858	80,570	20,724	102,486	65,582	36,904	56.27	
General Revenues:									
Sales Taxes	147,763	155,817			147,763	155,817	(8,054)	(5.17)	
Occupancy Taxes	2,395	2,389			2,395	2,389	6	0.25	
Unrestricted State-Shared Contributions	122,561	113,049			122,561	113,049	9,512	8.41	
Unrestricted Investment Income	14,746	14,038			14,746	14,038	708	5.04	
Miscellaneous	6,282	7,825	6,546	8,125	12,828	15,950	(3,122)	(19.57)	
	6,679	7,054	694	429	7,373	7,483	(110)	(1.47)	
Total Revenues	444,259	472,405	375,715	309,843	819,974	782,248	37,726	4.82	
EXPENSES									
Governmental Activities:									
General Government	63,633	48,201			63,633	48,201	15,432	32.02	%
Public Safety	292,396	232,100			292,396	232,100	60,296	25.98	
Cultural-Recreational	72,999	64,592			72,999	64,592	8,407	13.02	
Community Environment	99,415	91,664			99,415	91,664	7,751	8.46	
Interest on Long-term Debt	19,083	18,037			19,083	18,037	1,046	5.80	
Business-type Activities:									
Electric			31,612	26,281	31,612	26,281	5,331	20.28	
Gas			43,247	37,826	43,247	37,826	5,421	14.33	
Water			59,225	59,964	59,225	59,964	(739)	(1.23)	
Wastewater			61,293	60,603	61,293	60,603	690	1.14	
Solid Waste			32,878	27,891	32,878	27,891	4,987	17.88	
Airport			3,317	2,721	3,317	2,721	596	21.90	
Golf Course			3,012	2,602	3,012	2,602	410	15.76	
Convention Center			5,447	5,667	5,447	5,667	(220)	(3.88)	
District Cooling			769	1,091	769	1,091	(322)	(29.51)	
Total Expenses	547,526	454,594	240,800	224,646	788,326	679,240	109,086	16.06	
Increase (decrease) in Net Assets Before Special Item and Transfers	(103,267)	17,811	134,915	85,197	31,648	103,008	(71,360)	(69.28)	
Transfers	94,121	61,440	(94,121)	(61,440)	-	-	-	-	
Change in Net Assets	(9,146)	79,251	40,794	23,757	31,648	103,008	(71,360)	(69.28)	
Net Assets-Beginning	1,015,247	935,996	771,629	747,872	1,786,876	1,683,868	103,008	6.12	
Net Assets-Ending	\$ 1,006,101	\$ 1,015,247	\$ 812,423	\$ 771,629	\$ 1,818,524	\$ 1,786,876	\$ 31,648	1.77	

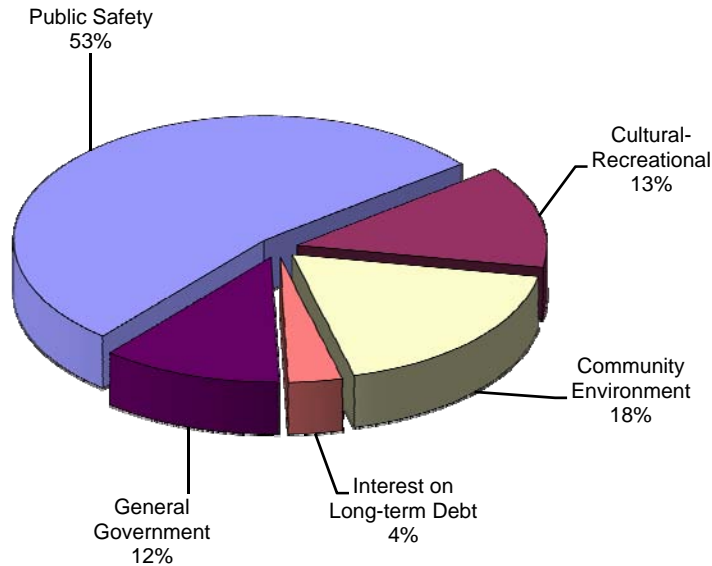
Governmental Activities

As presented in the following two graphs, the largest funding sources, including transfers, for the governmental activities are taxes (28%) and state-shared revenues (23%). The largest users of resources for the governmental activities are Public Safety (53%), Community Environment (18%), Cultural-Recreational (13%), and General Government (12%).

Revenues by Source Including Transfers – Governmental Activities
For the Fiscal Year Ended June 30, 2008

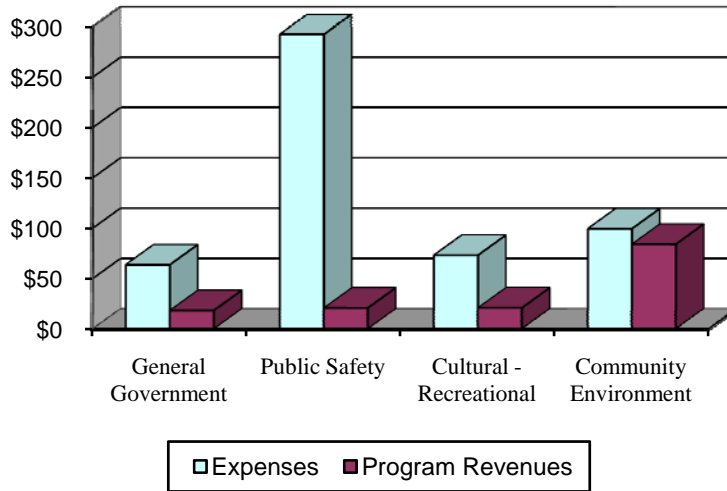


Functional Expenses – Governmental Activities
For the Fiscal Year Ended June 30, 2008



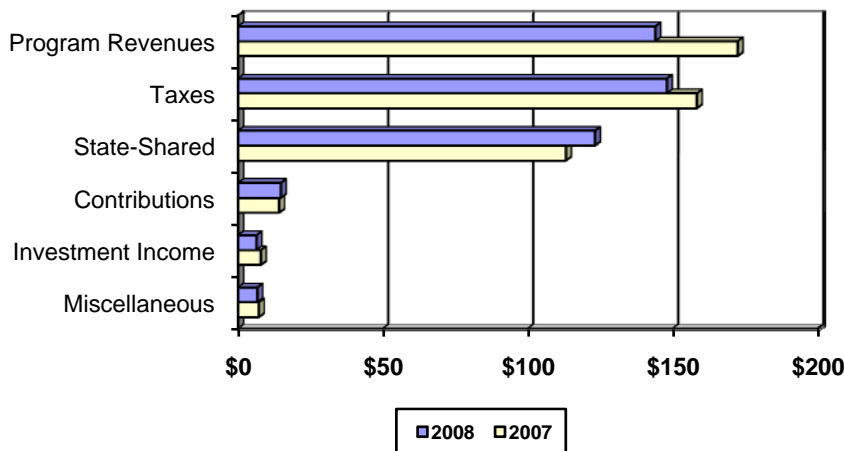
The following graph shows the functional revenues and expenses of the governmental activities to demonstrate the extent to which the governmental functions produce direct revenues to offset the program costs. It should be noted that this is not intended to represent the full cost allocation to these functions. General revenues of the City, including a \$94 million transfer from the business-type activities, cover expenses not generated by direct program revenues.

Expenses and Program Revenues – Governmental Activities
For the Fiscal Year ended June 30, 2008
(In millions of dollars)



Governmental activities decreased the net assets of the City by \$9.1 million accounting for a 0.9% decrease. Governmental activities accounted for 54% of the total revenues and 69% of the total expenses of the City in fiscal year 2008. This compares to 61% of total revenues and 67% of the total expenses in fiscal year 2007.

Governmental Activities Revenues
For Fiscal Years 2008 and 2007
(In millions of dollars)



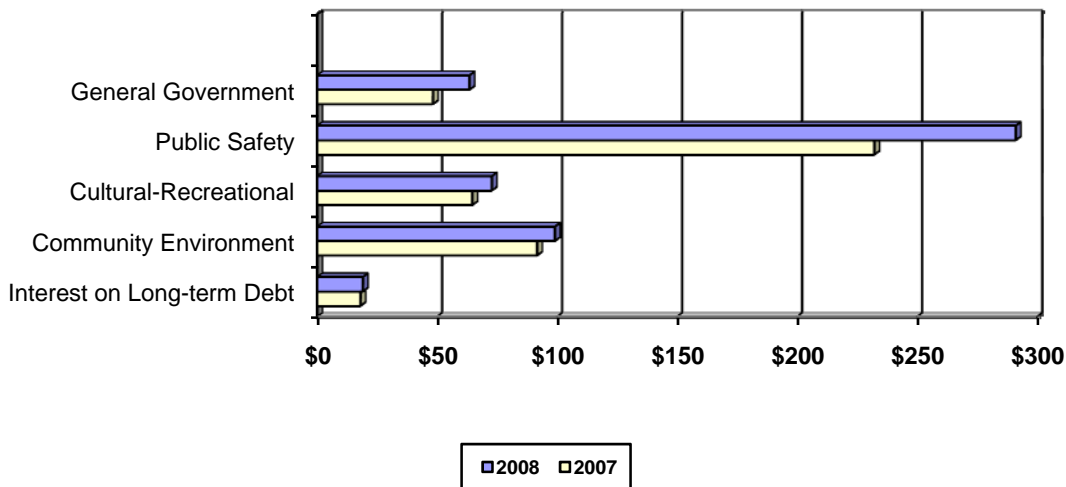
The graph above compares governmental activities revenues from fiscal year 2008 to fiscal year 2007. Total governmental activities revenues decreased \$28.1 million from \$472.4 million to \$444.3 million. Key factors in this change includes:

- The program revenues (charges for services, grants and contributions that are clearly identifiable to an operating activity) of the governmental activities decreased \$28.4 million over the previous year. There was a \$22.9 million decrease in the amount of

capital contributions of streets, storm sewers and retention basins by developers over the previous year. These capital contributions are not cash revenues and therefore are not available to cover operating expenses.

- Sales taxes decreased by \$8.0 million over the previous year primarily as a result of the weakening local economy and the downturn in the construction industry.

Governmental Activities Functional Expenses
For Fiscal Years 2008 and 2007
(In millions of dollars)



The graph above compares governmental activities expenses from fiscal year 2008 to fiscal year 2007. Total governmental expenses increased by \$92.9 million (20.4%) from \$454.6 million to \$547.5 million.

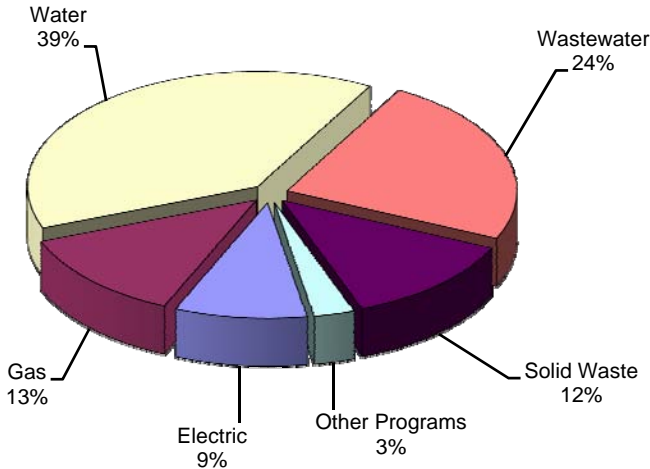
The City adopted Governmental Accounting Standards Board (GASB) Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Plans* in fiscal year 2008. This new accounting statement requires the City to recognize the cost of providing post employment healthcare benefits in the year the employee services are received, report the accumulated liability from prior years, and provide information that is useful in assessing the potential demands on the City’s future cash flows. Additional information on the implementation of GASB Statement No. 45 can be found in Note 4 of the notes to the financial statements.

The City accrued additional expenses of \$47.7 million in the governmental activities as a result of this change. These expenses impacted all the functional areas of governmental activities – General Government, Public Safety, Cultural-Recreational and Community Environment.

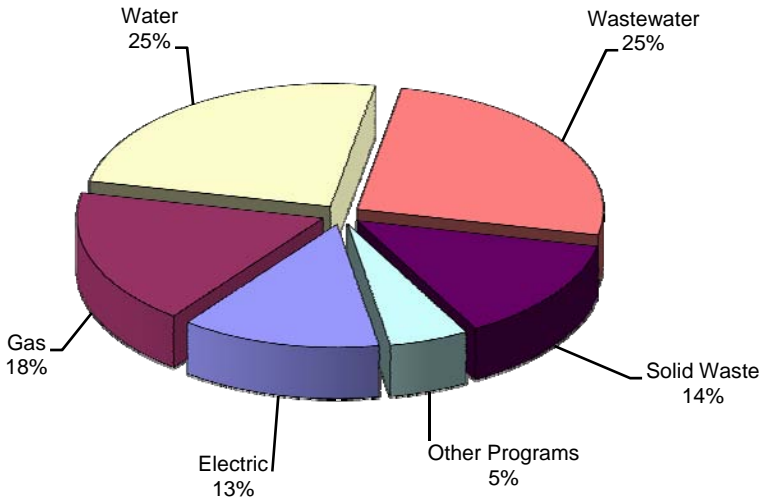
Business-type Activities

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

Revenues by Source – Business-type Activities



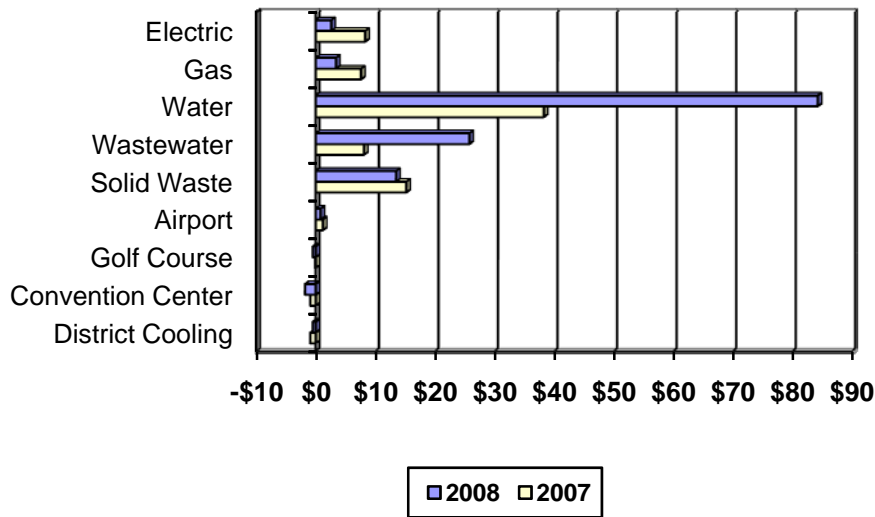
Functional Expenses – Business-type Activities



Business-type activities increased the City’s net assets by \$40.8 million a 5.3% increase. Total business-type activities program and general revenues increased by \$65.9 million (21.3%) from \$309.8 million to \$375.7 million, while the business-type activities total expenses increased by \$16.2 million (7.2%) from \$224.6 million to \$240.8 million. Business-type activities accounted for 46% of the total revenues and 31% of the total expenses of the City in fiscal year 2008. This compares to 39% of total revenues and 33% of the expenses in fiscal year 2007.

The graph on the following page compares the business-type activities increase (decrease) in net assets before transfers from fiscal year 2008 to fiscal year 2007.

Business-type Activities
Increase (Decrease) in Net Assets Before Transfers
For Fiscal Years 2008 and 2007
(In millions of dollars)



Total business-type activities revenues increased by \$65.9 million (21.3%) while the business-type activities total expenses increased by \$16.2 million (7.2%) over the previous year. Key factors in these changes include:

- The operation of the business-type activities, net of the transfer to the governmental activities resulted in a \$38.9 million decrease in net assets.

Charges for services increased by \$7.5 million as a result of increases in utility rates and commodity costs. Electric and Gas commodity increases are passed through to customers as a monthly tariff adjustment

Operating expenses increased as a result of the City spending an additional \$5.2 million in interest expense for utility revenue bonds and higher commodity purchases for the electric and gas utilities.

- Capital contributions increased by \$53.8 million (203%) from the previous year and continue to be a major revenue source for the business-type activities. The increase from the previous year can be attributed to additional water and wastewater lines contributed by developers.
- The transfer to the General Fund increased by \$27 million over the previous fiscal year. This transfer is used by the governmental activities programs to cover expenses not generated by direct program revenues.

Financial Analysis of the City's Funds

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 (pages 21-24) 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. Unreserved 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 \$179.8 million, a \$2.4 million decrease from the previous year. \$86.3 million of this total amount is in unreserved fund balance, available for spending in the coming year. The remainder of fund balance (\$93.5 million) is reserved to indicate it is not available for new spending as it is already committed. These fund balance reservations include \$29.1 million committed to liquidate contracts and purchase orders of the prior fiscal year, \$33.8 million reserved for Quality of Life Projects, \$30.4 million reserved for Transportation programs and the remaining \$0.2 million is reserved for prepaid costs.

The General Fund is the chief operating fund of the City and accounts for many of the major functions of the government including general government, public safety, cultural-recreational and community environment services. At the end of the current fiscal year, total fund balance of the General Fund was \$135.2 million, while unreserved fund balance was \$50.3 million.

As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. For 2008, unreserved fund balance represents 12.7% of total General Fund expenditures of \$395 million, while total fund balance represents 34.2% of the same amount. For 2007, unreserved fund balance was 16.4% of total General Fund expenditures of \$348.4 million, while total fund balance was 38.5% of the same amount.

The fund balance of the City's General Fund increased by \$1 million during the current fiscal year. Total revenues of \$342.3 million were \$3.3 million less than the previous year, while total expenditures of \$395 million were \$46.7 million more than the previous year. Sales taxes collected were \$8 million less than the previous year primarily as a result of the weakening local economy and the downturn in the construction industry.

The increase in General Fund expenditures is a result of an increase in personal services expenditures.

The transfer in of \$95 million, mostly from the Enterprise Fund, was reduced by \$41 million in transfers out to other funds, compared with a transfer in from the Enterprise Fund of \$67 million that was reduced by \$20.5 million in transfers out to other funds in the previous year.

The Highway User Revenue Fund that accounts for the capital and maintenance costs for the City's streets received \$1.9 million less in state-shared revenue and had a decrease of \$1.9 million in street-related expenditures.

The City's Capital Project Funds that account for the acquisition and construction of major capital facilities other than those reported in the proprietary funds reported a decrease of \$12.8 million in capital expenditures. These expenditures were for improvements in law enforcement, fire, storm sewers, streets, parks and other city facilities.

Proprietary Funds - The City's Enterprise Fund (pages 25-30) provides the same type of information as the government-wide financial statements, except in more detail. Net assets of the Enterprise Fund increased by \$41.4 million in fiscal year 2008 from \$771.8 million to \$813.2 million. The unrestricted net assets of the Enterprise Fund amounted to \$308.8 million. However, \$251.5 million of the unrestricted net assets are invested in joint ventures. Other factors concerning the finances of the Enterprise Fund have already been addressed in the discussion on the City's business-type activities.

Budgetary Highlights

The City's annual budget is the legally adopted expenditure control document of the City. Budgetary comparison schedules are required for the General Fund and major special revenue funds and may be found on pages 84-86. These schedules compare the original adopted budget, the budget as amended throughout the year, and the actual expenditures prepared on a budgetary basis. Budgetary schedules for the other governmental funds as well as the proprietary funds are also presented on pages 108-135.

Amendments to the adopted budget may occur throughout the year in a legally permissible manner (see Note 1.r. and Note 1.s. of the notes to the financial statements for more information on budget policies). No amendments increasing the City's total adopted budget of \$1.165 billion occurred during fiscal year 2008. Contingency allocations were made at fiscal year-end to cover programs in the General Fund of \$3.7 million.

General Fund revenues of \$344.7 million, on a budgetary basis, were less than budgeted revenues of \$385.2 million by \$40.5 million while expenditures of \$426.2 million were only 76% of budgeted expenditures. The shortfall in revenues is primarily due to lower sales tax revenue received because of the weakening local economy and less Federal grant revenue received than was budgeted. Reduced expenditures resulted from a delay in capital spending in addition to unspent contingencies.

Capital Asset and Debt Administration

Capital Assets – The City's investment in capital assets for its governmental and business-type activities amounts to \$2.4 billion (net of accumulated depreciation/amortization) as of June 30, 2008. This investment in capital assets includes land, buildings, other improvements, machinery and equipment and infrastructure. Infrastructure assets are items that are normally immovable and have value only to the City, such as streets, street lighting systems and storm drainage systems.

The following table provides a breakdown of the City's capital assets at June 30, 2008 and 2007.

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

	Governmental		Business-type		Total		Change	
	Activities		Activities		Primary Government		Dollars	Percent
	2008	2007	2008	2007	2008	2007		
Land	\$ 245,538	\$ 243,466	\$ 49,916	\$ 50,330	\$ 295,454	\$ 293,796	\$ 1,658	0.56 %
Water Rights			14,658	13,608	14,658	13,608	1,050	7.72
Buildings	234,722	242,099	51,711	53,202	286,433	295,301	(8,868)	(3.00)
Other Improvements	81,975	73,758	867,341	758,779	949,316	832,537	116,779	14.03
Machinery & Equipment	56,740	59,775	57,320	35,809	114,060	95,584	18,476	19.33
Infrastructure	486,472	479,971			486,472	479,971	6,501	1.35
Excess of Cost over								
Net Assets Acquired			4,012	4,429	4,012	4,429	(417)	(9.42)
Construction-in-Progress	108,503	91,620	142,910	188,850	251,413	280,470	(29,057)	(10.36)
Total	\$ 1,213,950	\$ 1,190,689	\$ 1,187,868	\$ 1,105,007	\$ 2,401,818	\$ 2,295,696	\$ 106,122	4.62

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

- The City continued construction of the South Central Arizona Project Water Treatment Plant with \$6.4 million spent during fiscal year 2008. The \$87.7 million facility will serve the growing southeast area of the City. The plant will have an initial capacity of 24 million gallons a day with the ability to expand to 48 million gallons a day.
- The City continued construction on a new Police Technical Services Building with \$19.6 million spent during fiscal year 2008. The \$21.8 million project includes larger facilities for the crime laboratory.
- The City continued construction of a new City Court building with \$3.2 million spent during fiscal year 2008. The \$36.8 million facility will have more courtrooms, office space for judges, juror facilities and records storage.

Additional information on the City's capital assets can be found in Note 1(l.) of the notes to the financial statements.

Debt Administration - At the end of the current fiscal year, the City had total bonded debt outstanding of \$1.119 billion. Of this amount, \$221 million comprises debt backed by the full faith and credit of the City and \$898 million represents bonds secured by specified revenue sources (i.e., Utility System Revenue Bonds, Highway User Revenue Bonds and Municipal Development Corporation Bonds).

The City's outstanding long-term debt, including bonds, capital leases and notes payable was \$1.146 billion at June 30, 2008. \$393 million of this total was in governmental activities and \$753 million was in business-type activities. The City's outstanding long-term debt (considering new borrowings, debt retirements and refunding) increased \$32.3 million. New borrowings during the fiscal year included \$15.5 million in general obligation bonds and \$52.9 million in utility system revenue bonds.

The following schedule shows the outstanding long-term debt of the City as of June 30, 2008 and 2007.

Outstanding Long-term Debt

(In thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Change	
	2008	2007	2008	2007	2008	2007	Dollars	Percent
General Obligation Bonds	\$ 218,129	\$ 218,958	\$ 3,315	\$ 3,318	\$ 221,444	\$ 222,276	\$ (832)	(0.37) %
Utility System Revenue Bonds			748,419	702,739	748,419	702,739	45,680	6.50
Highway User Revenue Fund Bonds	139,173	138,950			139,173	138,950	223	0.16
Municipal Development Corp. Bonds	9,970	9,970		5,100	9,970	15,070	(5,100)	(33.84)
Special Assessment Bonds with Governmental Commitment	8,046	8,798			8,046	8,798	(752)	(8.55)
Capital Leases	17,488	22,941	1,526	2,818	19,014	25,759	(6,745)	(26.19)
Notes Payable			432	589	432	589	(157)	(26.66)
Total	\$ 392,806	\$ 399,617	\$ 753,692	\$ 714,564	\$ 1,146,498	\$ 1,114,181	\$ 32,317	2.90

During the current fiscal year, the City refinanced \$21.7 million of its existing debt to take advantage of favorable interest rates. This new refinancing included: (all amounts shown in millions of dollars)

Debt Issued	Debt Refunded	Debt Service Savings
\$21.1 Utility System Revenue Bonds	\$21.7 Utility System Revenue Bonds	\$1.3

The City's current bond ratings are as follows:

	Standard and Poor's Corporation	Moody's Investors Service
General Obligation Bonds	AA	A1
Highway User Revenue Bonds	AA	A2
Utility Systems Revenue Bonds	AA-	A1

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 total debt margin available July 1, 2008 is:

6% Bonds	\$269,897,292
20% Bonds	<u>751,388,975</u>
Total Available	<u>\$1,021,286,267</u>

Additional information on the City's long-term obligations can be found in Note 5 and Note 6 of the notes to the financial statements.

Economic Factors

In June 2008, the City Council approved a \$1.194 billion budget, which is approximately a 2.5% increase from the prior year's budget. The fiscal year 2008 – 09 budget includes \$986 million for operations and \$208 million for scheduled bond capital improvements.

The fiscal year 2008-09 budget presented some challenges for the City. Current economic conditions required that the City look at ways to reduce the budget. Personnel reductions, holding vacant positions open and reevaluating large purchases and projects enacted in the prior fiscal year contributed to reducing the amount of budget reductions that were necessary for the 2008-09 budget. The City delayed the scheduled cost-of-living salary adjustment for employees, made a one-time reduction in the contribution to the employee benefit trust fund and continued the enterprise fund transfer at a higher amount than originally scheduled, but still lower than during the 2007-08 fiscal year. Despite these measures it was still necessary to reduce positions or services in the parks and recreation programs, construction-related expenses, bus services, human services grants and various support related positions throughout the City. Fire and police protection and utility service delivery were not affected.

Significant economic factors affecting the City are as follows:

- The City's unemployment rate of 4.3% compares favorably to the state unemployment rate of 4.8% and the national average rate of 5.5%.
- New residential building permits decreased 17% compared to the previous fiscal year. This continues a trend of declining new residential permits as the land available within the City for new construction is steadily decreasing. This decrease also reflects the downturn that is occurring in the housing construction industry.

Requests for Information

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

Basic Financial Statements



CITY OF MESA, ARIZONA

EXHIBIT A-1

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 193,116,385	\$ 51,103,335	\$ 244,219,720
Investments	24,344,175	10,752,396	35,096,571
Receivables:			
Accounts and Miscellaneous (Net of Allowances)	23,298,038	24,802,032	48,100,070
Accrued Interest	812,569	994,303	1,806,872
Due From Other Governments	17,764,523	2,241,453	20,005,976
Internal Balances	775,393	(775,393)	-
Inventory	4,633,947	-	4,633,947
Prepaid Costs	714,103	122,787	836,890
Deposits	1,141,342	15,120,950	16,262,292
Restricted Assets:			
Cash and Cash Equivalents	27,987,584	105,331,039	133,318,623
Accounts Receivable	11,170,629	-	11,170,629
Customer Deposits	-	3,374,128	3,374,128
Unamortized Bond Issue Costs	1,307,059	3,191,689	4,498,748
Investment in Joint Ventures	51,499,683	251,485,286	302,984,969
Capital Assets:			
Non-Depreciable	354,041,521	207,484,232	561,525,753
Depreciable, Net	859,908,623	980,383,768	1,840,292,391
Total Assets	1,572,515,574	1,655,612,005	3,228,127,579
LIABILITIES			
Warrants Outstanding	3,323,768	-	3,323,768
Accounts Payable	21,726,512	9,452,299	31,178,811
Other Accrued Expenses	28,689,725	-	28,689,725
Customer and Defendant Deposits	8,504,976	-	8,504,976
Compensated Absences	1,358,235	-	1,358,235
Liabilities Payable From Restricted Assets	32,473,298	45,435,361	77,908,659
Noncurrent Liabilities:			
Due Within One Year	49,590,641	14,088,940	63,679,581
Due in More Than One Year	420,747,861	774,212,394	1,194,960,255
Total Liabilities	566,415,016	843,188,994	1,409,604,010
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	794,720,403	410,073,719	1,204,794,122
Restricted For:			
Quality of Life Projects	33,817,579	-	33,817,579
Convention Center	-	171,845	171,845
Airport	-	4,872,995	4,872,995
Golf Courses	-	26,421	26,421
Capital Projects	15,348,927	55,104,205	70,453,132
Debt Service	-	25,273,592	25,273,592
Bond Indentures	-	8,587,683	8,587,683
Grant Programs	2,723,605	-	2,723,605
Transportation Programs	34,362,011	-	34,362,011
Water, Wastewater & Solid Waste Improvements	-	96,592	96,592
Unrestricted	125,128,033	308,215,959	433,343,992
Total Net Assets	\$ 1,006,100,558	\$ 812,423,011	\$ 1,818,523,569

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, 2008

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs				
Primary Government:				
Governmental Activities:				
General Government	\$ 63,633,405	\$ 17,384,999	\$ 845,036	\$ -
Public Safety	292,395,865	17,470,933	3,155,924	72,450
Cultural-Recreational	72,999,346	19,478,789	1,355,989	-
Community Environment	99,414,870	3,795,052	58,430,309	21,843,983
Interest on Long-Term Debt	19,082,936	-	-	-
Total Government Activities	<u>547,526,422</u>	<u>58,129,773</u>	<u>63,787,258</u>	<u>21,916,433</u>
Business-type Activities:				
Electric	31,612,431	34,148,281	-	50,000
Gas	43,246,724	46,539,692	-	115,483
Water	59,224,757	97,558,682	10,545	45,994,071
Wastewater	61,293,453	53,950,994	-	33,172,778
Solid Waste	32,877,483	46,167,910	-	215,008
Airport	3,316,536	3,192,347	-	1,022,589
Golf Course	3,011,883	2,448,313	-	-
Convention Center	5,447,050	3,658,449	-	-
District Cooling	768,873	229,168	-	-
Total Business-type Activities	<u>240,799,190</u>	<u>287,893,836</u>	<u>10,545</u>	<u>80,569,929</u>
Total Primary Government	<u>\$ 788,325,612</u>	<u>\$ 346,023,609</u>	<u>\$ 63,797,803</u>	<u>\$ 102,486,362</u>
General Revenues:				
Sales Taxes				
Occupancy Taxes				
Unrestricted State Shared Revenue				
Contributions Not Restricted to Specific Programs				
Unrestricted Investment Income				
Miscellaneous				
Transfers In (Out)				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets - Beginning				
Net Assets - Ending				

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

EXHIBIT A-2 (Continued)

**Net (Expense) Revenue and
Changes in Net Assets**

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (45,403,370)	\$ -	\$ (45,403,370)
(271,696,558)	-	(271,696,558)
(52,164,568)	-	(52,164,568)
(15,345,526)	-	(15,345,526)
(19,082,936)	-	(19,082,936)
<u>(403,692,958)</u>	<u>-</u>	<u>(403,692,958)</u>
-	2,585,850	2,585,850
-	3,408,451	3,408,451
-	84,338,541	84,338,541
-	25,830,319	25,830,319
-	13,505,435	13,505,435
-	898,400	898,400
-	(563,570)	(563,570)
-	(1,788,601)	(1,788,601)
-	(539,705)	(539,705)
-	<u>127,675,120</u>	<u>127,675,120</u>
\$ (403,692,958)	\$ 127,675,120	\$ (276,017,838)
147,762,866	-	147,762,866
2,394,765	-	2,394,765
122,560,731	-	122,560,731
14,745,722	-	14,745,722
6,282,425	6,546,254	12,828,679
6,678,633	693,962	7,372,595
94,121,492	(94,121,492)	-
<u>394,546,634</u>	<u>(86,881,276)</u>	<u>307,665,358</u>
(9,146,324)	40,793,844	31,647,520
<u>1,015,246,882</u>	<u>771,629,167</u>	<u>1,786,876,049</u>
<u>\$ 1,006,100,558</u>	<u>\$ 812,423,011</u>	<u>\$ 1,818,523,569</u>

CITY OF MESA, ARIZONA
EXHIBIT A-3
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008

	<u>General Fund</u>	<u>Highway User Revenue Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 102,989,865	\$ 2,947,286	\$ 41,720,651	\$ 147,657,802
Investments	24,344,175	-	-	24,344,175
Accounts Receivable (Net of Allowances)	22,472,583	-	94,815	22,567,398
Accrued Interest Receivable	497,300	18,822	118,875	634,997
Due From Other Governments	13,859,030	3,196,555	674,078	17,729,663
Due From Other Funds	209,000	-	-	209,000
Prepaid Costs	230,718	-	1,011	231,729
Deposits	1,141,342	-	-	1,141,342
Restricted Assets:				
Cash and Cash Equivalents	-	-	27,987,584	27,987,584
Accounts Receivable	3,733,994	-	7,436,635	11,170,629
Total Assets	<u><u>\$ 169,478,007</u></u>	<u><u>\$ 6,162,663</u></u>	<u><u>\$ 78,033,649</u></u>	<u><u>\$ 253,674,319</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants Outstanding	\$ 3,323,768	\$ -	\$ -	\$ 3,323,768
Accounts Payable	16,574,009	2,216,173	1,637,810	20,427,992
Due To Other Funds	-	-	209,000	209,000
Customer and Defendant Deposits	8,503,636	-	1,340	8,504,976
Compensated Absences	1,358,235	-	-	1,358,235
Payable From Restricted Assets:				
Accounts Payable	-	-	9,430	9,430
Accrued Lease Interest Payable	-	-	57,025	57,025
Accrued Bond Interest Payable	-	-	9,284,845	9,284,845
Deferred Revenue	4,548,798	-	7,436,635	11,985,433
Matured General Obligation Bonds Payable	-	-	16,939,681	16,939,681
Matured Highway User Revenue Bonds Payable	-	-	170,000	170,000
Matured Capital Leases Payable	-	-	1,526,603	1,526,603
Total Liabilities	<u><u>34,308,446</u></u>	<u><u>2,216,173</u></u>	<u><u>37,272,369</u></u>	<u><u>73,796,988</u></u>
Fund Balances				
Reserved For Encumbrances	20,426,094	3,946,490	4,695,771	29,068,355
Reserved For Prepaid Costs	230,718	-	1,011	231,729
Reserved For Quality of Life Projects	33,817,579	-	-	33,817,579
Reserved for Transportation Programs	30,411,959	-	-	30,411,959
Unreserved, reported in:				
General Fund	50,283,211	-	-	50,283,211
Special Revenue Funds	-	-	24,921,672	24,921,672
Capital Project Funds	-	-	11,142,826	11,142,826
Total Fund Balances	<u><u>135,169,561</u></u>	<u><u>3,946,490</u></u>	<u><u>40,761,280</u></u>	<u><u>179,877,331</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 169,478,007</u></u>	<u><u>\$ 6,162,663</u></u>	<u><u>\$ 78,033,649</u></u>	<u><u>\$ 253,674,319</u></u>

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, 2008

	<u>General Fund</u>	<u>Highway User Revenue Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Sales Taxes	\$ 147,762,866	\$ -	\$ -	\$ 147,762,866
Occupancy Taxes	2,394,765	-	-	2,394,765
Special Assessments	-	-	1,218,100	1,218,100
Licenses and Permits	15,563,330	-	7,778,786	23,342,116
Intergovernmental	138,459,188	38,039,566	17,086,718	193,585,472
Charges For Services	19,683,954	61,290	3,957,357	23,702,601
Fines and Forfeitures	10,144,701	-	616,385	10,761,086
Investment Income	3,574,283	204,162	1,399,250	5,177,695
Miscellaneous	4,747,143	207,376	1,467,057	6,421,576
Total Revenues	<u>342,330,230</u>	<u>38,512,394</u>	<u>33,523,653</u>	<u>414,366,277</u>
Expenditures:				
Current:				
General Government	48,111,893	-	-	48,111,893
Public Safety	231,064,961	-	2,441,978	233,506,939
Cultural-Recreational	57,765,169	-	-	57,765,169
Community Environment	13,839,948	33,741,328	19,034,255	66,615,531
Debt Service:				
Principal Retirement	-	-	25,870,624	25,870,624
Interest on Bonds	-	-	18,373,076	18,373,076
Interest on Leases	-	-	856,606	856,606
Service Charges	-	-	58,196	58,196
Capital Outlay	44,334,724	1,705,201	31,268,882	77,308,807
Total Expenditures	<u>395,116,695</u>	<u>35,446,529</u>	<u>97,903,617</u>	<u>528,466,841</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(52,786,465)</u>	<u>3,065,865</u>	<u>(64,379,964)</u>	<u>(114,100,564)</u>
Other Financing Sources (Uses):				
Transfers In	94,669,248	-	52,808,537	147,477,785
Transfers Out	(40,919,782)	(6,998,426)	(6,042,251)	(53,960,459)
Face Amount of Bonds Issued	-	-	15,450,000	15,450,000
Premium on Issuance of Bonds	-	-	195,209	195,209
Proceeds From Obligations of Capital Leases	-	-	2,528,683	2,528,683
Total Other Financing Sources (Uses)	<u>53,749,466</u>	<u>(6,998,426)</u>	<u>64,940,178</u>	<u>111,691,218</u>
Net Change in Fund Balances	963,001	(3,932,561)	560,214	(2,409,346)
Fund Balances - Beginning	<u>134,206,560</u>	<u>7,879,051</u>	<u>40,201,066</u>	<u>182,286,677</u>
Fund Balances - Ending	<u>\$ 135,169,561</u>	<u>\$ 3,946,490</u>	<u>\$ 40,761,280</u>	<u>\$ 179,877,331</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, 2008

Net change in fund balances - total governmental funds \$ (2,409,346)

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

Revenues in the statement of activities that do not provide current financial
resources are not reported in the governmental funds. (1,252,233)

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. (48,037,864)

Governmental funds report capital outlays as expenditures. However, in the statement
of activities, the costs of those assets is allocated over their estimated useful lives
and reported as depreciation expense. This is the amount by which capital outlays
(\$77,308,807) exceeded depreciation (\$44,683,446) in the current period. 32,625,361

The net effect of miscellaneous transactions involving capital assets (e.g., donations,
transfers and disposals) is to increase net assets. 9,479,229

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 assets. 7,891,941

Governmental funds report the effect of bond issuance costs, premiums and deferred
amounts related to refunding when the new debt is first issued, whereas these amounts are
deferred and amortized in the statement of activities. (36,388)

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. (7,407,024)

Change in net assets of the governmental activities - statement of activities \$ (9,146,324)

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

CITY OF MESA, ARIZONA
EXHIBIT A-7
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	Business-type Activities	Governmental Activities - Internal Service Funds
	Enterprise Fund	
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 51,103,335	\$ 45,458,583
Investments	10,752,396	-
Accounts Receivable (Net of Allowances of \$2,205,000)	24,802,032	105,827
Accrued Premiums Receivable	-	624,813
Accrued Interest Receivable	994,303	177,572
Due From Other Governments	2,241,453	34,860
Inventory	-	4,633,947
Prepaid Costs	122,787	482,374
Deposits	15,120,950	-
Restricted Assets:		
Cash and Cash Equivalents	37,115,387	-
Customer Deposits	3,374,128	-
Total Current Assets	145,626,771	51,517,976
Noncurrent Assets:		
Restricted Assets:		
Impact & Development Fees:		
Cash and Cash Equivalents	279,183	-
Bond Replacement, Extensions and Reserves:		
Cash and Cash Equivalents	8,989,270	-
Capital Projects:		
Cash and Cash Equivalents	58,947,199	-
Unamortized Bond Issue Costs	3,191,689	-
Total Restricted Assets	71,407,341	-
Capital Assets:		
Land	49,916,159	-
Water Rights	14,657,794	-
Buildings	76,435,965	2,014,156
Other Improvements	1,199,459,936	5,088,624
Machinery and Equipment	122,030,106	2,088,426
Construction in Progress	142,910,279	10,864
Excess of Cost Over Net Assets Acquired	12,522,509	-
Less Accumulated Depreciation and Amortization	(430,064,748)	(4,435,111)
Total Capital Assets, Net	1,187,868,000	4,766,959
Investment in Joint Ventures	251,485,286	-
Total Noncurrent Assets	1,510,760,627	4,766,959
Total Assets	\$ 1,656,387,398	\$ 56,284,935

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

CITY OF MESA, ARIZONA
EXHIBIT A-7 (Continued)
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	<u>Business-type Activities</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>Enterprise Fund</u>	
LIABILITIES		
Current Liabilities-Payable From Current Assets:		
Accounts Payable	\$ 9,452,299	\$ 1,298,520
Other Accrued Expenses	-	28,689,725
Current Liabilities-Payable From Restricted Assets:		
Impact & Development Fees-Accounts Payable	182,591	-
Bond Replacement, Extensions and Reserves-Accounts Payable	401,587	-
Capital Projects-Accounts Payable	3,842,994	-
Accrued Notes Interest Payable	4,290	-
Accrued Capital Lease Interest Payable	22,097	-
Accrued Bond Interest Payable	17,313,273	-
Deferred Revenue	52,795	-
Matured Bonds Payable	7,960,318	-
Matured Leases Payable	439,493	-
Customer Deposits and Prepayments	15,215,923	-
Current Portion of Long-term Liabilities:		
Current Portion of Revenue Bonds Payable	9,815,000	-
Current Portion of General Obligation Bonds Payable	332,090	-
Current Portion of Notes Payable	98,376	-
Current Portion of Leases Payable	1,382,868	6,727
Current Portion of Compensated Absences	837,583	95,778
Current Portion of Post Employment Benefits	1,623,023	190,505
Total Current Liabilities	<u>68,976,600</u>	<u>30,281,255</u>
Long-Term Liabilities:		
Revenue Bonds Payable, Net of Deferred Amounts on Refundings	738,603,659	-
General Obligation Bonds Payable	2,982,450	-
Notes Payable	333,189	-
Capital Leases	142,691	-
Unamortized Bond Premium	20,385,068	-
Compensated Absences	4,131,043	909,183
Post Employment Benefits	7,634,294	896,087
Total Long-Term Liabilities	<u>774,212,394</u>	<u>1,805,270</u>
Total Liabilities	<u>843,188,994</u>	<u>32,086,525</u>
NET ASSETS		
Invested In Capital Assets, Net of Related Debt	410,073,719	4,760,231
Restricted For:		
Convention Center	171,845	-
Airport	4,872,995	-
Golf Courses	26,421	-
Capital Projects	55,104,205	-
Debt Service	25,273,592	-
Bond Indentures	8,587,683	-
Water, Wastewater & Solid Waste Improvements	96,592	-
Unrestricted	308,991,352	19,438,179
Total Net Assets	<u>\$ 813,198,404</u>	<u>\$ 24,198,410</u>
Adjustment to reflect the consolidation of the internal service funds related to the enterprise fund.	(775,393)	
Total net assets of the business-type activities	<u>\$ 812,423,011</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 FUND NET ASSETS

PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Business-type Activities</u>	<u>Governmental Activities - Internal Service</u>
	<u>Enterprise Fund</u>	<u>Funds</u>
Operating Revenues:		
Electric Sales Pledged as Security for Revenue Bonds	\$ 34,148,281	\$ -
Gas Sales Pledged as Security for Revenue Bonds	46,539,692	-
Water Sales Pledged as Security for Revenue Bonds	97,558,682	-
Wastewater Charges Pledged as Security for Revenue Bonds	53,950,994	-
Solid Waste Charges Pledged as Security for Revenue Bonds	46,167,910	-
Airport Fees	3,192,347	-
Golf Course Fees	2,448,313	-
Convention Center Fees	3,658,449	-
District Cooling Charges	229,168	-
Charges For Services	-	19,596,568
Self-Insurance Contributions	-	59,104,328
Other	-	24,360
	<hr/>	<hr/>
Total Operating Revenues	287,893,836	78,725,256
	<hr/>	<hr/>
Operating Expenses:		
Electric	26,295,467	-
Gas	39,188,855	-
Water	36,484,467	-
Wastewater	24,221,736	-
Solid Waste	30,845,602	-
Airport	2,118,923	-
Golf Course	2,726,140	-
Convention Center	5,185,651	-
District Cooling	387,668	-
Warehouse, Maintenance & Services	-	20,721,986
Self-Insurance	-	67,595,297
	<hr/>	<hr/>
Total Operating Expenses	167,454,509	88,317,283
	<hr/>	<hr/>
Operating Income (Loss) Before Depreciation and Amortization	120,439,327	(9,592,027)
Depreciation and Amortization	(41,134,521)	(468,326)
	<hr/>	<hr/>
Operating Income (Loss)	79,304,806	(10,060,353)
	<hr/>	<hr/>

(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 FUND NET ASSETS

PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Business-type Activities</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>Enterprise Fund</u>	
Nonoperating Revenues (Expenses):		
Investment Income Pledged as Security for Revenue Bonds	6,443,208	-
Investment Income Unpledged	103,046	1,428,699
Intergovernmental	353,534	-
Miscellaneous Pledged as Security for Revenue Bonds	693,962	-
Interest Expense:		
Revenue Bonds	(30,502,774)	-
General Obligation Bonds	(140,958)	-
Municipal Development Corporation Bonds	(109,918)	-
Notes Payable	(28,998)	-
Capital Leases	(107,978)	(339)
Amortization of Bond Issuance and Administrative Costs	(315,209)	-
Gain (Loss) on Disposal of Capital Assets	8,053,333	(218)
Equity Interest in Joint Ventures	(8,467,136)	-
Total Nonoperating Revenues (Expenses)	<u>(24,025,888)</u>	<u>1,428,142</u>
Income (Loss) before Transfers and Capital Contributions	55,278,918	(8,632,211)
Capital Contributions	80,245,774	11,666
Transfers In	-	623,000
Transfers Out	<u>(94,140,326)</u>	<u>-</u>
Change in Net Assets	41,384,366	(7,997,545)
Total Net Assets - Beginning	<u>771,814,038</u>	<u>32,195,955</u>
Total Net Assets - Ending	<u><u>\$ 813,198,404</u></u>	<u><u>\$ 24,198,410</u></u>
Adjustment to reflect consolidation of internal service funds related to the enterprise fund.	<u>(590,522)</u>	
Change in net assets of the business-type activities	<u><u>\$ 40,793,844</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, 2008

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal Service Funds</u>
Cash Flows From Operating Activities:		
Cash Received From Customers	\$ 283,209,046	\$ -
Cash Received From Users	5,549,084	78,527,550
Cash Payments to Suppliers	(105,559,534)	(63,719,454)
Cash Payments to Employees	(50,529,408)	(9,361,864)
Net Cash Provided By Operating Activities	<u>132,669,188</u>	<u>5,446,232</u>
Cash Flows From Noncapital Financing Activities:		
Deferred Revenue	50,000	-
Intergovernmental	353,534	-
Transfers In From Other Funds	-	623,000
Transfers Out to Other Funds	(94,140,326)	-
Net Cash Provided By (Used For) Noncapital Financing Activities	<u>(93,736,792)</u>	<u>623,000</u>
Cash Flows From Capital and Related Financing Activities:		
Proceeds From Bond Sales	75,223,392	-
Payment to Refunded Bond Escrow Agent	(22,547,717)	-
Acquisition and Construction of Capital Assets	(56,258,350)	(381,120)
Investment in Joint Ventures	(14,484,176)	-
Proceeds From Sale of Capital Assets	10,993,113	-
Principal Paid on Bonds, Leases and Notes Maturities	(6,921,237)	(6,539)
Interest Paid on Bonds, Leases and Notes	(34,588,245)	(339)
Bond Issuance and Administrative Expenses	(552)	-
Capital Contributed by Other Governments	690,946	-
Capital Contributed by Subdividers	11,526,914	-
Net Cash Used For Capital and Related Financing Activities	<u>(36,365,912)</u>	<u>(387,998)</u>
Cash Flows From Investing Activities:		
Purchase of Investment Securities	(30,034,644)	-
Proceeds from Sale and Maturities of Investment Securities	45,000,000	5,000,000
Interest Received on Investments	8,428,110	1,459,660
Net Cash Provided By Investing Activities	<u>23,393,466</u>	<u>6,459,660</u>
Net Increase in Cash and Cash Equivalents	25,959,950	12,140,894
Cash and Cash Equivalents at Beginning of Year	<u>130,474,424</u>	<u>33,317,689</u>
Cash and Cash Equivalents at End of Year	<u>\$ 156,434,374</u>	<u>\$ 45,458,583</u>

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, 2008

	<u>Business-type Activities</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>Enterprise Fund</u>	
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:		
Operating Income (Loss)	\$ 79,304,806	\$ (10,060,353)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities:		
Depreciation and Amortization	41,134,521	468,326
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	864,294	(197,706)
(Increase) in Inventory	-	(236,002)
Increase (Decrease) in Prepaid Costs	(53,931)	41,994
Increase in Accounts Payable	11,419,498	1,277,614
Increase in Other Accrued Expense	-	14,152,359
Total Adjustments	<u>53,364,382</u>	<u>15,506,585</u>
Net Cash Provided By Operating Activities	<u>\$ 132,669,188</u>	<u>\$ 5,446,232</u>
Noncash Transactions Affecting Financial Position:		
Contributions of Capital Assets	\$ 69,009,080	\$ -
Transfers of Capital Assets from Governmental Funds	18,834	- 11,666
Loss on Disposal of Capital Assets	2,939,780	218
Amortization of Bond Premium	2,112,549	-
Amortization of Debt Issuance Costs	314,657	-
Amortization of Deferred Amounts on Refundings	1,953,430	-
Accretion of Certificates of Supplementary Interest Payments	12,418	-
Increase of Fair Market Value of Investments	15,550	3,100

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

CITY OF MESA, ARIZONA
EXHIBIT A-10
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2008

	Payroll Agency
ASSETS	
Cash and Cash Equivalents	<u>\$ 8,955,584</u>
Total Assets	<u><u>\$ 8,955,584</u></u>
LIABILITIES	
Accrued Payroll Payable	<u>\$ 8,955,584</u>
Total Liabilities	<u><u>\$ 8,955,584</u></u>

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

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The City of Mesa, Arizona, (the “City”) was incorporated July 5, 1883 with an approximate population of 300 and an area of one square mile. Today, the City’s estimated population is 463,397 within an area of approximately 133 square miles. The City’s charter was adopted August 18, 1967 providing for a Council-Manager form of government. The City provides a full range of municipal services including police and fire protection, parks and recreation, library, transportation, health and certain social services and general administration. In addition, the City owns and operates an enterprise whose activities include operations of electricity, gas, water, wastewater, solid waste, airport, golf courses, convention center 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.

For the fiscal year ended June 30, 2008, the City adopted GASB Statement No. 45 – *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. This statement addresses the proper accounting for the cost of post-employment healthcare benefit and the required disclosures. Specifically the pronouncement states the cost of post employment 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 during the fiscal year ended June 30, 2008, 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.

For the fiscal year ended June 30, 2008, the City adopted GASB Statement No. 48 – *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Receivables*. This statement addresses the proper accounting when governments exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement establishes criteria that governments will use to determine whether the proceeds received should be reported as revenue or as a liability. The statement also requires disclosures pertaining to future revenues that have been pledged or sold to provide financial statement users with information about which revenues will be unavailable for other purposes and how long they will continue to be so. In implementing the requirements of GASB Statement No. 48, the City has provided the required disclosures concerning which future revenues have been pledged and the period of time these revenues will be unavailable for other purposes.

For the fiscal year ended June 30, 2008, the City adopted GASB Statement No. 50 – *Pension Disclosures*. This statement more closely aligns the financial reporting requirements for pensions with those required for other postemployment benefits and enhances the information disclosed in the notes to the financial statements by pension plans and by employers that provide pension benefits.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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, the City of Mesa Municipal Development Corporation, collectively referred to as "the financial reporting entity". In accordance with GASB No. 14, 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.

City of Mesa Municipal Development Corporation is a nonprofit corporation that is organized under the laws of the State of Arizona to assist the City in the acquisition and financing of municipal projects and facilities. The corporation is governed by a board of directors which is responsible for approving the corporation's bond sales. Bond sales must also be approved by the City Council. Although they are legally separate from the City, the corporation is reported as if it is part of the primary government because its sole purpose is to finance the acquisition and or construction of public facilities for the City. Separate financial statements for the corporation can be obtained through the City's Accounting Services Division.

b. **Jointly Governed Organizations**

Williams Gateway Airport Authority ("WGAA") is a nonprofit corporation established and funded by the City, the City of Phoenix, and Towns of Gilbert and Queen Creek, and the Gila River Indian Community. The purpose of the entity is the redevelopment of Williams Air Force Base that was closed in September 1993 to become WGAA. 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 WGAA operating and capital budget during this fiscal year.

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

Arizona Municipal Water Users Association ("AMWUA") is a nonprofit corporation established and funded by cities in Maricopa County for the development of an urban water policy and to represent the cities' interests before the Arizona legislature. The City's annual membership fee for this fiscal year was approximately \$207,000. In addition, AMWUA contracts with the cities jointly using a multi-city sanitary sewer system to perform certain accounting, administrative and support services (see Note 14).

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

c. **Basic Financial Statements**

Government-wide Financial Statements: The government-wide financial statements (the statement of net assets 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 assets reports all financial and capital resources of the City, excluding fiduciary funds. It is presented in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be presented in three components: invested in capital assets, net of related debt; restricted and unrestricted. Invested in capital assets, net of related debt 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 assets 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. All net assets not otherwise classified as restricted, 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 assets are 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. Historically, the previous reporting model did not summarize or present net cost by function or activity.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

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

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

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

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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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 general rule is interest on long-term debt which is recorded when due.

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

Proprietary Funds and Fiduciary 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.

GASB Statement No. 20 requires that governments' proprietary and business-type activities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins. Governments are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements to its enterprise fund and business-type activities.

The City has elected not to implement FASB Statements and Interpretations issued after November 30, 1989.

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

Internal service funds of the City, which provide services primarily to the other funds of the City, are presented in summary form as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial statements of the internal service funds are consolidated into the governmental activities column when presented at the government-wide level. The costs of these services are reflected in the appropriate functional activity (General Government, Public Safety,

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Cultural-Recreational, etc.) on the government-wide statement of activities and the revenues and expenses within the internal service funds are eliminated from the government-wide financial statements to avoid any doubling up effect of these revenues and expenses.

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

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

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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

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

f. **Cash and Cash Equivalents and Investments**

At year-end, City cash totaled \$2,905,442 which includes \$224,935 of petty cash. The carrying amount of the City's deposits was \$2,680,507 and the bank balance was \$1,821,816. The entire bank balance was covered by federal depository insurance or by collateral held in the pledging banks trust department in the City's name. The difference of \$858,691 represents deposits in transits, outstanding checks and other reconciling items.

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

The City has purchased its own Special Improvement District Bonds with maturities that exceed three years.

Credit Risk. The City's Policy is consistent with the City Charter which authorizes the investment of City funds in accordance with Arizona Revised Statute §35-313. These investments include obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, towns or duly organized school districts, improvement districts in this state and the State Treasurer's Investment Pool. The State Treasurer's Investment Pool, including the Plan 6 Pool, is overseen according to Arizona State Statute by the State Board of Deposit. The fair value of each share as of June 30, 2008, is equal to \$1.00. The State Treasurer's Investment Pool does not receive a credit quality rating.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The City's investment in the bonds of U.S. Government agencies are rated AAA by Standard & Poor's and Aaa by Moody's. The Money Market Mutual Funds are all invested in U.S. Treasury securities. The City's Special Improvement District bonds have no credit rating.

The City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The City's investments that are reflected in the financial statements as cash equivalents total \$383,588,485.

The City's investments and cash equivalents at June 30, 2008 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> <u>(In Years)</u>		
		<u>Less Than 1</u>	<u>1-2</u>	<u>3-12</u>
U.S. Agencies	\$ 29,992,850	\$ -	\$ 29,992,850 *	\$ -
City of Mesa Special Improvement District Bonds	4,340,375	-	670,000	3,670,375 **
State Treasurer Plan 6 Pool	<u>763,346</u>	<u>763,346</u>	<u>-</u>	<u>-</u>
Total Investments	\$ <u>35,096,571</u>	\$ <u>763,346</u>	\$ <u>30,662,850</u>	\$ <u>3,670,375</u>

*\$29,992,850 of these bonds are callable from July 2, 2008 to January 10, 2010.

**These bonds are callable from July 1, 2008 to July 1, 2020.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Fair Value</u>
<u>Investments:</u>	
U.S. Government Agencies	\$ 29,992,850
City of Mesa Special Improvement District Bonds	4,340,375
Investments in State Treasurer's Plan 6 Pool	<u>763,346</u>
 Total Investments as Reported in the Financial Statements	 <u>35,096,571</u>
<u>Cash Equivalents:</u>	
Money Market Mutual Funds	1,819,060
Investments in State Treasurer's Local Government Investment Pool	<u>381,769,425</u>
 Total Cash Equivalents	 <u>383,588,485</u>
 Total Investments and Cash Equivalents	 \$ <u><u>418,685,056</u></u>

Interest income from investments is recorded as revenue within the fund that made the investment, with the exception of the Debt Service, Capital Projects and Agency Funds. Income from investments within these funds is recorded in the General or Enterprise Fund based upon their general governmental or enterprise related function.

The City had a net increase in the fair value of investments during fiscal year 2007-08 of \$62,292. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

g. **Accounts Receivable and Due from Other Governments**

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

<u>Fund</u>	<u>Receivables</u>	<u>Allowance</u>	<u>Net</u>
Governmental Activities:			
General Fund:			
Taxes	\$ 13,847,559	\$ (99,000)	\$ 13,748,559
Courts	42,520,155	(39,768,692)	2,751,463
Other Customers	6,721,387	(748,826)	5,972,561
Restricted	3,733,994		3,733,994
Due from Other Governments			
State Shared Revenues	9,818,670		9,818,670
Other	4,040,360		4,040,360
Highway User Revenue Fund:			
Due from Other Governments:			
State Shared Revenues	3,139,634		3,139,634
Other	56,921		56,921
Non-Major Governmental Funds:			
Customers	94,815		94,815
Restricted-Spec. Assessments	7,436,635		7,436,635
Due from Other Governments	674,078		674,078
Internal Service Funds			
Customers	105,827		105,827
Due from Other Governments	34,860		34,860
Total Governmental Activities	<u>\$ 92,224,895</u>	<u>\$ (40,616,518)</u>	<u>\$ 51,608,377</u>
Business-Type Activities:			
Utility Customers	\$ 25,189,852	\$ (1,870,000)	\$ 23,319,852
Other Customers	1,817,180	(335,000)	1,482,180
Due from Other Governments	<u>2,241,453</u>		<u>2,241,453</u>
Total Business-type Activities	<u>\$ 29,248,485</u>	<u>\$ (2,205,000)</u>	<u>\$ 27,043,485</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

h. **Deferred Revenue**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

Prepayments from Intergovernmental Project (General Fund)	\$	32,231
Rehabilitation Revolving Loans not yet due (General Fund)		63,084
Surcharges included in Court Receivables (General Fund)		3,670,910
Grants received prior to meeting all eligibility requirements (General Fund)		782,573
Special assessments not yet due (Debt Service Fund)		<u>7,436,635</u>
Total deferred revenue for governmental funds		<u>\$11,985,433</u>

The deferred revenue of \$52,795 reported in the Enterprise Fund represents grants received prior to meeting all eligibility requirements.

i. **Interfund Receivables, Payables, and Transfers**

The following interfund activities are included in the fund financial statements at June 30, 2008:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds:		
General Fund	\$ 209,000	\$
Non-major Governmental funds		<u>209,000</u>
Total Governmental funds	<u>\$ 209,000</u>	<u>\$ 209,000</u>

The interfund balances at June 30, 2008 are short-term loans to cover temporary cash deficits in various funds. All interfund balances outstanding at June 30, 2008 are expected to be repaid within one year.

The net transfers of \$94,121,492 from business-type activities to governmental activities on the government-wide statement of activities are primarily operational subsidies from the Enterprise Fund to the General Fund and capital assets with a book value of \$18,834 that were transferred between governmental and business-type activities (see Note 9). The following interfund transfers are reflected in the fund financial statements for the year ended June 30, 2008:

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Governmental funds:		
General Fund	\$ 40,919,782	\$ 94,669,248
Highway User Revenue Fund	6,998,426	
Non-major Governmental Funds	<u>6,042,251</u>	<u>52,808,537</u>
Total governmental funds	53,960,459	147,477,785
Proprietary funds:		
Enterprise Fund	94,140,326	
Internal Service Funds		<u>623,000</u>
Total	<u>\$ 148,100,785</u>	<u>\$ 148,100,785</u>

The 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; 2) subsidy transfers.

j. **Inventory**

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

k. **Unbilled Accounts Receivable**

Unbilled utility service receivables are recorded in the year in which the services are provided. At June 30, 2008, unbilled utility service receivables are recorded in the Enterprise Fund as follows:

Electric	\$ 1,493,791
Gas	1,225,047
Water	4,516,561
Wastewater	2,031,668
Solid Waste	<u>1,723,797</u>
	<u>\$ 10,990,864</u>

l. **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. 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.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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.

Prior to June 30, 1978, the City did not maintain detailed property cost records of its capital assets other than for rolling stock. A physical inventory was performed during the fiscal year ended June 30, 1978 and detailed property records were prepared. Generally, the assets were recorded at cost. Where historical cost information was not available, the assets were valued at estimated cost using engineering estimates, appraisals or current replacement cost, adjusted to the year of acquisition.

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	10-50 Years
Machinery and Equipment	3-30 Years
Infrastructure	10-99 Years
Excess Cost over Net Assets Acquired	30 Years

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2008 follows:

	Balance July 1, 2007	Additions	Retirements	Transfers	Balance June 30, 2008
Governmental Activities:					
Non-depreciable Assets:					
Land	\$ 243,465,514	\$ 3,467,623	\$ (1,394,767)	\$ -	\$ 245,538,370
Construction-in-Progress	<u>91,620,141</u>	<u>58,854,947</u>	<u>(41,971,937)</u>	-	<u>108,503,151</u>
Total Non-depreciable Assets	<u>335,085,655</u>	<u>62,322,570</u>	<u>(43,366,704)</u>	-	<u>354,041,521</u>
Depreciable Assets:					
Buildings	299,404,681	1,262,309	(200,000)	(2,336,584)	298,130,406
Other Improvements	114,476,119	10,984,325	(1,051,715)	8,018,015	132,426,744
Machinery and Equipment	161,071,141	12,552,892	(13,640,201)	(7,480,871)	152,502,961
Infrastructure	<u>697,098,220</u>	<u>28,436,706</u>	<u>(4,852,095)</u>	<u>1,780,606</u>	<u>722,463,437</u>
Total Depreciable Assets	<u>1,272,050,161</u>	<u>53,236,232</u>	<u>(19,744,011)</u>	<u>(18,834)</u>	<u>1,305,523,548</u>
Less Accumulated Depreciation for:					
Buildings	(57,305,191)	(6,104,320)	-	-	(63,409,511)
Other Improvements	(40,718,188)	(10,461,316)	728,096	-	(50,451,408)
Machinery and Equipment	(101,296,228)	(7,291,287)	12,824,547	-	(95,762,968)
Infrastructure	<u>(217,127,428)</u>	<u>(21,246,186)</u>	<u>2,382,576</u>	-	<u>(235,991,038)</u>
Total Accum. Depreciation	<u>(416,447,035)</u>	<u>(45,103,109)</u>	<u>15,935,219</u>	-	<u>(445,614,925)</u>
Total Depreciable Assets, net	<u>855,603,126</u>	<u>8,133,123</u>	<u>(3,808,792)</u>	<u>(18,834)</u>	<u>859,908,623</u>
Governmental Activities					
Capital Assets, net	<u>\$ 1,190,688,781</u>	<u>\$ 70,455,693</u>	<u>\$ (47,175,496)</u>	<u>\$ (18,834)</u>	<u>\$ 1,213,950,144</u>

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

General Government	\$ 5,592,577
Public Safety	8,794,266
Cultural – Recreational	7,155,591
Community Environment	23,092,349
Capital assets held by the City’s internal service funds are charged to the various functions based on their usage of the assets	<u>468,326</u>
Total Depreciation	\$ <u>45,103,109</u>

Balance

Balance

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2008</u>
Business-type Activities:					
Non-depreciable Assets:					
Land	\$ 50,330,305	\$ 74,426	\$ (488,572)	\$ -	\$ 49,916,159
Water Rights	13,607,668	1,050,126	-	-	14,657,794
Construction-in-Progress	188,849,530	57,430,489	(103,369,740)	-	142,910,279
Total Non-depreciable Assets	<u>252,787,503</u>	<u>58,555,041</u>	<u>(103,858,312)</u>	<u>-</u>	<u>207,484,232</u>
Depreciable Assets:					
Buildings	76,128,461	787,792	(380,288)	(100,000)	76,435,965
Other Improvements	1,064,073,025	137,372,741	(3,532,522)	1,546,692	1,199,459,936
Machinery & Equipment	91,894,909	33,577,390	(2,014,335)	(1,427,858)	122,030,106
Excess of Cost over Net Assets					
Acquired	<u>12,522,509</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,522,509</u>
Total Depreciable Assets	<u>1,244,618,904</u>	<u>171,737,923</u>	<u>(5,927,145)</u>	<u>18,834</u>	<u>1,410,448,516</u>
Less Accum. Depr. & Amort. for:					
Buildings	(22,926,160)	(1,860,373)	61,797	-	(24,724,736)
Other Improvements	(305,293,809)	(28,221,749)	1,396,656	-	(332,118,902)
Machinery & Equipment	(56,086,174)	(10,634,982)	2,010,806	-	(64,710,350)
Excess of Cost over Net Assets					
Acquired	<u>(8,093,343)</u>	<u>(417,417)</u>	<u>-</u>	<u>-</u>	<u>(8,510,760)</u>
Total Accum. Depr. & Amort.	<u>(392,399,486)</u>	<u>(41,134,521)</u>	<u>3,469,259</u>	<u>-</u>	<u>(430,064,748)</u>
Total Depreciable Assets, net	<u>852,219,418</u>	<u>130,603,402</u>	<u>(2,457,886)</u>	<u>18,834</u>	<u>980,383,768</u>
Business-type Activities					
Capital Assets, net	<u>\$ 1,105,006,921</u>	<u>\$ 189,158,443</u>	<u>\$ (106,316,198)</u>	<u>\$ 18,834</u>	<u>\$ 1,187,868,000</u>

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

Electric	\$ 5,091,916
Gas	2,439,979
Water	16,763,644
Wastewater	13,233,262
Solid Waste	1,564,820
Airport	1,176,423
Golf Course	225,279
Convention Center	257,992
District Cooling	<u>381,206</u>
Total Depreciation and Amortization	<u>\$ 41,134,521</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

<u>Governmental Activities</u>	<u>Construction in Progress</u>	<u>Commitments</u>
General Government	\$ 16,682,500	\$ 772,980
Public Safety	28,304,630	29,140,677
Cultural-Recreational	4,073,111	7,983,501
Community Environmental	59,432,046	7,915,422
Warehouse, Maintenance & Services	10,864	24,022
Total	<u>\$ 108,503,151</u>	<u>\$ 45,836,602</u>
<u>Business-type Activities</u>		
Electric	\$ 2,081,999	\$ 468,030
Gas	12,610,359	112,235
Water	50,325,057	3,658,299
Sewer	74,703,986	26,397,653
Solid Waste	229,575	3,910,669
Airport	2,708,757	1,289,793
District Cooling	49,968	48,715
Golf Course	166,370	30,818
Convention Center	34,208	-
Total	<u>\$ 142,910,279</u>	<u>\$ 35,916,212</u>

m. **Excess of Cost Over Net Assets Acquired**

This item represents intangible assets acquired by the City in purchasing water and wastewater companies in past years. The intangible assets include water rights, plant capacity and the stream of revenues expected from present and future customers over the lives of the tangible assets acquired. This intangible asset is amortized using the straight-line method over 30 years. The total of this asset and the accumulated amortization through June 30, 2008 was \$12,522,509 and \$8,510,760 respectively.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

n. **Capitalization of Interest**

For the year ended June 30, 2008, the City capitalized net interest costs of \$2,345,773 (interest expense of \$3,983,570 reduced by interest income of \$1,637,797 in the Business-type Activities Enterprise Fund). Total interest expense and income in the Business-type Activities Enterprise Fund before capitalization was \$34,874,196 and \$8,184,051 respectively.

o. **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 \$2,000,000 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 \$850,000 liability per occurrence. In the Employee Benefits Fund, the City has excess insurance coverage when an individual's claims exceeds \$150,000 per contract year. There were no changes in insurance coverage during this fiscal year for any of the three Self-Insurance Funds.

The various funds of the City include, as expenditures, amounts contributed to each of the self-insurance funds during the fiscal year. The Property and Public Liability and the Employee Benefits Self-Insurance Funds establish a liability for actuarially computed estimates for those claims incurred but not yet reported. The claims incurred but not reported in the Workers' Compensation Fund consist of actual claims reported during July 2008.

The stop loss receivable balance for the Workers' Compensation Fund at June 30, 2008 is \$105,766. Over the past three fiscal years the Fund has received settlements in excess of insurance coverage of \$305,051 with \$138,166 received this current fiscal year. The Property and Public Liability Fund does not have a stop loss receivable at June 30, 2008, 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 a stop loss receivable at June 30, 2008. Over the past three fiscal years the Fund has received settlements in excess of insurance coverage of \$1,274,980 with \$183,660 received this current fiscal year.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

	Property & Public Liability	Workers' Compensation	Employee Benefits	Total
Unpaid Claims, 7/1/06	\$ 7,100,000	\$ 4,927,811	\$ 3,602,161	\$ 15,629,972
Adjustments to Reserves-FY 06-07	855,014	3,263,645	36,140,968	40,259,627
Claim Payments-FY 06-07	<u>(1,555,014)</u>	<u>(2,677,173)</u>	<u>(37,120,047)</u>	<u>(41,352,234)</u>
Unpaid Claims, 6/30/07	\$ 6,400,000	\$ 5,514,283	\$ 2,623,082	\$ 14,537,365
Adjustments to Reserves-FY 07-08	\$ 13,839,941	\$ 3,211,836	\$ 43,477,067	\$ 60,528,844
Claim Payments-FY 07-08	<u>(3,439,941)</u>	<u>(2,486,791)</u>	<u>(40,449,752)</u>	<u>(46,376,484)</u>
Unpaid Claims, 6/30/08	<u>\$ 16,800,000</u>	<u>\$ 6,239,328</u>	<u>\$ 5,650,397</u>	<u>\$ 28,689,725</u>

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

The Property and Public Liability Self Insurance Fund reported an increase in unpaid claim reserves of \$10.4 million during the fiscal year ended June 30, 2008. This increase is a result of additional litigation cases being filed against the City and changes to existing litigation case reserves as more information becomes available.

p. **Compensated Absences**

The current portion of governmental funds accrued vacation and sick leave benefits payable are included as a liability in the fund financial statements. The entire amount of accumulated unpaid vested vacation pay 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 (see Note 5 for additional disclosure of long-term balances).

q. **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.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

r. **Budgets and Budgetary Accounting**

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

Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted by the City to obtain citizen comments.

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

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

The legally adopted budget consists of all funds except the Agency Fund. Capital Projects (both Governmental and Proprietary) are budgeted as one item (as shown in Exhibit D-5). Governmental debt service expenditures are budgeted in the General Fund and Special Revenue Funds.

Budget schedules for the major governmental funds (General and Highway User Revenue Funds) are presented in the Required Supplementary Information Section, and the other funds are located in the Supplementary Information Section. Additional detailed budget schedules for the General and Highway User Revenue Funds are also located in the Supplementary Information Section.

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

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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Budgeted amounts are as originally adopted by the City Council on June 25, 2007.

s. **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, 2008 and are made in accordance with State Statutes.

2. RECONCILIATION OF GOVERNMENTAL FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE 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. Additional reconciliations are provided on the next page.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

	Total Governmental Funds	Long-term Assets/ Liabilities(1)	Internal Service Funds(2)	Reclassifications and Eliminations	Statement of Net Assets Total
Assets					
Cash and Cash Equivalents	\$ 147,657,802	\$	\$ 45,458,583	\$	\$ 193,116,385
Investments	24,344,175		-		24,344,175
Accounts Receivable, net	22,567,398		730,640		23,298,038
Interest Receivable	634,997		177,572		812,569
Due From Other Governments	17,729,663		34,860		17,764,523
Due From Other Funds	209,000		775,393	(209,000)	775,393
Inventories			4,633,947		4,633,947
Prepaid Costs	231,729		482,374		714,103
Deposits	1,141,342				1,141,342
Restricted Cash and Cash Equivalents	27,987,584				27,987,584
Restricted Accounts Receivable - Deferred	11,170,629				11,170,629
Unamortized Bond Issuance Costs		1,307,059			1,307,059
Investment in Joint Ventures		51,499,683			51,499,683
Capital Assets		1,209,183,185	4,766,959		1,213,950,144
Total Assets	<u>\$ 253,674,319</u>	<u>\$ 1,261,989,927</u>	<u>\$ 57,060,328</u>	<u>\$ (209,000)</u>	<u>\$ 1,572,515,574</u>
Liabilities					
Warrants Outstanding	\$ 3,323,768	\$	\$	\$	\$ 3,323,768
Accounts Payable	20,427,992		1,298,520		21,726,512
Other Accrued Expenses	-		28,689,725		28,689,725
Due To Other Funds	209,000			(209,000)	-
Customer and Defendant Deposits	8,504,976				8,504,976
Compensated Absences	1,358,235				1,358,235
Restricted Accounts Payable	9,430				9,430
Restricted Lease Interest Payable	57,025				57,025
Restricted Bond Interest Payable	9,284,845				9,284,845
Restricted Deferred Revenue	11,985,433	(7,499,719)			4,485,714
Matured G.O. Bonds Payable	16,939,681				16,939,681
Matured HURF Bonds Payable	170,000				170,000
Matured Capital Leases Payable	1,526,603				1,526,603
Long-term Liabilities		468,240,222	2,098,280		470,338,502
Total Liabilities	<u>\$ 73,796,988</u>	<u>\$ 460,740,503</u>	<u>\$ 32,086,525</u>	<u>\$ (209,000)</u>	<u>\$ 566,415,016</u>
Fund Balance/Net Assets					
Total Fund Balance/Net Assets	<u>\$ 179,877,331</u>	<u>\$ 801,249,424</u>	<u>\$ 24,973,803</u>	<u>\$ -</u>	<u>\$ 1,006,100,558</u>
Total Liabilities and Fund Balance/Net Assets	<u>\$ 253,674,319</u>	<u>\$ 1,261,989,927</u>	<u>\$ 57,060,328</u>	<u>\$ (209,000)</u>	<u>\$ 1,572,515,574</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Costs of capital assets	\$1,650,362,999
Accumulated depreciation	<u>(441,179,814)</u>
	<u>\$1,209,183,185</u>

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

Investment in joint ventures	\$ <u>51,499,683</u>
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Bond issuance costs are expended when incurred in governmental funds, but are deferred and amortized over the life of the bonds in the statement of net assets.

Unamortized bond issuance costs	\$ <u>1,307,059</u>
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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	\$ 375,318,025
Capital leases	17,481,163
Compensated absences	19,737,075
Post employment benefits	46,658,320
Unamortized bond premium	<u>9,045,639</u>
	<u>\$ 468,240,222</u>

Deferred revenue is affected by two changes. Deferred revenue for the long-term special assessment receivables and for the rehabilitation loan program shown on the governmental fund statements is not deferred on the statement of net assets.

Deferred special assessment revenue	\$ 7,436,635
Deferred rehabilitation loan revenue	<u>63,084</u>
	<u>\$ 7,499,719</u>

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

Total	<u>\$ 24,973,803</u>
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(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

	Total Governmental Funds	Long-term Revenues/ Expenses(1)	Capital - Related Items(2)	Internal Service Funds(3)	Long-term Debt Transactions(4)	Eliminations and Adjustments(5)	Statement of Activities
Revenues and Other Sources							
Taxes	\$ 147,762,866	\$	\$	\$	\$	\$	\$ 147,762,866
Occupancy Taxes	2,394,765						2,394,765
Special Assessments	1,218,100	(1,218,100)					-
Licenses and Permits	23,342,116						23,342,116
Intergovernmental	193,585,472	(34,133)					193,551,339
Charges for Services	23,702,601						23,702,601
Contributions				14,745,722			14,745,722
Fines and Forfeitures	10,761,086						10,761,086
Investment Income	5,177,695			1,428,699			6,606,394
Miscellaneous	6,421,576	195,209		24,360	37,488		6,678,633
Other Sources:							
Capital Contributions			14,713,084				14,713,084
Transfers In	147,477,785		(11,666)	11,666		(52,808,537)	94,669,248
Face Amount of Bond Sales	15,450,000				(15,450,000)		-
Premiums on Issuance of Bonds	195,209	(195,209)					-
Proceeds From Capital Leases	2,528,683				(2,528,683)		-
Total Revenues and Other Sources	\$ 580,017,954	\$ (1,252,233)	\$ 14,701,418	\$ 16,210,447	\$ (17,941,195)	\$ (52,808,537)	\$ 538,927,854
Expenditures/Expenses							
Current:							
General Government	\$ 48,111,893	\$ 6,418,406	\$ 6,416,219	\$ 2,674,735	\$ 12,152	\$	\$ 63,633,405
Public Safety	233,506,939	33,586,121	9,496,308	15,751,902	54,595		292,395,865
Cultural-Recreational	57,765,169	4,944,133	7,304,443	2,934,580	51,021		72,999,346
Community Environment	66,615,531	3,147,400	26,669,831	2,879,254	102,854		99,414,870
Debt Service:							
Principal Payments	25,870,624				(25,870,624)		-
Interest on Bonds	18,373,076				(173,272)		18,199,804
Interest on Capital Leases	856,606				26,526		883,132
Service Charges	58,196	(58,196)					-
Capital Outlay	77,308,807		(77,308,807)				-
Total Expenditures\Expenses	\$ 528,466,841	\$ 48,037,864	\$ (27,422,006)	\$ 24,240,471	\$ (25,796,748)	\$ -	\$ 547,526,422
Other Financing Uses/ Changes in Net Assets							
Transfers Out	53,960,459		18,834	(623,000)		(52,808,537)	547,756
Total Expenditures\Expenses & Other Financing Uses	582,427,300	48,037,864	(27,403,172)	23,617,471	(25,796,748)	(52,808,537)	548,074,178
Net Change for the Year	\$ (2,409,346)	\$ (49,290,097)	\$ 42,104,590	\$ (7,407,024)	\$ 7,855,553	\$ -	\$ (9,146,324)

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

Special assessment revenue	\$ (1,218,100)
Rehabilitation loan revenue	(34,133)
Total	\$ (1,252,233)

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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	\$ (1,379,544)
Accrual of post employment benefits	(46,658,320)
Total	\$ <u>(48,037,864)</u>

- (2) When capital assets that are to be used in the governmental activities are purchased or constructed, or are to be classified as investment in joint venture, 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 assets decrease by the amount of depreciation expense charged for the year.

Capital outlay for capital assets	\$ 58,492,676
Capital outlay for joint venture	18,816,131
Depreciation expense	(44,634,783)
Depreciation expense for joint venture	<u>(48,663)</u>
Total	\$ <u>32,625,361</u>

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

Donation of capital assets	\$ 14,713,084
Loss on disposal of capital assets	(5,203,355)
Transfer of capital assets	(18,834)
Transfer of capital assets reclassified to transfer in	<u>(11,666)</u>
Total	\$ <u>9,479,229</u>

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

Revenue and other sources	\$ 16,198,781
Expenditures and other uses	(24,240,471)
Transfers in from General Fund	623,000
Transfer of capital assets from governmental activities	<u>11,666</u>
Change in net assets	\$ <u>(7,407,024)</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

- (4) Bond and capital lease 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	(15,450,000)
Capital lease proceeds	(2,528,683)
Principal repayments	<u>25,870,624</u>
Total	<u>\$ 7,891,941</u>

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

Amortization of bond issue costs	\$ (220,621)
Amortization of deferred amounts	(191,608)
Accretion of certificates	338,353
Amortization of bond premiums	<u>37,488</u>
Total	<u>\$ (36,388)</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	\$ 52,808,537
Transfers in	<u>52,808,537</u>
Total	<u>\$ -</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

3. RETIREMENT AND PENSION PLANS

All full-time employees of the City are covered by one of three pension plans. The Arizona State Retirement System is for the benefit of the employees of the state and certain other governmental jurisdictions. All full-time City employees, except fire and police personnel, are included in the plan that is a multiple-employer cost-sharing defined benefit pension plan. All police and fire personnel participate in the Public Safety Personnel Retirement System that is an agent multiple-employer plan. In addition, the Mayor and Councilmembers contribute to the State's Elected Officials Retirement Plan that is also a multiple-employer cost-sharing pension plan.

Arizona State Retirement System:

a. **Plan Description**

All the City's full-time general employees participate in the Arizona State Retirement System ("System"), a multiple-employer, cost-sharing defined benefit pension plan. The System was established by the State of Arizona to provide pension benefits for employees of the state and employees of participating political subdivisions and school districts. The System is administered in accordance with Title 38, Chapter 5 of the Arizona Revised Statutes. The System provides for retirement, disability, and death and survivor benefits. The System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Arizona State Retirement System, 3300 N. Central Avenue, Suite 1300, Phoenix, Arizona, 85012 or by calling 1-800-621-3778.

b. **Funding Policy**

Covered employees were required by state statute to contribute 9.60 percent of their salary to the System during fiscal year 2007-08 and the City was required to match it. The Arizona Revised Statutes ("A.R.S.") provide statutory authority for determining the employees' and employers' contribution amounts as a percentage of covered payroll. Employers are required to contribute at the same rate as employees. Although the statutes prescribe the basis of making the actuarial calculation, the Arizona legislature is able to legislate a contribution rate other than the actuarially determined rate. The City's contributions to the System for the years ending June 30, 2008, 2007 and 2006 were \$14,784,935, \$12,608,847 and \$10,041,506, respectively, which were equal to the required contributions for each year. The City's employees contributed equal amounts to the System for the same time period.

Elected Officials Retirement Plan:

a. **Plan Description**

The City's Mayor and Councilmembers participate in the Elected Officials Retirement Plan ("EORP") a multiple employer, cost-sharing defined benefit pension plan. The Fund Manager of the Public Safety Personnel Retirement System ("PSPRS") is the administrator

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

for the EORP that was established by Title 38, Chapter 5, Article 3 of the Arizona Revised Statutes to provide pension benefits for state and county elected officials, judges and certain city elected officials. EORP provides retirement benefits as well as death and disability benefits. EORP issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Elected Officials Retirement Plan, 1020 East Missouri Avenue, Phoenix, Arizona, 85014 or by calling 602-255-5575.

b. **Funding Policy**

The retirement plan's funding policy (required by State Statutes) provides for periodic employer contributions at actuarially determined rates and employee contributions of 7 percent of their annual covered salary. The employer rate for 2007-08 was 20.21 percent. The City's contributions to EORP for the fiscal years ending June 30, 2008, 2007 and 2006 were \$30,470, \$27,309 and \$29,636, respectively, which were equal to the required contributions for each year. The City's employees contributed \$10,554, \$10,305 and \$10,099 for the same time period.

Public Safety Personnel Retirement System:

a. **Plan Description**

The City contributes to the Public Safety Personnel Retirement System ("PSPRS"), an agent multiple-employer public safety employee retirement system that acts as a common investment and administrative agent for the various fire and police agencies within the state. All police and fire personnel are eligible to participate in the plan. The plan provides retirement and disability benefits, and death benefits to plan members and beneficiaries. The PSPRS is jointly administered by the Fund Manager and 162 Local Boards and was established by Title 38, Chapter 5 Article 4 of the Arizona Revised Statutes. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Public Safety Personnel Retirement System, 1020 East Missouri, Phoenix, Arizona, 85014 or by calling 602-255-5575.

b. **Funding Policy**

PSPRS members are required to contribute 7.65 percent of their annual covered salary and the City is required to contribute an actuarially determined rate. The rate for 2007-08 was 17.00 percent for fire personnel and 15.56 percent for police members. 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)

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

c. **Annual Pension Cost**

Police personnel contributed \$4,683,279 and fire personnel \$2,294,530 during fiscal year 2007-08. For 2008, the City's annual pension cost of \$9,525,489 for police and \$5,098,956 for fire was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2006 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 8.5 percent investment rate of return, (b) projected salary increases of 5.0 percent attributable to inflation, (c) additional projected salary increases ranging from .5 percent to 3.5 percent per year, attributable to seniority/merit. The actuarial value of PSPRS assets was determined using the smooth market value method. PSPRS's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over an open period of 30 years.

d. **Three Year Trend Information for PSPRS** (Latest Available Information):

Police

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2005	\$ 4,995,079	100%	\$ -
2006	5,802,278	100	-
2007	7,112,462	100	-

Fire

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2005	\$ 2,438,281	100%	\$ -
2006	1,645,421	100	-
2007	3,501,613	100	-

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

e. **Required Supplementary Information**

Schedule of Funding Progress (Latest Information Available):

POLICE

Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a % of Covered Payroll
2005	\$ 213,696,650	\$ 244,078,768	87.6%	\$ 30,382,118	\$ 51,400,085	59.1%
2006	221,090,247	270,935,375	81.6	49,845,128	50,936,366	97.9
2007	218,252,079	307,553,149	71.0	89,301,070	55,407,996	161.2

FIRE

Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a % of Covered Payroll
2005	\$ 143,372,232	\$ 159,801,979	89.7%	\$ 16,429,747	\$ 24,552,560	66.9%
2006	146,502,960	177,620,036	82.5	31,117,076	24,893,935	125.0
2007	137,833,130	189,128,576	72.9	51,295,446	27,164,554	188.8

4. POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 3, 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, 2008, approximately 1,263 former employees were eligible for these benefits, an increase of 133 participants from the prior year or an 11.8% increase.

The cost of post-employment healthcare benefits, from an accrual accounting perspective, similar to the cost of pension benefits, should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In implementing the requirements of GASB Statement No. 45 during the fiscal year ended June 30, 2008, 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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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 07-08 was \$57,002,229. A liability of \$10,343,909 is reflected in the proprietary funds financial statements, the remaining \$46,658,320 has been reflected 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 by the City's Benefits Advisory Board and approved by the Mesa City Council. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate financial report.

Benefits Provided

The City provides post-employment medical care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under one of the state retirement plans for public employees and be covered under the City's medical plan during their active status. Employees must enroll in a City plan immediately after they retire or their eligibility for this benefits 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, 2007, Membership Consisted of:

Retirees and Beneficiaries Receiving Benefits	1,116
Active Employees	<u>3,783</u>
Total	<u>4,899</u>

Funding Policy

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

- Ten years of service for employees hired prior to January 1, 2001
- Fifteen years of service for employees hired at January 1, 2001 but before January 1, 2006.
- Twenty years of service for employees hired on or after January 1, 2006.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

For fiscal year ended June 30, 2008, the City contributed \$8,191,946 to the plan (approximately 63.3 percent of total premiums). Plan members receiving benefits contributed \$4,740,367 or approximately 36.7 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. The City's annual OPEB cost for the current year and the related information for the plan are as follows at June 30, 2008:

Annual Required Contribution	\$ 65,194,175
Interest on Net OPEB Obligation	-
Adjusted to Annual Required Contribution	<u>-</u>
Annual OPEB Cost	65,194,175
Contributions Made	<u>8,191,946</u>
Increase in Net OPEB Obligation	57,002,229
Net OPEB Obligation – Beginning of year	<u>-</u>
Net OPEB Obligation – End of year	\$ <u><u>57,002,229</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 were as follows:

Fiscal Year Ended	Annual Required Contributions	Actual Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2008	\$65,194,175	\$8,191,946	12.57%	\$57,002,229

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2008 was as follows:

Actuarial Value of Plan Assets	\$ -
Actuarial Accrued Liability	<u>664,071,640</u>
Unfunded actuarial accrued liability	\$ <u>664,071,640</u>
Funded ratio	0%
Covered payroll	\$ 344,654,766
Unfunded actuarial accrued liability as a percentage of covered payroll	192.7%

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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant method and assumptions used for this fiscal year valuation were as follows:

Valuation Date	July 1, 2007
Actuarial Cost Method	Entry age normal, level dollar amount
Amortization method	30 years, open, level dollar amount
Remaining amortization period	30 years remaining as of June 30, 2007
Asset Valuation Method	N/A, no assets in trust

Actuarial Assumptions:

Discount rate	4.50%
Projected salary increases	N/A
Health care cost trend rate:	

- Medical, Drug, Vision 9.0% in 2008-2009, grading down in 0.5% annual increments to an ultimate rate of 5.0%
- Dental, Mental Health 5% for all years
- Retiree contribution increase Same as medical Trend
- Cost of living adjustments N/A

Medical Reimbursements

The federal government may provide the City subsidies per the Medicare Part D Prescription Drug Subsidy Program for providing healthcare for Medicare eligible employees. Any current and future year subsidies are recorded as revenue in the year received and is not recognized as a reduction to the actuarial accrued liability.

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
July 1, 2007	\$ -	\$ 664,071,640	0.00%	\$ 664,071,640	\$ 344,654,766	192.7%

The City implemented GASB Statement No. 45 for the fiscal year ended June 30, 2008. Information for prior years is not available.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

5. LONG-TERM OBLIGATIONS

a. Changes in Long-Term Obligations

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds Payable					
General Obligation Bonds	\$ 223,115,128	\$ 15,450,000	\$ (16,939,681)	\$ 221,625,447	\$ 16,392,910
Municipal Development Corp. Bonds	9,970,000	-	-	9,970,000	9,970,000
Highway User Revenue Bonds	142,460,000	-	(170,000)	142,290,000	2,025,000
Special Assessment Bonds					
with Governmental Commitment	8,797,840	-	(751,840)	8,046,000	752,000
Add Certificates of Supplemental Interest	1,811,950	66,779	(405,132)	1,473,597	-
Less Deferred Amounts on Refundings	<u>(9,479,305)</u>	<u>-</u>	<u>1,392,286</u>	<u>(8,087,019)</u>	<u>-</u>
Total Bonds Payable	<u>376,675,613</u>	<u>15,516,779</u>	<u>(16,874,367)</u>	<u>375,318,025</u>	<u>29,139,910</u>
Capital Leases	22,988,632	2,529,583	(8,015,640)	17,502,575	7,772,724
Less Deferred Amounts on Refundings	(47,820)	-	33,135	(14,685)	-
Unamortized Premiums	10,317,842	-	(1,272,203)	9,045,639	-
Post Employment Benefits	-	54,763,107	(7,018,195)	47,744,912	8,370,820
Compensated Absences	<u>19,323,327</u>	<u>16,114,126</u>	<u>(14,695,417)</u>	<u>20,742,036</u>	<u>4,307,187</u>
Total Governmental Activities	<u>\$ 429,257,594</u>	<u>\$ 88,923,595</u>	<u>\$ (47,842,687)</u>	<u>\$ 470,338,502</u>	<u>\$ 49,590,641</u>
Business-type Activities:					
Bonds Payable:					
Revenue Bonds	\$ 723,185,000	\$ 74,000,000	\$ (29,740,000)	\$ 767,445,000	\$ 9,815,000
General Obligation Bonds	3,289,872	-	(319)	3,289,553	332,090
Municipal Development Corp. Bonds	5,100,000	-	(5,100,000)	-	-
Add Certificates of Supplemental Interest	66,480	2,450	(14,868)	54,062	-
Less Deferred Amounts on Refundings	<u>(20,484,414)</u>	<u>(488,942)</u>	<u>1,917,940</u>	<u>(19,055,416)</u>	<u>-</u>
Total Bonds Payable	<u>711,156,938</u>	<u>73,513,508</u>	<u>(32,937,247)</u>	<u>751,733,199</u>	<u>10,147,090</u>
Notes Payable	589,462	-	(157,897)	431,565	98,376
Capital Leases	2,869,497	-	(1,328,216)	1,541,281	1,382,868
Less Deferred Amounts on Refundings	(51,214)	-	35,492	(15,722)	-
Unamortized Bond Premiums	21,968,187	529,430	(2,112,549)	20,385,068	-
Post Employment Benefits	-	10,431,068	(1,173,751)	9,257,317	1,623,023
Compensated Absences	<u>4,634,961</u>	<u>3,136,499</u>	<u>(2,802,834)</u>	<u>4,968,626</u>	<u>837,583</u>
Business-type Activities Total	<u>\$ 741,167,831</u>	<u>\$ 87,610,505</u>	<u>\$ (40,477,002)</u>	<u>\$ 788,301,334</u>	<u>\$ 14,088,940</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

b. **Bonds Payable**

At June 30, 2008, long-term bonds payable consisted of:

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

General Obligation Bonds

\$30,000,000 1998 general obligation serial bonds, (partially refunded by general obligation refunding bonds, series 2004), due on July 1, 2009, plus semi-annual interest of 6.75 percent through July 1, 2009.	\$2,000,000
\$11,459,000 1999 general obligation serial bonds (partially refunded by utility systems revenue refunding bonds, series 2002 and by general obligation refunding bonds, series 2002, 2002A, 2004 & 2006), due on July 1, 2009, plus semi-annual interest of 6.50 percent through July 1, 2009.	791,590
\$36,500,000 2000 general obligation serial bonds (partially refunded by general obligation refunding bonds, series 2002A, 2004 & 2006), due in annual principal installments ranging from \$2,500,000 to \$2,750,000, plus semi-annual interest of 6.50 percent through July 1, 2011.	5,250,000
\$25,375,000 2002 general obligation serial bonds (partially refunded by general obligation refunding bonds, series 2002A, 2004 & 2006), due in annual principal installments ranging from \$1,750,600 to \$1,825,000, plus semi-annual interest ranging from 5.25 percent to 6.00 percent through July 1, 2011.	3,414,600
\$24,720,000 2002 general obligation refunding serial bonds, due in annual principal installments ranging from \$59,706 to \$9,498,229, plus semi-annual interest ranging from 3.75 percent to 5.375 percent through July 1, 2015.	24,001,497
\$41,680,611 2002A general obligation refunding serial bonds, due in annual principal installments ranging from \$1,461,369 to \$10,277,813, plus semi-annual interest ranging from 3.75 percent to 4.20 percent through July 1, 2016. Total bonds outstanding at June 30, 2008, include \$1,473,597 of certificates of ownership of supplemental interest payments and \$98,701 of capital appreciation maturing through 2010.	39,366,727
\$22,565,000 2003 general obligation serial bonds, due in annual installments ranging from \$1,250,000 to \$2,315,000, plus semi-annual interest ranging from 3.50 percent to 5.00 percent through July 1, 2022.	22,565,000
\$46,230,300 2004 general obligation refunding serial bonds, due in annual installments ranging from \$34,839 to \$31,852,800, plus semi-annual interest ranging from 2.4 percent to 5.0 percent through July 1, 2018.	43,855,084
\$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.	11,705,000
\$9,710,000 2006 general obligation serial bonds, due in annual installments ranging from \$135,000 to \$4,225,000, plus semi-annual interest ranging from 4.40 percent to 5.0 percent through July 1, 2025.	9,710,000

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

\$25,482,000 2006 general obligation refunding serial bonds, due in annual installments ranging from \$143,425 to \$11,306,746, plus semi-annual interest ranging from 4.25 percent to 5.25 percent through July 1, 2014.	24,104,740
\$15,915,000 2007 general obligation serial bonds due in annual installments ranging from \$615,000 to \$5,500,000 plus semi-annual interest ranging from 4.125 percent to 6.0 percent through July 1, 2027.	15,915,000
\$15,450,000 2008 general obligation serial bonds due in annual installments ranging from \$375,000 to \$6,675,000 plus semi-annual interest ranging from 4.25 percent to 5.0 percent through July 1, 2028.	<u>15,450,000</u>
Total General Obligation Bonds	\$218,129,238
Deferred amounts on refundings	4,969,806
Certificates of Supplemental Interest	<u>(1,473,597)</u>
Total General Obligation Bonds not including deferred amounts on refundings and certificates of supplemental interest	<u>\$221,625,447</u>

Municipal Development Corp. Bonds

\$9,970,000 1996 City of Mesa Municipal Development Corp. special tax updates bonds, series 1996A, due in annual principal installments ranging from \$800,000 to \$1,800,000, beginning in fiscal year 2008-09, plus semi-annual interest at variable rates as is necessary to remarket the bonds, through October 15, 2016. (These bonds were called October 1, 2008.)	\$ <u>9,970,000</u>
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Total Municipal Development Corp. Bonds	\$ <u>9,970,000</u>
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Street and Highway User Revenue Bonds

\$19,000,000 1997 street and highway user revenue bonds (partially refunded by street and highway user revenue refunding bonds, series 2002A & 2004), due on July 1, 2009, plus semi-annual interest of 6.75 percent through July 1, 2009.	\$ 1,650,000
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\$7,900,000 1999 street and highway user revenue bonds (partially refunded by street and highway user revenue refunding bonds, series 2002A, 2004 & 2005), due in annual principal installments ranging from \$225,000 to \$750,000, plus semi-annual interest of 6.50 percent through July 1, 2010.	975,000
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\$20,000,000 2000 street and highway user revenue bonds (partially refunded by street and highway user revenue refunding bonds, series 2002A, 2004 & 2005), due in annual principal installments of \$1,500,000, plus semi-annual interest of 6.50 percent through July 1, 2011.	3,000,000
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\$25,800,000 2002 street and highway user revenue bonds (partially refunded by street and highway user revenue refunding bonds, series 2002A, 2004 & 2005), due in annual principal installments ranging from \$800,000 to \$1,000,000, plus semi-annual interest ranging from 5.75 percent to 6.25 percent through July 1, 2012.	2,800,000
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\$31,985,000 2002 street and highway user revenue refunding bonds, due in annual installments ranging from \$40,000 to \$6,270,000, plus semi-annual interest ranging from 2.0 percent to 5.0 percent through July 1, 2017.	30,321,603
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CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

\$26,805,000 2003 street and highway user revenue bonds, 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, 2022.	26,805,000
\$9,585,000 2004 street and highway user revenue bonds (partially refunded by street and highway user revenue refunding bonds, series 2005), due in annual principal installments ranging from \$100,000 to \$225,000, plus semi-annual interest ranging from 4.00 percent to 5.00 percent through July 1, 2022.	1,585,000
\$17,760,000 2004 street and highway user revenue refunding bonds, due in annual installments ranging from \$20,000 to \$7,250,000, plus semi-annual interest ranging from 3.5 percent to 5.0 percent through July 1, 2018.	16,904,123
\$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.	22,557,061
\$10,225,000 2005 street and highway user revenue bonds, due in annual principal installments ranging from \$50,000 to \$8,500,000, plus semi-annual interest ranging from 4.0 percent to 5.0 percent through July 1, 2024.	10,225,000
\$11,675,000 2006 street and highway user revenue bonds, due in annual installments ranging from \$850,000 to \$9,850,000, plus semi-annual interest ranging from 4.50 percent to 5.25 percent through July 1, 2025.	11,675,000
\$10,675,000 2007 street and highway user revenue bonds, due in annual principal installments ranging from \$1,000,000 to \$3,900,000, plus semi annual interest ranging from 4.25 percent to 5.0 percent through July 1, 2027.	<u>10,675,000</u>
Total Street and Highway User Revenue Bonds	\$139,172,787
Deferred amounts on refundings	<u>3,117,213</u>
Total Street and Highway User Revenue Bonds not including deferred amounts on refundings	<u>\$142,290,000</u>
<u>Special Assessment Bonds (payable from special assessments levied on the benefited properties)</u>	
\$77,976 1999 special assessment district bonds, due in annual principal installments of \$8,000, plus semi-annual interest of 6.00 percent, through January 1, 2009.	\$ 8,000
\$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.	4,355,000
\$4,091,840 2007 special assessment district bonds, due in annual principal installments ranging from \$408,840 to \$410,000, plus semi-annual interest of 5.0 percent, through January 1, 2017.	<u>3,683,000</u>
Total Special Assessment Bonds	\$ <u>8,046,000</u>
Total bonds payable recorded in governmental activities	<u>\$375,318,025</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

General Obligation Bonds

\$27,041,000 1999 general obligation serial bonds (partially refunded by 2002 utility systems revenue refunding bonds and 2002A, 2004 & 2006 general obligation refunding bonds), due on July 1, 2009, plus semi-annual interest of 6.50 percent through July 1, 2009.	\$ 208,410
\$1,200,000 2002 general obligation serial bonds (partially refunded by 2002A, 2004 & 2006 general obligation refunding bonds), due in annual principal installments ranging from \$79,100 to \$82,490, plus semi-annual interest ranging from 5.25 percent to 6.00 percent through July 1, 2011.	160,400
\$120,000 2002 general obligation refunding serial bonds, due in annual principal installments ranging from \$294 to \$46,771, plus semi-annual interest ranging from 3.75 percent to 5.375 percent through July 1, 2015.	118,554
\$1,529,379 2002A general obligation refunding serial bonds, due in annual principal installments ranging from \$53,631 to \$377,187, plus semi-annual interest ranging from 3.75 percent to 4.20 percent through July 1, 2016. Total bonds outstanding at June 30, 2007, include \$54,062 of certificates of ownership of supplemental interest payments and \$3,640 of capital appreciation maturing through 2010.	1,447,476
\$214,700 2004 general obligation refunding serial bonds, due in annual principal installments ranging from \$35,000 to \$32,000,000, plus semi-annual interest ranging from 2.4 percent to 5.0 percent through July 1, 2016.	214,700
\$1,168,000 2006 general obligation refunding serial bonds, due in annual principal installments ranging from \$6,574 to \$518,254, plus semi-annual interest ranging from 4.25 percent to 5.25 percent through July 1, 2014.	<u>1,168,000</u>
Total General Obligation Bonds	\$ 3,314,540
Deferred amounts on refundings	29,075
Certificates of Supplemental Interest	<u>(54,062)</u>
Total General Obligation Bonds not including deferred amounts on refundings and certificates of supplemental interest	<u>\$ 3,289,553</u>

Utility Systems Revenue Bonds

\$94,730,000 1997 utility systems revenue serial bonds (partially refunded by 1998, 2002 & 2006 utility systems revenue refunding bonds), due on July 1, 2012, plus semi-annual interest of 7.25 percent through July 1, 2012.	\$ 4,000,000
\$34,600,000 1998 utility systems revenue serial bonds (partially refunded by 2002A, 2006, 2006 (2 nd Series) and 2008 utility systems revenue refunding bonds), due in annual principal installments ranging from \$1,000,000 to \$4,500,000, plus semi-annual interest ranging from 4.50 percent to 6.50 percent through July 1, 2018.	4,050,000

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

\$32,500,000 1998 utility systems revenue refunding serial bonds (partially refunded by 2002A, 2006 and 2008 utility systems revenue refunding bonds), due in annual principal installments ranging from \$100,000 to \$9,105,000, plus semi-annual interest ranging from 4.25 percent to 5.00 percent through July 1, 2013.	48,452
\$69,200,000 2000 utility systems revenue serial bonds (partially refunded by 2002, 2002A & 2004 utility systems revenue refunding bonds), due in annual principal installments ranging from \$4,200,000 to \$5,250,000, plus semi-annual interest of 6.50 percent through July 1, 2011.	14,450,000
\$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.	8,950,000
\$129,000,000 2002 utility systems revenue refunding serial 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.	126,017,381
\$48,850,000 2002A utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$40,000 to \$17,890,000, plus semi-annual interest ranging from 3.00 percent to 5.00 percent through July 1, 2017.	47,188,158
\$50,470,000 2003 utility systems revenue serial bonds, (partially refunded by 2006 (Series 2) utility systems revenue refunding bonds), due in annual principal installments ranging from \$970,000 to \$25,500,000, plus semi-annual interest ranging from 3.50 percent to 5.00 percent through July 1, 2022.	24,970,000
\$64,625,000 2004 utility systems revenue serial bonds, (partially refunded by 2006 (Series 2) utility systems revenue refunding bonds), due in annual principal installments ranging from \$1,125,000 to \$11,000,000, plus semi-annual interest ranging from 5.00 percent to 6.00 percent through July 1, 2028.	6,125,000
\$40,345,000 2004 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$20,000 to \$21,010,000, plus semi-annual interest ranging from 3.50 percent to 5.00 percent through July 1, 2019.	38,222,792
\$91,200,000 2005 utility systems revenue serial bonds, (partially refunded by 2006 (Series 2) 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, 2029.	71,200,000
\$105,400,000 2006 utility systems revenue serial bonds, (partially refunded by 2006 (Series 2) utility systems revenue refunding bonds), due in annual principal installments ranging from \$8,650,000 to \$36,750,000, plus semi-annual interest ranging from 4.375 percent to 5.0 percent through July 1, 2030.	87,325,000
\$61,300,000 2006 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$2,075,000 to \$18,000,000, plus semi-annual interest ranging from 4.0 percent to 5.0 percent through July 1, 2021.	57,590,859

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

\$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.	119,232,352
\$65,550,000 2007 utility systems revenue serial bonds, due in annual principal installments ranging from \$2,500,000 to \$41,800,000 plus semi-annual interest ranging from 4.25 percent to 6.25 percent through July 1, 2031.	65,550,000
\$52,875,000 2008 utility systems revenue serial bonds, due in annual principal installments ranging from \$700,000 to \$44,675,000 plus semi-annual interest ranging from 4.875 percent to 5.25 percent through July 1, 2032.	52,875,000
\$21,125,000 2008 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$100,000 to \$2,200,000 plus semi-annual interest ranging from 3.00 percent to 4.00 percent through July 1, 2018.	<u>20,623,665</u>
Total Utility Systems Revenue Bonds	\$748,418,659
Deferred amounts on refundings	<u>19,026,341</u>
Total Utility System Revenue Bonds not including deferred amounts on refundings	<u>767,445,000</u>
Total bonds payable recorded in business-type activities	<u>\$751,733,199</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The following tables summarize the City's debt service requirements to maturity for its long term bonds payable at June 30, 2008. The Municipal Development Corporation variable rate debt issue, the accretion of certificates of supplementary interest payments and the deferred amounts on refundings are not included.

Governmental Activities

<u>General Obligation Bonds</u>				<u>Highway User Revenue Bonds</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 16,392,910	\$ 10,754,370	\$ 27,147,280	2009	\$ 2,025,000	\$ 6,822,668	\$ 8,847,668
2010	17,158,189	10,533,098	27,691,287	2010	5,720,000	6,691,417	12,411,417
2011	17,490,395	8,578,956	26,069,351	2011	6,030,000	6,365,243	12,395,243
2012	19,205,640	7,813,521	27,019,161	2012	6,390,000	6,028,242	12,418,242
2013	20,118,905	6,889,483	27,008,388	2013	6,745,000	5,695,242	12,440,242
2014-18	75,849,408	25,041,918	100,891,326	2014-18	38,455,000	23,685,145	62,140,145
2019-23	24,685,000	10,031,674	34,716,674	2019-23	47,925,000	13,657,725	61,582,725
2024-28	30,725,000	4,127,713	34,852,713	2024-27	29,000,000	2,649,000	31,649,000
TOTALS	\$ 221,625,447	\$ 83,770,733	\$ 305,396,180	TOTALS	\$ 142,290,000	\$ 71,594,682	\$ 213,884,682

Special Assessment Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 752,000	\$ 417,040	\$ 1,169,040
2010	744,000	376,920	1,120,920
2011	744,000	337,040	1,081,040
2012	744,000	297,160	1,041,160
2013	744,000	257,280	1,001,280
2014-18	3,313,000	698,225	4,011,225
2019-22	1,005,000	87,435	1,092,435
TOTALS	\$ 8,046,000	\$ 2,471,100	\$ 10,517,100

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Business-type Activities

<u>General Obligation Bonds</u>				<u>Revenue Bonds</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 332,090	\$ 168,874	\$ 500,964	2009	\$ 9,815,000	\$ 37,097,369	\$ 46,912,369
2010	266,811	176,362	443,173	2010	10,475,000	36,340,543	46,815,543
2011	469,605	122,824	592,429	2011	12,585,000	35,723,044	48,308,044
2012	679,360	103,842	783,202	2012	24,840,000	35,075,268	59,915,268
2013	706,095	70,522	776,617	2013	34,030,000	33,745,294	67,775,294
2014-18	835,592	85,777	921,369	2014-18	185,720,000	141,714,036	327,434,036
2019-23			-	2019-23	149,245,000	99,384,156	248,629,156
2024-28			-	2024-28	172,835,000	61,454,689	234,289,689
2029-32			-	2029-32	167,900,000	19,522,501	187,422,501
TOTALS	\$ 3,289,553	\$ 728,201	\$ 4,017,754	TOTALS	\$ 767,445,000	\$ 500,056,900	\$ 1,267,501,900

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, 2008, 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, 2008 are \$8,046,000.

General Obligation Bonds

The general obligation bonds are backed by the ultimate taxing power and general revenues of the City; however, \$3,314,540 of these bonds at June 30, 2008 is carried as a liability of the Enterprise Fund to reflect the intention of retirement from resources of that fund.

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

The Arizona Constitution provides that the general obligation bonded indebtedness of a city for general municipal purposes may not exceed 6 percent of the secondary assessed valuation of the taxable property in that city. In addition to the 6 percent limitation for general municipal purpose bonds, cities may issue general obligation bonds up to an additional 20 percent of the secondary assessed valuation for supplying such city with water, artificial light

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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, 2008 is:

6% Bonds	\$269,897,292
20% Bonds	<u>751,388,975</u>
Total Available	<u>\$1,021,286,267</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, 2008, the amount provided in the Replacement and Extension Funds equaled \$8,587,683 which is in compliance with the bond provisions.

d. **Notes Payable**

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

The following table reflects the annual requirements to amortize all notes outstanding as of June 30, 2008, as presented in the business-type activities.

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 98,376	\$ 23,295	\$ 121,671
2010	104,464	17,207	121,671
2011	110,929	10,742	121,671
2012	<u>117,796</u>	<u>3,875</u>	<u>121,671</u>
TOTALS	<u>\$ 431,565</u>	<u>\$ 55,119</u>	<u>\$ 486,684</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

e. **Lease Obligations**

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2008. The deferred amounts on refundings are not included.

Fiscal Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 7,772,724	\$ 625,917	\$ 8,398,641	\$ 1,382,868	\$ 37,377	\$ 1,420,245
2010	4,323,735	370,601	4,694,336	158,413	3,558	161,971
2011	3,240,527	201,646	3,442,173	-	-	-
2012	1,344,045	86,368	1,430,413	-	-	-
2013	681,953	34,186	716,139	-	-	-
2014-2015	139,591	9,477	149,068	-	-	-
TOTALS	\$ 17,502,575	\$ 1,328,195	\$ 18,830,770	\$ 1,541,281	\$ 40,935	\$ 1,582,216

The assets acquired through capital leases are as follows:

	Governmental Activities	Business- type Activities
Asset:		
Land	\$ 3,642,860	\$ -
Buildings	11,167,294	-
Other Improvements	3,933,180	10,646,407
Machinery & Equipment	29,070,000	2,813,974
Infrastructure	85,936	-
Construction Work in Process	4,337,426	-
Less: Accumulated depreciation	(13,842,754)	(10,074,731)
Total	\$ 38,393,942	\$ 3,385,650

f. **Short-term Debt**

The City had no short-term debt activity for the fiscal year ended June 30, 2008.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

6. DEMAND BONDS

On April 12, 1996, the City entered into a lease purchase agreement with the City of Mesa Municipal Development Corporation for the acquisition, renovation and construction of major league baseball spring training facilities, including a stadium, practice fields and other related improvements. The City, in turn, has entered into a long-term agreement with the Chicago National Ball Club Inc. to provide the spring training facilities for the Chicago Cubs.

The facilities were financed by the City of Mesa Municipal Development Corporation and the Maricopa County Stadium District (the "District") at a total cost of approximately \$27,000,000. The City and the District have entered into an Intergovernmental Agreement (the "IGA") pursuant to which the District has agreed to fund the lesser of two-thirds of the project costs or \$17,000,000. The City's contribution of \$10,000,000 was funded by the issuance of Series A 1996 Bonds by the City of Mesa Municipal Development Corporation. The Series A Bonds are secured solely by the City's obligation to make payments under the lease and its pledge of City excise taxes to secure such obligation.

The Series A Bonds, hereafter referred to as the bonds, are remarketed by its remarketing agent, Merrill Lynch Capital Markets, at an annual interest rate necessary to market such bonds at a price equal to 100 percent of the principal amount thereof, not to exceed 15 percent. The repayment of these bonds, assuming the interest rate of 1.76 percent at June 30, 2008, is as follows:

Fiscal Year	Principal	Interest	Total
<u>Ending June 30</u>	<u> </u>	<u> </u>	<u> </u>
2009	\$ <u>9,970,000</u>	\$ <u>158,393</u>	\$ <u>1,528,393</u>

These bonds were called October 1, 2008; therefore the entire outstanding principal of \$9,970,000 is shown as noncurrent liabilities due within one year in the statement of net assets in the government-wide financial statements.

7. REFUNDING BONDS

On May 29, 2008, the City issued \$21,125,000 of utility system revenue bonds with an original issue premium of \$529,430 to advance refund \$21,780,000 of outstanding utility system revenue bonds. The refunding bonds were issued with an average interest rate of 3.83 percent. The net proceeds of \$22,547,717 (after additional payment of \$893,287 from the City) were provided to a refunding escrow agent to pay issuance costs of \$278,775 for insurance premiums, underwriting fees and other issuance costs with the remaining \$22,268,942 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.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$488,942. This difference, reported in the accompanying financial statements as a deduction from revenue bonds payable, is being charged to operations through the year 2018 using the effective interest method. The purpose of the refunding was to take advantage of lower interest rates and restructuring debt service payments to achieve a more level debt retirement schedule. The refunding will decrease debt service payments by \$1,316,184 over the next 11 years producing an economic gain (difference between the present value of old and new debt service payments) of \$1,235,014.

8. LIABILITIES TO BE PAID FROM ASSETS HELD IN ESCROW

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

In accordance with GASB Statement No. 7, the refunded debt outstanding at June 30, 2008 as reflected below is not included in the City's financial statements.

Utility Systems Revenue Bond Issue dated September 1, 1995	\$ 7,000,000
Utility System Revenue Bond Issue dated April 1, 1997	7,000,000
General Obligation Bond Issue dated April 1, 1997	6,650,000
Utility System Revenue Refunding Bond Issue dated March 1, 1998	7,405,000
Utility System Revenue Bond Issue dated March 1, 1998	13,125,000
General Obligation Bond Issue dated November 1, 1999	37,500,000
Street and Highway User Revenue Bond Issue dated November 1, 1999	6,925,000
General Obligation Bond Issue dated November 1, 2000	31,250,000
Utility System Revenue Bond Issue dated November 1, 2000	54,750,000
Street and Highway User Revenue Bond Issue dated November 1, 2000	17,000,000
General Obligation Bond Issue dated January 1, 2002	23,000,000

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Utility System Revenue Bond Issue dated January 1, 2002	49,000,000
Street and Highway User Revenue Bond Issue dated January 1, 2002	23,000,000
Utility System Revenue Bond Issue dated March 1, 2003	25,500,000
Street and Highway User Revenue Bond Issue dated June 1, 2004	8,000,000
Utility System Revenue Bond Issue dated June 1, 2004	58,500,000
Utility System Revenue Bond Issue dated June 1, 2005	20,000,000
Utility System Revenue Bond Issue dated June 1, 2006	<u>18,075,000</u>
Total Refunded Bonds Outstanding	<u>\$413,680,000</u>

9. CAPITAL CONTRIBUTIONS

During the year, external capital contributions consisted of the following:

	<u>Property Owners</u>	<u>Governmental Agencies</u>	<u>Developers</u>	<u>Total</u>
Governmental Activities:				
Federal and State Funds	\$ -	\$ 7,203,349	\$ -	\$ 7,203,349
Contributions - Capital Assets	<u>699,440</u>	<u>4,487,414</u>	<u>9,526,230</u>	<u>14,713,084</u>
Total	<u>\$ 699,440</u>	<u>\$ 11,690,763</u>	<u>\$ 9,526,230</u>	<u>\$ 21,916,433</u>
Business-type Activities:				
Federal and State Funds	\$ -	\$ 690,946	\$ -	\$ 690,946
Developers - Impact and Development Fees	-	-	10,556,354	10,556,354
Contributions-In-Aid	970,560	-	-	970,560
Contributions - Capital Assets	<u>166,061</u>	<u>59,432</u>	<u>67,783,587</u>	<u>68,009,080</u>
Total	<u>\$ 1,136,621</u>	<u>\$ 750,378</u>	<u>\$ 78,339,941</u>	<u>\$ 80,226,940</u>

In addition, during the year a net transfer to the business-type activities of existing capital assets with a book value of \$18,834 that were also recorded as capital contributions from governmental funds in the proprietary funds' financial statements and as a transfer in the government-wide statement of activities.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

10. COMMITMENTS AND CONTINGENT LIABILITIES

a. **Pending Litigation**

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

b. **Sick Leave Benefits**

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

The total sick leave balance at June 30, 2008, was \$40,524,734 of which \$9,644,293 is recorded as a liability.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

11. ENTERPRISE ACTIVITIES OPERATIONS DETAIL

The Enterprise Fund includes operations of electricity, gas, water, wastewater, solid waste, airport, golf course, convention center 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 for the year ended June 30, 2008 for these services are as follows:

<u>Functions</u>	<u>Operating Revenues</u>	<u>Depreciation and Amortization</u>	<u>Other</u>	<u>Operating Income (Loss)</u>
Electric	\$ 34,148,281	\$ 5,091,916	\$ 26,295,467	\$ 2,760,898
Gas	46,539,692	2,439,979	39,188,855	4,910,858
Water	97,558,682	16,763,644	36,484,467	44,310,571
Wastewater	53,950,994	13,233,262	24,221,736	16,495,996
Solid Waste	46,167,910	1,564,820	30,845,602	13,757,488
Airport	3,192,347	1,176,423	2,118,923	(102,999)
Golf Course	2,448,313	225,279	2,726,140	(503,106)
Convention Center	3,658,449	257,992	5,185,651	(1,785,194)
District Cooling	229,168	381,206	387,668	(539,706)
Total	\$ <u>287,893,836</u>	\$ <u>41,134,521</u>	\$ <u>167,454,509</u>	\$ <u>79,304,806</u>

12. NET ASSETS

a. **Restricted Net Assets**

The government-wide statement of net assets reports \$180,385,455 of restricted net assets, of which \$68,179,590 is restricted by enabling legislation.

b. **Designated Net Assets**

The net assets in the Employee Benefit and Workers' Compensation Self Insurance Funds are designated for anticipated future losses and are a result of excess premiums charged to increase the fund balance specifically for this purpose.

c. **Deficit Net Assets**

The deficit in the Property and Public Liability Self-Insurance Fund is the result of the large increases in the estimated liability for claims during the fiscal year. Contributions from the various funds will need to be increased in future years to cover this deficit.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

13. PLEDGED REVENUES

a. **Utility System Revenue Bonds**

The City has pledged future utility customer revenues, net of specified operating expenses, to repay approximately \$1.15 billion in utility system revenue bonds issued since 1997. Proceeds from the bonds provided financing for the construction of various utility related projects including new gas pipelines and water and wastewater treatment plants. The bonds are payable solely from utility customer net revenues and are payable through 2032. Annual principal and interest payments on the bonds were 52 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,267,501,900. Principal and interest paid for the current year and total customer net revenues were \$42,618,198 and \$82,235,811, respectively.

b. **Highway User Revenue Bonds**

The City has pledged future Highway User Taxes Revenue to repay \$215.2 million in highway user revenue bonds issued since 1997. 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 18 percent of eligible revenues. The total principal and interests remaining to be paid on the bonds is \$213,884,682. Principal and interest paid for the current year and total highway user tax revenues were \$6,998,068 and \$38,039,566, respectively.

c. **Special Assessment Bonds**

The special assessment revenues collected by the City are pledged to repay \$9.2 million of special assessment bonds issued since 1999. 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 \$10,517,100. Principal and interest paid for the current year and total assessments collected were \$1,209,236, and \$1,709,830, respectively.

d. **Municipal Development Corporation Bonds**

City has pledged future excise tax revenues to repay \$26.5 million in Municipal Development Corporation Bonds issued since 1985. Proceeds from the bonds were used to acquire land in Pinal County for the future water rights. These bonds were paid off on January 1, 2008. Principal and interest paid for the current year and total excise tax revenues were \$5,208,375 and \$226,909,733, respectively.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

14. JOINT VENTURES

The City participates with the cities of Phoenix, Glendale, Scottsdale and Tempe in a multi-city sanitary sewer system (the “System”) in which Phoenix is the lead agency. 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. 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 investment in the joint venture is reflected in the proprietary funds financial statements.

The System has no debt outstanding. Audited summary financial information on the System (GAAP basis) as of and for the fiscal year ended June 30, 2007 (latest information available) is as follows:

Assets	
Equity in Pooled Cash and Investments	\$ 52,359,000
Receivables	23,852,000
Inventories at Average Cost	682,000
Capital Assets	<u>694,205,000</u>
Total Assets	<u>771,098,000</u>
Liabilities	<u>68,444,000</u>
Net Assets	<u>\$ 702,654,000</u>
Total Revenues	\$ 161,445,000
Total Expenses	<u>(62,933,000)</u>
Increase (Decrease) in Net Assets	<u>\$ 98,512,000</u>

Separate financial statements for the activity under the Joint Venture agreement can be obtained through the AMWUA office at 4041 N. Central Avenue, Phoenix, Arizona, 85012.

The City also participates with the City of Phoenix in a water treatment plant. 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 reflected in the proprietary funds financial statements.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The water treatment plant has no debt outstanding. Audited summary financial information for the plant (GAAP basis) as of and for the fiscal year ended June 30, 2007 (latest information available) is as follows:

Assets	
Equity in Pooled Cash and Investments	\$ 7,776,000
Receivables	10,250,000
Inventories	11,000
Capital Assets, Net of Accumulated Depreciation	<u>183,658,000</u>
 Total Assets	 <u>201,695,000</u>
 Liabilities	 <u>14,091,000</u>
 Net Assets	 \$ <u><u>187,604,000</u></u>
 Total Revenues	 \$ 39,358,000
Total Expenses	<u>(26,202,000)</u>
 Increase in Net Assets	 \$ <u><u>13,156,000</u></u>

Separate financial statements for the activity can be obtained through the City of Phoenix at 305 W. Washington Street, Phoenix, Arizona, 85003.

Construction of a joint water reclamation plant with the Towns of Gilbert and Queen Creek was completed during the fiscal year. The City acts as the lead agency and is responsible for the planning, budgeting, construction, operation and maintenance of the plant. As lead agent, the City provides all management personnel and financing arrangements. Mesa, Gilbert and Queen Creek participate in ownership of the plant and are charged for operating expenses based on gallons of flow. The City's investment in the joint venture is reflected in the proprietary funds financial statements. Separate financial statements are not prepared.

Total investment in the joint venture as of June 30, 2008 is:

Mesa's Share	\$ 80,954,198
Gilbert's Share	77,053,283
Queen Creek's Share	<u>33,878,312</u>
Total Joint Venture	<u>\$191,885,793</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

In June 2002, the City agreed to participate in the Central Phoenix/East Valley Light Rail Transit (LRT). The City participates with the cities of Phoenix, Tempe and Glendale. Valley Metro Rail, Inc. (VMR) will design, construct, and operate the LRT project. A total of \$51,585,940 has been spent on this project through the fiscal year ended June 30, 2008. The City has received \$22.6 million of funding from the Federal Transit Administration (FTA); Congestion Mitigation Air Quality (DMAQ) and Public Transit Funds (PTF) related to this project. The City's investment in the joint venture is reflected in the governmental activities column on the government-wide financial statements.

Audited summary financial information on the system (GAAP basis), as of and for the fiscal year ended June 30, 2007, (latest information available) is as follows:

Assets	
Current Assets	\$ 171,893,575
Non Current Assets	<u>773,807,490</u>
Total Assets	<u>\$ 945,701,065</u>
Liabilities	<u>171,893,575</u>
Net Assets	<u>\$ 773,807,490</u>
Total Revenues	\$ 359,739,088
Total Expenses	<u>(46,311,898)</u>
Increase in Net Assets	<u>\$ 313,427,190</u>

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

Required Supplementary Information



CITY OF MESA, ARIZONA

EXHIBIT B-1

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
Revenues:				
Taxes	\$ 166,907,000	\$ 166,907,000	\$ 151,747,991	\$ (15,159,009)
Licenses and Permits	15,749,000	15,749,000	15,563,330	(185,670)
Intergovernmental	165,632,000	165,632,000	139,114,028	(26,517,972)
Charges For Services	21,352,000	21,352,000	19,835,638	(1,516,362)
Fines and Forfeitures	12,980,000	12,980,000	13,244,486	264,486
Investment Income	2,764,000	2,764,000	3,504,110	740,110
Miscellaneous	3,023,000	3,023,000	5,078,308	2,055,308
Total Revenues	<u>388,407,000</u>	<u>388,407,000</u>	<u>348,087,891</u>	<u>(40,319,109)</u>
Less: Bad Debts	<u>3,200,000</u>	<u>3,200,000</u>	<u>3,402,621</u>	<u>(202,621)</u>
Total Net Revenues	<u>385,207,000</u>	<u>385,207,000</u>	<u>344,685,270</u>	<u>(40,521,730)</u>
Expenditures:				
Current:				
General Government	56,452,083	57,532,842	50,558,757	6,974,085
Public Safety	246,766,786	246,371,141	232,566,800	13,804,341
Cultural-Recreational	62,223,938	63,958,718	58,235,974	5,722,744
Community Environment	24,350,518	24,977,355	13,870,956	11,106,399
Capital Outlay	71,729,854	71,764,197	48,685,670	23,078,527
Contingencies	77,269,000	71,703,598	-	71,703,598
Debt Service:				
Principal Retirement	17,120,548	17,120,548	16,826,548	294,000
Interest/Service Charges on Bonds	6,591,390	6,591,390	5,449,078	1,142,312
Total Expenditures	<u>562,504,117</u>	<u>560,019,789</u>	<u>426,193,783</u>	<u>133,826,006</u>
Deficiency of Revenues Under Expenditures	(177,297,117)	(174,812,789)	(81,508,513)	93,304,276
Other Financing Sources (Uses):				
Transfers In	89,485,000	89,485,000	94,140,326	4,655,326
Transfers Out	(9,019,000)	(9,019,000)	(9,482,271)	(463,271)
Total Other Financing Sources (Uses)	<u>80,466,000</u>	<u>80,466,000</u>	<u>84,658,055</u>	<u>4,192,055</u>
Net Change in Fund Balance	(96,831,117)	(94,346,789)	3,149,542	97,496,331
Fund Balance - Beginning	52,483,689	52,483,689	59,342,239	6,858,550
(Increase) Decrease in Restricted Fund Balance	<u>44,347,428</u>	<u>44,347,428</u>	<u>(5,291,511)</u>	<u>(49,638,939)</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ 2,484,328</u>	<u>\$ 57,200,270</u>	<u>\$ 54,715,942</u>

See Note to Required Supplementary Information.

CITY OF MESA, ARIZONA

EXHIBIT B-2

HIGHWAY USER REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 41,260,000	\$ 41,260,000	\$ 38,039,566	\$ (3,220,434)
Charges For Services	60,000	60,000	61,290	1,290
Fines and Forfeitures	16,000	16,000	-	(16,000)
Investment Income	454,000	454,000	204,162	(249,838)
Miscellaneous	2,000	2,000	207,376	205,376
Total Revenues	<u>41,792,000</u>	<u>41,792,000</u>	<u>38,512,394</u>	<u>(3,279,606)</u>
Expenditures:				
Current:				
Community Environment	35,180,242	35,180,242	33,741,328	1,438,914
Capital Outlay	1,466,569	1,466,569	1,705,201	(238,632)
Contingencies	3,954,000	3,954,000	-	3,954,000
Debt Service:				
Principal Retirement	170,000	170,000	170,000	-
Interest/Service Charges on Bonds	6,942,981	6,942,981	6,828,426	114,555
Total Expenditures	<u>47,713,792</u>	<u>47,713,792</u>	<u>42,444,955</u>	<u>5,268,837</u>
Deficiency of Revenues				
Under Expenditures	(5,921,792)	(5,921,792)	(3,932,561)	1,989,231
Fund Balance - Beginning	<u>5,921,929</u>	<u>5,921,929</u>	<u>7,879,051</u>	<u>1,957,122</u>
Fund Balance - Ending	<u>\$ 137</u>	<u>\$ 137</u>	<u>\$ 3,946,490</u>	<u>\$ 3,946,353</u>

See Note to Required Supplementary Information.

CITY OF MESA, ARIZONA

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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, 2008 on the “GAAP basis” to the “budget basis” as follows:

Net Change in Fund Balance-Budget Basis - Exhibit B-1	\$ 3,149,542
Basis Differences:	
Compensated Absences	(318,901)
Special Assessments	500,594
Sales Tax Accrual	(1,750,281)
Unrealized Gain on Investments	46,782
Timing Differences:	
Grants & Contributions	(688,126)
Interest Earnings in Escrow Account	<u>23,391</u>
Net Change in Fund Balance-GAAP Basis - Exhibit A-5	\$ <u><u>963,001</u></u>

Combining Statements



NON-MAJOR FUNDS

OTHER GOVERNMENTAL FUNDS

Special Revenue Funds

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

Local Transportation Assistance Fund accounts for expenditures on local transportation operations and capital outlay, as mandated by the Arizona State Legislature. The principal financing source for this fund is the state shared lottery revenue.

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

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

Public Art Fund is designed to provide a balance of monies from which public art projects throughout the City may be developed. Funds are provided through allocations from the General Fund.

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

Court Construction Fee Fund is designed to provide an accumulation of monies for the construction and debt service of the new Mesa Municipal Court building. These funds are provided through a fee on all court cases, except for parking violations.

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

Regional Transportation Plan (RTP) Fund accounts for Maricopa Association of Government (MAG) Proposition 400 sales tax funds that are allocated to local subdivisions for transportation projects.

Special Revenue Funds (cont.)

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

Vehicle Replacement Fund accounts for expenditures related to the acquisition of replacement vehicles for the City's governmental funds. The funds are provided through transfers from the City's General Fund.

Debt Service Funds

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

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

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

Municipal Development Corporation Bond Redemption Fund accumulates monies for payment of the principal and interest requirements of the City's Municipal Development Corporation Bonds.

Capital Lease Redemption Fund accumulates monies for the payment of principal and interest requirements of capital leases relating to the acquisition of land, computer equipment, communication equipment, police helicopters and various public improvements within the City.

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

Capital Projects Funds

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

Fire Construction Fund accounts for the cost of fire prevention facilities and equipment.

Storm Sewer Construction Fund accounts for the construction of drains, basins, channels and other storm sewer improvements.

Capital Projects Funds (cont.)

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

Parks Construction Fund accounts for the cost of new park site acquisitions as well as improvements.

Law Enforcement Construction Fund accounts for the cost of public safety facilities.

Library Construction Fund accounts for the cost of improvements to the main library and expansion of branches.

Service Center Construction Fund accounts for the cost of improvements to the 6th Street service center.

Capital Leases Construction Fund accounts for the cost of acquiring various computer equipment, communications equipment and public improvements within the City.

CITY OF MESA, ARIZONA
EXHIBIT C-1
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2008

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Total Non-major Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 25,824,453	\$ -	\$ 15,896,198	\$ 41,720,651
Accounts Receivable	94,815	-	-	94,815
Accrued Interest Receivable	118,875	-	-	118,875
Due From Other Governments	674,078	-	-	674,078
Prepaid Costs	1,011	-	-	1,011
Restricted Assets:				
Cash and Cash Equivalents	-	27,987,584	-	27,987,584
Special Assessments Receivable	-	7,436,635	-	7,436,635
Total Assets	<u><u>\$ 26,713,232</u></u>	<u><u>\$ 35,424,219</u></u>	<u><u>\$ 15,896,198</u></u>	<u><u>\$ 78,033,649</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 1,090,539	\$ -	\$ 547,271	\$ 1,637,810
Due To Other Funds	209,000	-	-	209,000
Customer Deposits	1,340	-	-	1,340
Payable From Restricted Assets:				
Accounts Payable	-	9,430	-	9,430
Accrued Lease Interest Payable	-	57,025	-	57,025
Accrued Bond Interest Payable	-	9,284,845	-	9,284,845
Deferred Revenue	-	7,436,635	-	7,436,635
Matured General Obligation Bonds Payable	-	16,939,681	-	16,939,681
Matured Highway User Revenue Bonds Payable	-	170,000	-	170,000
Matured Capital Leases Payable	-	1,526,603	-	1,526,603
Total Liabilities	<u><u>1,300,879</u></u>	<u><u>35,424,219</u></u>	<u><u>547,271</u></u>	<u><u>37,272,369</u></u>
Fund Balances:				
Reserved For Encumbrances	489,670	-	4,206,101	4,695,771
Reserved For Prepaid Costs	1,011	-	-	1,011
Unreserved	24,921,672	-	11,142,826	36,064,498
Total Fund Balances	<u><u>25,412,353</u></u>	<u><u>-</u></u>	<u><u>15,348,927</u></u>	<u><u>40,761,280</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 26,713,232</u></u>	<u><u>\$ 35,424,219</u></u>	<u><u>\$ 15,896,198</u></u>	<u><u>\$ 78,033,649</u></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, 2008

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Non-major Governmental Fund
Revenues:				
Special Assessments	\$ -	\$ 1,218,100	\$ -	\$ 1,218,100
Licenses and Permits	7,778,786	-	-	7,778,786
Intergovernmental	17,086,718	-	-	17,086,718
Charges For Services	3,957,357	-	-	3,957,357
Fees and Forfeitures	616,385	-	-	616,385
Investment Income	903,989	491,730	3,531	1,399,250
Miscellaneous	1,236,495	-	230,562	1,467,057
Total Revenues	31,579,730	1,709,830	234,093	33,523,653
Expenditures:				
Current:				
Public Safety	2,441,978	-	-	2,441,978
Community Environment	19,034,255	-	-	19,034,255
Debt Service:				
Principal Retirement	-	25,870,624	-	25,870,624
Interest on Bonds	-	18,373,076	-	18,373,076
Interest on Leases	-	856,606	-	856,606
Service Charges	-	58,196	-	58,196
Capital Outlay	6,645,922	-	24,622,960	31,268,882
Total Expenditures	28,122,155	45,158,502	24,622,960	97,903,617
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,457,575</u>	<u>(43,448,672)</u>	<u>(24,388,867)</u>	<u>(64,379,964)</u>
Other Financing Sources (Uses):				
Transfers In	8,859,271	43,949,266	-	52,808,537
Transfers Out	(5,513,329)	(500,594)	(28,328)	(6,042,251)
Face Amount of Bonds Issued	-	-	15,450,000	15,450,000
Premium on Issuance of Bonds	-	-	195,209	195,209
Proceeds From Obligations of Capital Leases	-	-	2,528,683	2,528,683
Total Other Financing Sources (Uses)	3,345,942	43,448,672	18,145,564	64,940,178
Net Change in Fund Balances	6,803,517	-	(6,243,303)	560,214
Fund Balances - Beginning	18,608,836	-	21,592,230	40,201,066
Fund Balances - Ending	<u>\$ 25,412,353</u>	<u>\$ -</u>	<u>\$ 15,348,927</u>	<u>\$ 40,761,280</u>

CITY OF MESA, ARIZONA
EXHIBIT C-3
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2008

	<u>Local Transportation Assistance</u>	<u>Mesa Housing Authority</u>	<u>Cemetery</u>	<u>Public Art</u>	<u>Development Impact Fees</u>
ASSETS					
Cash and Cash Equivalents	\$ 87	\$2,068,620	\$7,201,084	\$ 304,866	\$ 10,655,285
Accounts Receivable	-	-	94,815	-	-
Accrued Interest Receivable	301	7,629	28,627	1,368	43,484
Due From Other Governments	613,771	60,307	-	-	-
Prepaid Costs	359	546	106	-	-
Total Assets	<u>\$ 614,518</u>	<u>\$2,137,102</u>	<u>\$7,324,632</u>	<u>\$ 306,234</u>	<u>\$ 10,698,769</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 404,655	\$ 164,336	\$ 9,662	\$ -	\$ 8,673
Due To Other Funds	209,000	-	-	-	-
Customer Deposits	-	-	1,340	-	-
Total Liabilities	<u>613,655</u>	<u>164,336</u>	<u>11,002</u>	<u>-</u>	<u>8,673</u>
Fund Balances:					
Reserved For Encumbrances	504	-	857	-	-
Reserved For Prepaid Costs	359	546	106	-	-
Unreserved	-	1,972,220	7,312,667	306,234	10,690,096
Total Fund Balances	<u>863</u>	<u>1,972,766</u>	<u>7,313,630</u>	<u>306,234</u>	<u>10,690,096</u>
Total Liabilities and Fund Balances	<u>\$ 614,518</u>	<u>\$2,137,102</u>	<u>\$7,324,632</u>	<u>\$ 306,234</u>	<u>\$ 10,698,769</u>

EXHIBIT C-3
(Continued)

<u>Court Construction Fee</u>	<u>Mesa Arts Center Restoration</u>	<u>Regional Transportation Plan</u>	<u>Environmental Compliance</u>	<u>Vehicle Replacement</u>	<u>Total</u>
\$ 1,597,329	\$ 686,290	\$ 12,484	\$ 454,639	\$ 2,843,769	\$ 25,824,453
-	-	-	-	-	94,815
5,959	2,619	-	4,534	24,354	118,875
-	-	-	-	-	674,078
-	-	-	-	-	1,011
<u>\$ 1,603,288</u>	<u>\$ 688,909</u>	<u>\$ 12,484</u>	<u>\$ 459,173</u>	<u>\$ 2,868,123</u>	<u>\$ 26,713,232</u>
\$ -	\$ -	\$ 9,785	\$ 41,316	\$ 452,112	\$ 1,090,539
-	-	-	-	-	209,000
-	-	-	-	-	1,340
<u>-</u>	<u>-</u>	<u>9,785</u>	<u>41,316</u>	<u>452,112</u>	<u>1,300,879</u>
-	-	2,699	170,160	315,450	489,670
-	-	-	-	-	1,011
<u>1,603,288</u>	<u>688,909</u>	<u>-</u>	<u>247,697</u>	<u>2,100,561</u>	<u>24,921,672</u>
<u>1,603,288</u>	<u>688,909</u>	<u>2,699</u>	<u>417,857</u>	<u>2,416,011</u>	<u>25,412,353</u>
<u>\$ 1,603,288</u>	<u>\$ 688,909</u>	<u>\$ 12,484</u>	<u>\$ 459,173</u>	<u>\$ 2,868,123</u>	<u>\$ 26,713,232</u>

CITY OF MESA, ARIZONA

EXHIBIT C-4

NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Local Transportation Assistance</u>	<u>Mesa Housing Authority</u>	<u>Cemetery</u>	<u>Public Art</u>	<u>Development Impact Fees</u>
Revenues:					
Licenses and Permits	\$ -	\$ -	\$ -	\$ -	\$ 7,778,786
Intergovernmental	5,601,020	10,834,635	-	-	-
Charges for Services	-	198,696	1,133,565	-	-
Fines and Forfeitures	-	-	-	-	-
Investment Income	3,029	51,906	242,267	12,657	323,970
Miscellaneous	517,980	137,199	1,110	-	-
Total Revenues	<u>6,122,029</u>	<u>11,222,436</u>	<u>1,376,942</u>	<u>12,657</u>	<u>8,102,756</u>
Expenditures:					
Current:					
Public Safety	-	-	-	-	-
Community Environment	7,003,033	11,064,111	967,111	-	-
Capital Outlay	986,995	2,822	17,829	80,000	146,803
Total Expenditures	<u>7,990,028</u>	<u>11,066,933</u>	<u>984,940</u>	<u>80,000</u>	<u>146,803</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,867,999)</u>	<u>155,503</u>	<u>392,002</u>	<u>(67,343)</u>	<u>7,955,953</u>
Other Financing Sources (Uses):					
Transfers In	1,903,000	546,271	-	-	-
Transfers Out	(35,020)	(10,970)	-	-	(5,467,339)
Total Other Financing Sources (Uses)	<u>1,867,980</u>	<u>535,301</u>	<u>-</u>	<u>-</u>	<u>(5,467,339)</u>
Net Change in Fund Balances	(19)	690,804	392,002	(67,343)	2,488,614
Fund Balances - Beginning	<u>882</u>	<u>1,281,962</u>	<u>6,921,628</u>	<u>373,577</u>	<u>8,201,482</u>
Fund Balances - Ending	<u>\$ 863</u>	<u>\$ 1,972,766</u>	<u>\$ 7,313,630</u>	<u>\$ 306,234</u>	<u>\$ 10,690,096</u>

EXHIBIT C-4
(Continued)

Court Construction Fee	Mesa Arts Center Restoration	Regional Transportation Plan	Environmental Compliance	Vehicle Replacement	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,778,786
-	-	651,063	-	-	17,086,718
-	225,276	-	2,399,820	-	3,957,357
616,385	-	-	-	-	616,385
41,157	17,884	-	24,861	186,258	903,989
-	-	-	-	580,206	1,236,495
<u>657,542</u>	<u>243,160</u>	<u>651,063</u>	<u>2,424,681</u>	<u>766,464</u>	<u>31,579,730</u>
-	-	-	2,441,978	-	2,441,978
-	-	-	-	-	19,034,255
-	-	756,020	-	4,655,453	6,645,922
<u>-</u>	<u>-</u>	<u>756,020</u>	<u>2,441,978</u>	<u>4,655,453</u>	<u>28,122,155</u>
<u>657,542</u>	<u>243,160</u>	<u>(104,957)</u>	<u>(17,297)</u>	<u>(3,888,989)</u>	<u>3,457,575</u>
-	-	105,000	-	6,305,000	8,859,271
-	-	-	-	-	(5,513,329)
<u>-</u>	<u>-</u>	<u>105,000</u>	<u>-</u>	<u>6,305,000</u>	<u>3,345,942</u>
657,542	243,160	43	(17,297)	2,416,011	6,803,517
<u>945,746</u>	<u>445,749</u>	<u>2,656</u>	<u>435,154</u>	<u>-</u>	<u>18,608,836</u>
<u>\$ 1,603,288</u>	<u>\$ 688,909</u>	<u>\$ 2,699</u>	<u>\$ 417,857</u>	<u>\$ 2,416,011</u>	<u>\$ 25,412,353</u>

CITY OF MESA, ARIZONA
EXHIBIT C-5
NON-MAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2008

	General Obligation Bond Redemption	Special Assessment Bond Redemption	Municipal Development Corporation Bond Redemption
ASSETS			
Restricted Assets:			
Cash and Cash Equivalents	\$ 22,575,239	\$ 218,610	\$ 26,073
Special Assesments Receivable	-	7,436,635	-
Total Assets	<u>\$ 22,575,239</u>	<u>\$ 7,655,245</u>	<u>\$ 26,073</u>
LIABILITIES AND FUND BALANCES			
Liabilities Payable From Restricted Assets:			
Accounts Payable	\$ -	\$ -	\$ 9,430
Accrued Lease Interest Payable	-	-	-
Accrued Bond Interest Payable	5,635,558	218,610	16,643
Deferred Revenue - Special Assessments	-	7,436,635	-
Matured General Obligation Bonds Payable	16,939,681	-	-
Matured Highway User Revenue Bonds Payable	-	-	-
Matured Capital Leases Payable	-	-	-
Total Liabilities	<u>22,575,239</u>	<u>7,655,245</u>	<u>26,073</u>
Fund Balances-Reserved For Debt Service	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 22,575,239</u>	<u>\$ 7,655,245</u>	<u>\$ 26,073</u>

EXHIBIT C-5
(Continued)

<u>Capital Lease Redemption</u>	<u>Highway User Revenue Bond Redemption</u>	<u>Total</u>
\$ 1,583,628	\$ 3,584,034	\$ 27,987,584
-	-	7,436,635
<u>\$ 1,583,628</u>	<u>\$ 3,584,034</u>	<u>\$ 35,424,219</u>
\$ -	\$ -	\$ 9,430
57,025	-	57,025
-	3,414,034	9,284,845
-	-	7,436,635
-	-	16,939,681
-	170,000	170,000
<u>1,526,603</u>	<u>-</u>	<u>1,526,603</u>
<u>1,583,628</u>	<u>3,584,034</u>	<u>35,424,219</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,583,628</u>	<u>\$ 3,584,034</u>	<u>\$ 35,424,219</u>

CITY OF MESA, ARIZONA
EXHIBIT C-6
NON-MAJOR DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General Obligation Bond Redemption	Special Assessment Bond Redemption	Municipal Development Corporation Bond Redemption
Revenues:			
Special Assessments	\$ -	\$ 1,218,100	\$ -
Investment Income	-	491,730	-
Total Revenues	-	1,709,830	-
Expenditures:			
Debt Service:			
Principal Retirement	16,939,681	751,840	-
Interest on Bonds	10,802,539	457,396	285,073
Interest on Leases	-	-	-
Service Charges	744	-	53,915
Total Expenditures	27,742,964	1,209,236	338,988
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(27,742,964)</u>	<u>500,594</u>	<u>(338,988)</u>
Other Financing Sources (Uses):			
Transfers In	27,742,964	-	338,988
Transfers Out	-	(500,594)	-
Total Other Financing Sources (Uses)	27,742,964	(500,594)	338,988
Net Change In Fund Balances	-	-	-
Fund Balances - Beginning	-	-	-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

EXHIBIT C-6

(Continued)

<u>Capital Lease Redemption</u>	<u>Highway User Revenue Bond Redemption</u>	<u>Total</u>
\$ -	\$ -	\$ 1,218,100
-	-	491,730
-	-	1,709,830
8,009,103	170,000	25,870,624
-	6,828,068	18,373,076
856,606	-	856,606
3,179	358	58,196
8,868,888	6,998,426	45,158,502
(8,868,888)	(6,998,426)	(43,448,672)
8,868,888	6,998,426	43,949,266
-	-	(500,594)
8,868,888	6,998,426	43,448,672
-	-	-
-	-	-
\$ -	\$ -	\$ -

CITY OF MESA, ARIZONA
EXHIBIT C-7
NON-MAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2008

	<u>Fire</u>	<u>Storm Sewer</u>	<u>Streets</u>	<u>Parks</u>
ASSETS				
Cash and Cash Equivalents	\$ 1,909,034	\$2,081,946	\$ 844,952	\$ 16,923
Total Assets	<u>\$ 1,909,034</u>	<u>\$2,081,946</u>	<u>\$ 844,952</u>	<u>\$ 16,923</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 15,833	\$ 1,488	\$ 24	\$ -
Total Liabilities	<u>15,833</u>	<u>1,488</u>	<u>24</u>	<u>-</u>
Fund Balances:				
Reserved For Encumbrances	383,772	-	-	-
Unreserved	<u>1,509,429</u>	<u>2,080,458</u>	<u>844,928</u>	<u>16,923</u>
Total Fund Balances	<u>1,893,201</u>	<u>2,080,458</u>	<u>844,928</u>	<u>16,923</u>
Total Liabilities and Fund Balances	<u>\$ 1,909,034</u>	<u>\$2,081,946</u>	<u>\$ 844,952</u>	<u>\$ 16,923</u>

EXHIBIT C-7

(Continued)

<u>Law Enforcement</u>	<u>Library</u>	<u>Service Center</u>	<u>Capital Leases</u>	<u>Total</u>
<u>\$ 8,413,998</u>	<u>\$ 943,340</u>	<u>\$ 34,064</u>	<u>\$1,651,941</u>	<u>\$ 15,896,198</u>
<u><u>\$ 8,413,998</u></u>	<u><u>\$ 943,340</u></u>	<u><u>\$ 34,064</u></u>	<u><u>\$1,651,941</u></u>	<u><u>\$ 15,896,198</u></u>
<u>\$ 224,535</u>	<u>\$ 73</u>	<u>\$ -</u>	<u>\$ 305,318</u>	<u>\$ 547,271</u>
<u>224,535</u>	<u>73</u>	<u>-</u>	<u>305,318</u>	<u>547,271</u>
3,806,604	15,725	-	-	4,206,101
<u>4,382,859</u>	<u>927,542</u>	<u>34,064</u>	<u>1,346,623</u>	<u>11,142,826</u>
<u>8,189,463</u>	<u>943,267</u>	<u>34,064</u>	<u>1,346,623</u>	<u>15,348,927</u>
<u>\$ 8,413,998</u>	<u>\$ 943,340</u>	<u>\$ 34,064</u>	<u>\$1,651,941</u>	<u>\$ 15,896,198</u>

CITY OF MESA, ARIZONA
EXHIBIT C-8
NON-MAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Fire</u>	<u>Storm Sewer</u>	<u>Streets</u>	<u>Parks</u>
Revenues:				
Investment Income	403	346	770	1,693
Miscellaneous	-	-	230,562	-
Total Revenues	<u>403</u>	<u>346</u>	<u>231,332</u>	<u>1,693</u>
Expenditures:				
Capital Outlay	1,346,269	3,773,395	2,877,862	5,980
Total Expenditures	<u>1,346,269</u>	<u>3,773,395</u>	<u>2,877,862</u>	<u>5,980</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,345,866)</u>	<u>(3,773,049)</u>	<u>(2,646,530)</u>	<u>(4,287)</u>
Other Financing Sources (Uses):				
Transfers Out	-	-	-	-
Face Amount of Bonds Issued	2,485,000	1,885,000	-	-
Premium on Issuance of Bonds	31,390	23,815	-	-
Proceeds From Obligations of Capital Leases	-	-	-	-
Total Other Financing Sources (Uses)	<u>2,516,390</u>	<u>1,908,815</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	1,170,524	(1,864,234)	(2,646,530)	(4,287)
Fund Balances - Beginning	<u>722,677</u>	<u>3,944,692</u>	<u>3,491,458</u>	<u>21,210</u>
Fund Balances - Ending	<u>\$ 1,893,201</u>	<u>\$2,080,458</u>	<u>\$ 844,928</u>	<u>\$ 16,923</u>

EXHIBIT C-8

(Continued)

<u>Law Enforcement</u>	<u>Library</u>	<u>Service Center</u>	<u>Capital Leases</u>	<u>Total</u>
-	-	319	-	3,531
-	-	-	-	230,562
-	-	319	-	234,093
13,532,699	578,460	-	2,508,295	24,622,960
13,532,699	578,460	-	2,508,295	24,622,960
(13,532,699)	(578,460)	319	(2,508,295)	(24,388,867)
-	-	-	(28,328)	(28,328)
11,080,000	-	-	-	15,450,000
140,004	-	-	-	195,209
-	-	-	2,528,683	2,528,683
11,220,004	-	-	2,500,355	18,145,564
(2,312,695)	(578,460)	319	(7,940)	(6,243,303)
10,502,158	1,521,727	33,745	1,354,563	21,592,230
<u>\$ 8,189,463</u>	<u>\$ 943,267</u>	<u>\$ 34,064</u>	<u>\$1,346,623</u>	<u>\$ 15,348,927</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-9
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Warehouse, Maintenance and Services</u>	<u>Property and Public Liability Self Insurance</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 713,164	\$ 11,515,779
Accounts Receivable	-	-
Accrued Premiums Receivable	-	-
Accrued Interest Receivable	-	53,246
Due From Other Governments	34,860	-
Inventory	4,633,947	-
Prepaid Costs	1,600	480,584
Total Current Assets	<u>5,383,571</u>	<u>12,049,609</u>
Capital Assets:		
Buildings	2,014,156	-
Other Improvements	5,088,624	-
Machinery and Equipment	2,088,426	-
Construction in Progress	10,864	-
	<u>9,202,070</u>	<u>-</u>
Less Accumulated Depreciation	(4,435,111)	-
Net Capital Assets	<u>4,766,959</u>	<u>-</u>
Total Assets	<u>10,150,530</u>	<u>12,049,609</u>
LIABILITIES AND FUND EQUITY		
Current Liabilities:		
Accounts Payable	749,545	4,698
Other Accrued Expenses:		
Estimated Liability For Claims:		
Incurred-Not Reported	-	5,600,000
Incurred and Pending	-	11,200,000
Current Portion of Capital Leases	6,727	-
Current Portion of Compensated Absences	95,778	-
Current Portion of Post Employment Benefits	190,505	-
Total Current Liabilities	<u>1,042,555</u>	<u>16,804,698</u>
Long-Term Liabilities		
Compensated Absences	909,183	-
Post Employment Benefits	896,087	-
Total Long-Term Liabilities	<u>1,805,270</u>	<u>-</u>
Total Liabilities	<u>2,847,825</u>	<u>16,804,698</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	4,760,231	-
Unrestricted	2,542,474	(4,755,089)
Total Net Assets	<u>\$ 7,302,705</u>	<u>\$ (4,755,089)</u>

EXHIBIT C-9
(Continued)

<u>Workers'</u> <u>Compensation</u> <u>Self Insurance</u>	<u>Employee</u> <u>Benefits Self</u> <u>Insurance</u>	<u>Total</u>
\$ 10,898,114	\$ 22,331,526	\$45,458,583
105,766	61	105,827
-	624,813	624,813
40,235	84,091	177,572
-	-	34,860
-	-	4,633,947
-	190	482,374
<u>11,044,115</u>	<u>23,040,681</u>	<u>51,517,976</u>
-	-	2,014,156
-	-	5,088,624
-	-	2,088,426
-	-	10,864
-	-	9,202,070
-	-	(4,435,111)
-	-	4,766,959
<u>11,044,115</u>	<u>23,040,681</u>	<u>56,284,935</u>
843	543,434	1,298,520
17,250	5,650,397	11,267,647
6,222,078	-	17,422,078
-	-	6,727
-	-	95,778
-	-	190,505
<u>6,240,171</u>	<u>6,193,831</u>	<u>30,281,255</u>
-	-	909,183
-	-	896,087
-	-	1,805,270
<u>6,240,171</u>	<u>6,193,831</u>	<u>32,086,525</u>
-	-	4,760,231
4,803,944	16,846,850	19,438,179
<u>\$ 4,803,944</u>	<u>\$ 16,846,850</u>	<u>\$24,198,410</u>

CITY OF MESA, ARIZONA
EXHIBIT C-10
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Warehouse, Maintenance and Services	Property and Public Liability Self Insurance	Workers' Compensation Self Insurance
Operating Revenues:			
Charges For Services:			
Material and Supply	\$ 1,060,802	\$ -	\$ -
Printing and Graphics	853,638	-	-
Fleet Support Services	17,682,128	-	-
Self-Insurance Contributions:			
Employee	-	-	-
City	-	4,301,000	5,773,272
State Retirement System	-	-	-
Other	-	-	-
Total Operating Revenues	<u>19,596,568</u>	<u>4,301,000</u>	<u>5,773,272</u>
Operating Expenses:			
Material and Supply	1,119,828	-	-
Printing and Graphics	1,012,763	-	-
Fleet Support Services	18,589,395	-	-
Administrative Costs	-	883,148	642,997
Claims Incurred	-	13,765,240	2,756,010
Premiums to Insurance Carriers	-	1,208,392	372,837
Total Operating Expenses	<u>20,721,986</u>	<u>15,856,780</u>	<u>3,771,844</u>
Operating Income (Loss) Before Depreciation	(1,125,418)	(11,555,780)	2,001,428
Depreciation	<u>(468,326)</u>	<u>-</u>	<u>-</u>
Operating Income (Loss)	<u>(1,593,744)</u>	<u>(11,555,780)</u>	<u>2,001,428</u>
Nonoperating Revenues (Expense):			
Investment Income	-	456,082	300,788
Miscellaneous	-	-	-
Interest Expense	(339)	-	-
Loss on Disposal of Capital Assets	<u>(218)</u>	<u>-</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>(557)</u>	<u>456,082</u>	<u>300,788</u>
Net Income (Loss) Before Transfers and Capital Contributions	(1,594,301)	(11,099,698)	2,302,216
Capital Contributions	11,666	-	-
Transfers In	<u>623,000</u>	<u>-</u>	<u>-</u>
Change in Net Assets	(959,635)	(11,099,698)	2,302,216
Total Net Assets - Beginning	<u>8,262,340</u>	<u>6,344,609</u>	<u>2,501,728</u>
Total Net Assets - Ending	<u>\$ 7,302,705</u>	<u>\$ (4,755,089)</u>	<u>\$ 4,803,944</u>

EXHIBIT C-10
(Continued)

<u>Employee Benefits Self Insurance</u>	<u>Total</u>
\$ -	\$ 1,060,802
-	853,638
-	17,682,128
11,961,119	11,961,119
34,284,333	44,358,605
2,784,604	2,784,604
24,360	24,360
<u>49,054,416</u>	<u>78,725,256</u>
-	1,119,828
-	1,012,763
-	18,589,395
4,384,518	5,910,663
43,031,716	59,552,966
550,439	2,131,668
<u>47,966,673</u>	<u>88,317,283</u>
1,087,743	(9,592,027)
-	(468,326)
<u>1,087,743</u>	<u>(10,060,353)</u>
671,829	1,428,699
-	-
-	(339)
-	(218)
<u>671,829</u>	<u>1,428,142</u>
1,759,572	(8,632,211)
-	11,666
-	623,000
<u>1,759,572</u>	<u>(7,997,545)</u>
<u>15,087,278</u>	<u>32,195,955</u>
<u>\$ 16,846,851</u>	<u>\$ 24,198,410</u>

CITY OF MESA, ARIZONA
EXHIBIT C-11
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Warehouse, Maintenance and Services
Cash Flows From Operating Activities:	
Cash Received From Users	\$ 19,595,667
Cash Payments To Suppliers	(13,074,030)
Cash Payments To Employees	(6,569,887)
Net Cash Provided By (Used For) Operating Activities	<u>(48,250)</u>
Cash Flows From Noncapital Financing Activities:	
Operating Transfers-In From Other Funds	<u>623,000</u>
Net Cash Provided By Noncapital Financing Activities	<u>623,000</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition and Construction of Capital Assets	(381,120)
Principal Paid on Lease Maturities	(6,539)
Interest Paid on Leases	(339)
Net Cash Used For Capital and Related Financing Activities	<u>(387,998)</u>
Cash Flows From Investing Activities:	
Proceeds from Sale and Maturities of Investment Securities	-
Interest Received on Investments	-
Net Cash Provided By Investing Activities	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	186,752
Cash and Cash Equivalents at Beginning of Year	<u>526,412</u>
Cash and Cash Equivalents at End of Year	<u>\$ 713,164</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:	
Operating Income (Loss)	\$ <u>(1,593,744)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used Provided By Operating Activities:	
Depreciation	468,326
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	(901)
(Increase) in Inventory	(236,002)
Increase (Decrease) in Prepaid Costs	937
Increase (Decrease) in Accounts Payable	1,313,134
Increase in Other Accrued Expenses	-
Total Adjustments	<u>1,545,494</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ (48,250)</u>
Noncash Transactions Affecting Financial Position:	
Transfer of Capital Assets from Governmental Funds	\$ 11,666
Loss on Disposal of Capital Assets	218
Increase in Fair Market Value of Investments	-

EXHIBIT C-11

(Continued)

Property and Public Liability Self Insurance	Workers' Compensation Self Insurance	Employee Benefits Self Insurance	Total
\$ 4,301,000	\$ 5,799,668	\$ 48,831,215	\$ 78,527,550
(4,539,373)	(2,923,117)	(43,182,934)	(63,719,454)
(871,519)	(290,861)	(1,629,597)	(9,361,864)
<u>(1,109,892)</u>	<u>2,585,690</u>	<u>4,018,684</u>	<u>5,446,232</u>
-	-	-	623,000
-	-	-	623,000
-	-	-	(381,120)
-	-	-	(6,539)
-	-	-	(339)
-	-	-	(387,998)
-	-	5,000,000	5,000,000
484,037	312,292	663,331	1,459,660
<u>484,037</u>	<u>312,292</u>	<u>5,663,331</u>	<u>6,459,660</u>
(625,855)	2,897,982	9,682,015	12,140,894
<u>12,141,634</u>	<u>8,000,132</u>	<u>12,649,511</u>	<u>33,317,689</u>
\$ <u>11,515,779</u>	\$ <u>10,898,114</u>	\$ <u>22,331,526</u>	\$ <u>45,458,583</u>
\$ (11,555,780)	\$ 2,001,428	\$ 1,087,743	\$ (10,060,353)
-	-	-	468,326
-	26,396	(223,201)	(197,706)
-	-	-	(236,002)
41,190	-	(133)	41,994
4,698	(167,179)	126,961	1,277,614
<u>10,400,000</u>	<u>725,045</u>	<u>3,027,314</u>	<u>14,152,359</u>
<u>10,445,888</u>	<u>584,262</u>	<u>2,930,941</u>	<u>15,506,585</u>
\$ <u>(1,109,892)</u>	\$ <u>2,585,690</u>	\$ <u>4,018,684</u>	\$ <u>5,446,232</u>
\$ -	\$ -	\$ -	\$ 11,666
-	-	-	218
-	-	3,100	3,100

FIDUCIARY FUND

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

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

CITY OF MESA, ARIZONA

EXHIBIT C-12

AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2008</u>
PAYROLL AGENCY FUND				
Assets:				
Cash and Cash Equivalents	\$ 7,654,593	\$ 600,864,499	\$ 599,563,508	\$ 8,955,584
Due From Other Funds	<u>-</u>	<u>14,691,611</u>	<u>14,691,611</u>	<u>-</u>
Total Assets	<u>\$ 7,654,593</u>	<u>\$ 615,556,110</u>	<u>\$ 614,255,119</u>	<u>\$ 8,955,584</u>
Liabilities:				
Accrued Payroll Payable	<u>\$ 7,654,593</u>	<u>\$ 370,467,587</u>	<u>\$ 369,166,596</u>	<u>\$ 8,955,584</u>
Total Liabilities	<u>\$ 7,654,593</u>	<u>\$ 370,467,587</u>	<u>\$ 369,166,596</u>	<u>\$ 8,955,584</u>

Supplemental Information



CITY OF MESA, ARIZONA

EXHIBIT D-1

GENERAL FUND

SCHEDULE OF EXPENDITURES BY PROGRAM - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budget Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
General Government:				
Legislative	\$ 1,546,000	\$ 1,662,056	\$ 1,662,056	\$ -
Executive	535,000	627,868	627,868	-
Williams Gateway	3,750,000	4,074,355	4,074,355	-
Town Center Development	2,784,000	2,784,000	2,436,766	347,234
Judicial	11,268,000	11,268,000	9,308,662	1,959,338
Legal	5,623,000	5,755,157	5,755,157	-
Building Maintenance	1,901,385	2,031,123	2,031,123	-
City Clerk	1,713,000	1,713,000	1,681,197	31,803
Economic Development	7,927,000	7,927,000	5,379,448	2,547,552
Engineering	4,920,255	4,920,255	4,786,001	134,254
Financial Services	6,898,000	6,913,000	6,096,284	816,716
E-Streets & Cable TV Licensing	1,171,000	1,171,000	1,151,810	19,190
General Services	4,725,083	5,035,850	5,035,850	-
Planning	5,437,255	5,437,255	4,617,124	820,131
Capital Improvement	4,709,000	4,709,000	3,692,192	1,016,808
Total General Government	<u>64,907,978</u>	<u>66,028,919</u>	<u>58,335,893</u>	<u>7,693,026</u>
Less: Capital Outlay Expenditures	5,339,185	5,379,367	4,660,505	718,862
Debt Service Expenditures	3,116,710	3,116,710	3,116,631	79
Total Current Expenditures	56,452,083	57,532,842	50,558,757	6,974,085
Public Safety:				
Law Enforcement	170,789,179	170,852,743	170,852,743	-
Fire Prevention	77,459,047	77,008,556	67,012,571	9,995,985
Building Safety	11,305,813	11,305,813	10,369,886	935,927
Code Compliance	1,985,226	1,985,226	1,695,256	289,970
Environmental Management	2,335,456	2,335,456	1,263,497	1,071,959
Total Public Safety	<u>263,874,721</u>	<u>263,487,794</u>	<u>251,193,953</u>	<u>12,293,841</u>
Less: Capital Outlay Expenditures	8,726,740	8,735,458	11,413,061	(2,677,603)
Debt Service Expenditures	8,381,195	8,381,195	7,214,092	1,167,103
Total Current Expenditures	<u>\$246,766,786</u>	<u>\$246,371,141</u>	<u>\$232,566,800</u>	<u>\$ 13,804,341</u>

CITY OF MESA, ARIZONA
EXHIBIT D-1 (Continued)
GENERAL FUND
SCHEDULE OF EXPENDITURES BY PROGRAM - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budget Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
Cultural-Recreational:				
Parks and Recreation	\$ 25,754,642	\$ 25,775,476	\$ 23,269,708	\$ 2,505,768
Cultural	12,059,700	12,059,700	11,158,644	901,056
Aquatics	17,453,877	17,453,877	4,658,909	12,794,968
Library	13,311,585	13,102,085	11,542,702	1,559,383
Community Aid	3,000,000	3,778,071	3,778,071	-
Hohokam Stadium/Fitch Complex	7,084,000	8,222,626	8,222,626	-
Museum of Natural History	2,175,000	2,175,000	2,033,164	141,836
Museum for Youth	1,798,114	1,798,114	1,740,595	57,519
Neighborhood & Human Services	2,702,000	2,702,000	2,121,969	580,031
Total Cultural-Recreational	<u>85,338,918</u>	<u>87,066,949</u>	<u>68,526,388</u>	<u>18,540,561</u>
Less: Capital Outlay Expenditures	16,195,902	16,189,153	3,498,336	12,690,817
Debt Service Expenditures	<u>6,919,078</u>	<u>6,919,078</u>	<u>6,792,078</u>	<u>127,000</u>
Total Current Expenditures	<u>62,223,938</u>	<u>63,958,718</u>	<u>58,235,974</u>	<u>5,722,744</u>
Community Environment:				
Community Development	10,728,280	10,728,280	5,944,435	4,783,845
Streets	29,502,288	29,493,892	11,106,738	18,387,154
Storm Sewer	6,186,425	6,186,425	5,816,657	369,768
Mass Transit	24,056,507	24,056,507	24,002,294	54,213
Miscellaneous Services	<u>640,000</u>	<u>1,267,425</u>	<u>1,267,425</u>	<u>-</u>
Total Community Environment	<u>71,113,500</u>	<u>71,732,529</u>	<u>48,137,549</u>	<u>23,594,980</u>
Less: Capital Outlay Expenditures	41,468,027	41,460,219	29,113,768	12,346,451
Debt Service Expenditures	<u>5,294,955</u>	<u>5,294,955</u>	<u>5,152,825</u>	<u>142,130</u>
Total Current Expenditures	<u>24,350,518</u>	<u>24,977,355</u>	<u>13,870,956</u>	<u>11,106,399</u>
Contingencies	<u>77,269,000</u>	<u>71,703,598</u>	-	<u>71,703,598</u>
Total General Fund Expenditures	<u><u>\$562,504,117</u></u>	<u><u>\$560,019,789</u></u>	<u><u>\$426,193,783</u></u>	<u><u>\$ 133,826,006</u></u>

CITY OF MESA, ARIZONA

EXHIBIT D-2

HIGHWAY USER REVENUE FUND

SCHEDULE OF EXPENDITURES BY PROGRAM - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budget Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
Community Environment:				
Streets	\$ 42,800,238	\$ 42,800,238	\$ 41,518,651	\$ 1,281,587
Storm Sewer	<u>959,554</u>	<u>959,554</u>	<u>926,304</u>	<u>33,250</u>
Total Community Environment	<u>43,759,792</u>	<u>43,759,792</u>	<u>42,444,955</u>	<u>1,314,837</u>
Less: Capital Outlay Expenditures	1,466,569	1,466,569	1,705,201	(238,632)
Debt Service Expenditures	<u>7,112,981</u>	<u>7,112,981</u>	<u>6,998,426</u>	<u>114,555</u>
Total Current Expenditures	<u>35,180,242</u>	<u>35,180,242</u>	<u>33,741,328</u>	<u>1,438,914</u>
Contingencies	<u>3,954,000</u>	<u>3,954,000</u>	-	<u>3,954,000</u>
Total Highway User Revenue Fund Expenditures	<u>\$ 47,713,792</u>	<u>\$ 47,713,792</u>	<u>\$ 42,444,955</u>	<u>\$ 5,268,837</u>

CITY OF MESA, ARIZONA

EXHIBIT D-3

NON-MAJOR SPECIAL REVENUE FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
LOCAL TRANSPORTATION ASSISTANCE FUND				
Revenues:				
Intergovernmental	\$ 8,189,000	\$ 8,189,000	\$ 5,601,020	\$ (2,587,980)
Investment Income	-	-	3,029	3,029
Miscellaneous	4,000	4,000	517,980	513,980
Total Revenues	<u>8,193,000</u>	<u>8,193,000</u>	<u>6,122,029</u>	<u>(2,070,971)</u>
Expenditures:				
Current:				
Community Environment	7,467,213	7,467,213	7,038,053	429,160
Capital Outlay	4,791,144	4,791,144	986,995	3,804,149
Total Expenditures	<u>12,258,357</u>	<u>12,258,357</u>	<u>8,025,048</u>	<u>4,233,309</u>
Deficiency of Revenues Under Expenditures	(4,065,357)	(4,065,357)	(1,903,019)	2,162,338
Other Financing Sources:				
Transfers In	4,065,000	4,065,000	1,903,000	(2,162,000)
Net Change in Fund Balance	(357)	(357)	(19)	338
Fund Balance - Beginning	<u>884</u>	<u>884</u>	<u>882</u>	<u>(2)</u>
Fund Balance - Ending	<u>\$ 527</u>	<u>\$ 527</u>	<u>\$ 863</u>	<u>\$ 336</u>

CITY OF MESA, ARIZONA
EXHIBIT D-3 (Continued)
NON-MAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
MESA HOUSING AUTHORITY FUND				
Revenues:				
Intergovernmental	\$ 11,170,000	\$ 11,170,000	\$ 10,834,635	\$ (335,365)
Charges For Services	502,000	502,000	198,696	(303,304)
Investment Income	70,000	70,000	51,906	(18,094)
Miscellaneous	<u>106,000</u>	<u>106,000</u>	<u>137,199</u>	<u>31,199</u>
Total Revenues	<u>11,848,000</u>	<u>11,848,000</u>	<u>11,222,436</u>	<u>(625,564)</u>
Expenditures:				
Current:				
Community Environment	12,284,325	12,284,325	11,069,756	1,214,569
Capital Outlay	<u>5,325</u>	<u>5,325</u>	<u>8,147</u>	<u>(2,822)</u>
Total Expenditures	<u>12,289,650</u>	<u>12,289,650</u>	<u>11,077,903</u>	<u>1,211,747</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(441,650)	(441,650)	144,533	586,183
Other Financing Sources:				
Transfers In	<u>442,000</u>	<u>442,000</u>	<u>546,271</u>	<u>104,271</u>
Net Change in Fund Balance	350	350	690,804	690,454
Fund Balance - Beginning	<u>357</u>	<u>357</u>	<u>1,281,962</u>	<u>1,281,605</u>
Fund Balance - Ending	<u>\$ 707</u>	<u>\$ 707</u>	<u>\$ 1,972,766</u>	<u>\$ 1,972,059</u>

CITY OF MESA, ARIZONA
EXHIBIT D-3 (Continued)
NON-MAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
CEMETERY FUND				
Revenues:				
Charges For Services	\$ 1,512,000	\$ 1,512,000	\$ 1,133,565	\$ (378,435)
Investment Income	364,000	364,000	240,407	(123,593)
Miscellaneous	-	-	1,110	1,110
Total Revenues	<u>1,876,000</u>	<u>1,876,000</u>	<u>1,375,082</u>	<u>(500,918)</u>
Expenditures:				
Current:				
Community Environment	1,206,000	1,206,000	967,111	238,889
Capital Outlay	320,000	320,000	17,829	302,171
Contingencies	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Total Expenditures	<u>1,529,000</u>	<u>1,529,000</u>	<u>984,940</u>	<u>544,060</u>
Excess of Revenues Over Expenditures	347,000	347,000	390,142	43,142
Fund Balance - Beginning	<u>6,845,820</u>	<u>6,845,820</u>	<u>6,923,488</u>	<u>77,668</u>
Fund Balance - Ending	<u>\$ 7,192,820</u>	<u>\$ 7,192,820</u>	<u>\$ 7,313,630</u>	<u>\$ 120,810</u>

Budget Basis

Actual amounts (budgetary basis) "Net Change in Fund Balance" from the budgetary comparison schedule.

\$390,142

Basis Difference

Unrealized Gain on Investment

1,860

GAAP Basis

Actual amount (GAAP) basis "Net Change in Fund Balance" as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Special Revenue Funds Exhibit C-4

\$392,002

CITY OF MESA, ARIZONA
EXHIBIT D-3 (Continued)
 NON-MAJOR SPECIAL REVENUE FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
PUBLIC ART FUND				
Revenues:				
Investment Income	\$ 10,000	\$ 10,000	\$ 12,657	\$ 2,657
Total Revenues	<u>10,000</u>	<u>10,000</u>	<u>12,657</u>	<u>2,657</u>
Expenditures:				
Capital Outlay	<u>351,300</u>	<u>351,300</u>	<u>80,000</u>	<u>271,300</u>
Total Expenditures	<u>351,300</u>	<u>351,300</u>	<u>80,000</u>	<u>271,300</u>
Deficiency of Revenues Under Expenditures	(341,300)	(341,300)	(67,343)	273,957
Fund Balance - Beginning	<u>341,796</u>	<u>341,796</u>	<u>373,577</u>	<u>31,781</u>
Fund Balance - Ending	<u>\$ 496</u>	<u>\$ 496</u>	<u>\$ 306,234</u>	<u>\$ 305,738</u>

CITY OF MESA, ARIZONA
EXHIBIT D-3 (Continued)
NON-MAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
DEVELOPMENT IMPACT FEES FUND				
Revenues:				
Licenses & Permits	\$ 6,913,000	\$ 6,913,000	\$ 7,778,786	\$ 865,786
Investment Income	396,000	396,000	323,970	(72,030)
Total Revenues	<u>7,309,000</u>	<u>7,309,000</u>	<u>8,102,756</u>	<u>793,756</u>
Expenditures:				
Capital Outlay	496,720	556,012	146,803	409,209
Debt Service:				
Principal Retirement	113,134	113,134	113,133	1
Interest on Bonds	4,445,805	5,354,188	5,354,206	(18)
Total Expenditures	<u>5,055,659</u>	<u>6,023,334</u>	<u>5,614,142</u>	<u>409,192</u>
Excess of Revenues Over Expenditures	2,253,341	1,285,666	2,488,614	1,202,948
Fund Balance - Beginning	<u>7,327,696</u>	<u>7,327,696</u>	<u>8,201,482</u>	<u>873,786</u>
Fund Balance - Ending	<u>\$ 9,581,037</u>	<u>\$ 8,613,362</u>	<u>\$ 10,690,096</u>	<u>\$ 2,076,734</u>

CITY OF MESA, ARIZONA
EXHIBIT D-3 (Continued)
NON-MAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
COURT CONSTRUCTION FUND				
Revenues:				
Fines and Forfeitures	\$ 530,000	\$ 530,000	\$ 616,385	\$ 86,385
Investment Income	31,000	31,000	41,157	10,157
Total Revenues	<u>561,000</u>	<u>561,000</u>	<u>657,542</u>	<u>96,542</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over Expenditures	561,000	561,000	657,542	96,542
Fund Balance - Beginning	<u>939,707</u>	<u>939,707</u>	<u>945,746</u>	<u>6,039</u>
Fund Balance - Ending	<u>\$ 1,500,707</u>	<u>\$ 1,500,707</u>	<u>\$ 1,603,288</u>	<u>\$ 102,581</u>

CITY OF MESA, ARIZONA
EXHIBIT D-3 (Continued)
NON-MAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
MESA ARTS CENTER RESTORATION FUND				
Revenues:				
Charges For Services	\$ 239,000	\$ 239,000	\$ 225,276	\$ (13,724)
Investment Income	15,000	15,000	17,884	2,884
Total Revenues	<u>254,000</u>	<u>254,000</u>	<u>243,160</u>	<u>(10,840)</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over Expenditures	254,000	254,000	243,160	(10,840)
Fund Balance - Beginning	<u>456,279</u>	<u>456,279</u>	<u>445,749</u>	<u>(10,530)</u>
Fund Balance - Ending	<u><u>\$ 710,279</u></u>	<u><u>\$ 710,279</u></u>	<u><u>\$ 688,909</u></u>	<u><u>\$ (21,370)</u></u>

CITY OF MESA, ARIZONA
EXHIBIT D-3 (Continued)
NON-MAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
REGIONAL TRANSPORTATION PLAN FUND				
Revenues:				
Intergovernmental	\$ 3,598,000	\$ 3,598,000	\$ 651,063	\$ (2,946,937)
Total Revenues	<u>3,598,000</u>	<u>3,598,000</u>	<u>651,063</u>	<u>(2,946,937)</u>
Expenditures:				
Capital Outlay	<u>3,598,610</u>	<u>3,598,610</u>	<u>756,020</u>	<u>2,842,590</u>
Total Expenditures	<u>3,598,610</u>	<u>3,598,610</u>	<u>756,020</u>	<u>2,842,590</u>
Deficiency of Revenues Under Expenditures	(610)	(610)	(104,957)	(104,347)
Other Financing Sources:				
Transfers In	<u>-</u>	<u>-</u>	<u>105,000</u>	<u>105,000</u>
Net Change in Fund Balance	(610)	(610)	43	653
Fund Balance - Beginning	<u>1,000</u>	<u>1,000</u>	<u>2,656</u>	<u>1,656</u>
Fund Balance - Ending	<u>\$ 390</u>	<u>\$ 390</u>	<u>\$ 2,699</u>	<u>\$ 2,309</u>

CITY OF MESA, ARIZONA
EXHIBIT D-3 (Continued)
NON-MAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
ENVIRONMENTAL COMPLIANCE FUND				
Revenues:				
Charges For Services	\$ 2,400,000	\$ 2,400,000	\$ 2,399,820	\$ (180)
Investment Income	-	-	24,861	24,861
Total Revenues	<u>2,400,000</u>	<u>2,400,000</u>	<u>2,424,681</u>	<u>24,681</u>
Expenditures:				
Current:				
Public Safety	1,973,544	2,441,978	2,441,978	-
Contingencies	<u>558,000</u>	<u>89,566</u>	<u>-</u>	<u>89,566</u>
Total Expenditures	<u>2,531,544</u>	<u>2,531,544</u>	<u>2,441,978</u>	<u>89,566</u>
Deficiency of Revenues Under Expenditures	(131,544)	(131,544)	(17,297)	114,247
Fund Balance - Beginning	<u>133,000</u>	<u>133,000</u>	<u>435,154</u>	<u>302,154</u>
Fund Balance - Ending	<u>\$ 1,456</u>	<u>\$ 1,456</u>	<u>\$ 417,857</u>	<u>\$ 416,401</u>

CITY OF MESA, ARIZONA
EXHIBIT D-3 (Continued)
NON-MAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
VEHICLE REPLACEMENT FUND				
Revenues:				
Investment Income	\$ 288,000	\$ 288,000	\$ 186,258	\$ (101,742)
Miscellaneous	-	-	580,206	580,206
Total Revenues	<u>288,000</u>	<u>288,000</u>	<u>766,464</u>	<u>478,464</u>
Expenditures:				
Capital Outlay	<u>6,051,389</u>	<u>6,083,152</u>	<u>4,655,453</u>	<u>1,427,699</u>
Total Expenditures	<u>6,051,389</u>	<u>6,083,152</u>	<u>4,655,453</u>	<u>1,427,699</u>
Deficiency of Revenues Under Expenditures	(5,763,389)	(5,795,152)	(3,888,989)	1,906,163
Other Financing Sources:				
Transfers In	<u>4,305,000</u>	<u>4,305,000</u>	<u>6,305,000</u>	<u>2,000,000</u>
Net Change in Fund Balance	(1,458,389)	(1,490,152)	2,416,011	3,906,163
Fund Balance - Beginning	<u>5,025,000</u>	<u>5,025,000</u>	<u>-</u>	<u>(5,025,000)</u>
Fund Balance - Ending	<u>\$ 3,566,611</u>	<u>\$ 3,534,848</u>	<u>\$ 2,416,011</u>	<u>\$ (1,118,837)</u>

CITY OF MESA, ARIZONA
EXHIBIT D-3 (Concluded)
NON-MAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
RECAP				
Revenues:				
Licenses and Permits	\$ 6,913,000	\$ 6,913,000	\$ 7,778,786	\$ 865,786
Intergovernmental	22,957,000	22,957,000	17,086,718	(5,870,282)
Charges for Services	4,653,000	4,653,000	3,957,357	(695,643)
Fines and Forfeitures	530,000	530,000	616,385	86,385
Investment Income	1,174,000	1,174,000	902,129	(271,871)
Miscellaneous	110,000	110,000	1,236,495	1,126,495
Total Revenues	<u>36,337,000</u>	<u>36,337,000</u>	<u>31,577,870</u>	<u>(4,759,130)</u>
Expenditures:				
Current:				
Community Environment	20,957,538	20,957,538	19,074,920	1,882,618
Public Safety	1,973,544	2,441,978	2,441,978	-
Capital Outlay	15,614,488	15,705,543	6,651,247	9,054,296
Contingencies	561,000	92,566	-	92,566
Principal Retirement	113,134	113,134	113,133	1
Interest on Bonds	4,445,805	5,354,188	5,354,206	(18)
Total Expenditures	<u>43,665,509</u>	<u>44,664,947</u>	<u>33,635,484</u>	<u>11,029,463</u>
Deficiency of Revenues Under Expenditures	(7,328,509)	(8,327,947)	(2,057,614)	6,270,333
Other Financing Sources:				
Transfers In	<u>8,812,000</u>	<u>8,812,000</u>	<u>8,859,271</u>	<u>47,271</u>
Net Change in Fund Balances	1,483,491	484,053	6,801,657	6,317,604
Fund Balances - Beginning	<u>21,071,539</u>	<u>21,071,539</u>	<u>18,610,696</u>	<u>(2,460,843)</u>
Fund Balances - Ending	<u>\$ 22,555,030</u>	<u>\$ 21,555,592</u>	<u>\$ 25,412,353</u>	<u>\$ 3,856,761</u>

Budget Basis

Actual amounts (budgetary basis) "Net Change in Fund Balance" from the budgetary comparison schedule. \$6,801,657

Basis Difference

Unrealized Gain on Investment 1,860

GAAP Basis

Actual amount (GAAP) basis "Net Change in Fund Balance" as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Special Revenue Funds Exhibit C-4 \$6,803,517

CITY OF MESA, ARIZONA

EXHIBIT D-4

NON-MAJOR SPECIAL REVENUE FUNDS

SCHEDULE OF EXPENDITURES BY PROGRAM - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
LOCAL TRANSPORTATION ASSISTANCE FUND				
Community Environment:				
Mass Transit	\$ 12,258,357	\$ 12,258,357	\$ 8,025,048	\$ 4,233,309
Total Community Environment	<u>12,258,357</u>	<u>12,258,357</u>	<u>8,025,048</u>	<u>4,233,309</u>
Less: Capital Outlay Expenditures	<u>4,791,144</u>	<u>4,791,144</u>	<u>986,995</u>	<u>3,804,149</u>
Total Current Expenditures	<u>7,467,213</u>	<u>7,467,213</u>	<u>7,038,053</u>	<u>429,160</u>
Total Local Transportation Assistance Fund Expenditures	<u>\$ 12,258,357</u>	<u>\$ 12,258,357</u>	<u>\$ 8,025,048</u>	<u>\$ 4,233,309</u>
MESA HOUSING AUTHORITY FUND				
Community Environment				
Mesa Housing Authority	\$ 12,289,650	\$ 12,289,650	\$ 11,077,903	\$ 1,211,747
Total Community Environment	<u>12,289,650</u>	<u>12,289,650</u>	<u>11,077,903</u>	<u>1,211,747</u>
Less: Capital Outlay Expenditures	<u>5,325</u>	<u>5,325</u>	<u>8,147</u>	<u>(2,822)</u>
Total Current Expenditures	<u>12,284,325</u>	<u>12,284,325</u>	<u>11,069,756</u>	<u>1,214,569</u>
Total Mesa Housing Authority Fund Expenditures	<u>\$ 12,289,650</u>	<u>\$ 12,289,650</u>	<u>\$ 11,077,903</u>	<u>\$ 1,211,747</u>
CEMETERY FUND				
Community Environment:				
Cemetery	\$ 1,526,000	\$ 1,526,000	\$ 984,940	\$ 541,060
Less: Capital Outlay Expenditures	<u>320,000</u>	<u>320,000</u>	<u>17,829</u>	<u>302,171</u>
Total Current Expenditures	<u>1,206,000</u>	<u>1,206,000</u>	<u>967,111</u>	<u>238,889</u>
Contingencies	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Total Cemetery Fund Expenditures	<u>\$ 1,529,000</u>	<u>\$ 1,529,000</u>	<u>\$ 984,940</u>	<u>\$ 544,060</u>

CITY OF MESA, ARIZONA
EXHIBIT D-4 (Continued)
NON-MAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF EXPENDITURES BY PROGRAM - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
PUBLIC ART FUND				
Cultural Recreational:				
Capital Outlay:				
Cultural	\$ 351,300	\$ 351,300	\$ 80,000	\$ 271,300
Total Cultural-Recreational	<u>351,300</u>	<u>351,300</u>	<u>80,000</u>	<u>271,300</u>
Less: Capital Outlay Expenditures	<u>351,300</u>	<u>351,300</u>	<u>80,000</u>	<u>271,300</u>
Total Current Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Public Art Fund Expenditures	<u>\$ 351,300</u>	<u>\$ 351,300</u>	<u>\$ 80,000</u>	<u>\$ 271,300</u>
DEVELOPMENT IMPACT FEES FUND				
General Government:				
Capital Outlay:				
General Government Facilities	-	57,592	57,592	-
Total General Government	<u>-</u>	<u>57,592</u>	<u>57,592</u>	<u>-</u>
Public Safety:				
Capital Outlay:				
Law Enforcement	-	425	425	-
Fire Prevention	-	425	425	-
Debt Service:				
Law Enforcement	\$ 1,555,269	\$ 1,960,060	\$ 1,960,060	\$ -
Fire Prevention	998,953	1,324,404	1,324,404	-
Total Public Safety	<u>2,554,222</u>	<u>3,285,314</u>	<u>3,285,314</u>	<u>-</u>
Cultural-Recreational:				
Capital Outlay:				
Library	123,720	123,720	425	123,295
Parks & Recreation	-	425	425	-
Cultural Facilities	373,000	373,000	87,086	285,914
Debt Service:				
Library	395,695	395,695	395,712	(17)
Parks & Recreation	1,016,001	1,143,270	1,143,270	-
Total Cultural-Recreational	<u>1,908,416</u>	<u>2,036,110</u>	<u>1,626,918</u>	<u>409,192</u>
Community Environment:				
Capital Outlay				
Storm Sewer	-	425	425	-
Debt Service:				
Storm Sewer	593,021	643,893	643,893	-
Total Community Environment	<u>593,021</u>	<u>644,318</u>	<u>644,318</u>	<u>-</u>
Total Development Impact Fees Fund Expenditures	<u>\$ 5,055,659</u>	<u>\$ 6,023,334</u>	<u>\$ 5,614,142</u>	<u>\$ 409,192</u>

CITY OF MESA, ARIZONA
EXHIBIT D-4 (Continued)
NON-MAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF EXPENDITURES BY PROGRAM - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
COURT CONSTRUCTION FUND				
General Government:				
Capital Outlay:				
Judicial	\$ -	\$ -	\$ -	\$ -
Total General Government	-	-	-	-
Less: Capital Outlay Expenditures	-	-	-	-
Total Current Expenditures	-	-	-	-
Total Court Construction Fund Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
MESA ARTS CENTER RESTORATION FUND				
Cultural-Recreational:				
Capital Outlay:				
Cultural	\$ -	\$ -	\$ -	\$ -
Total Cultural-Recreational	-	-	-	-
Less: Capital Outlay Expenditures	-	-	-	-
Total Current Expenditures	-	-	-	-
Total Mesa Arts Center Restoration Fund Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
REGIONAL TRANSPORTATION PLAN FUND				
Community Environment:				
Capital Outlay:				
Streets	\$ 3,598,610	\$ 3,598,610	\$ 756,020	\$ 2,842,590
Total Community Environment	3,598,610	3,598,610	756,020	2,842,590
Less: Capital Outlay Expenditures	3,598,610	3,598,610	756,020	2,842,590
Total Current Expenditures	-	-	-	-
Total Regional Transportation Plan Fund Expenditures	<u>\$ 3,598,610</u>	<u>\$ 3,598,610</u>	<u>\$ 756,020</u>	<u>\$ 2,842,590</u>

CITY OF MESA, ARIZONA
EXHIBIT D-4 (Continued)
NON-MAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF EXPENDITURES BY PROGRAM - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
ENVIRONMENTAL COMPLIANCE FUND				
Public Safety:				
Environmental Management	\$ 1,973,544	\$ 2,441,978	\$ 2,441,978	\$ -
Total Public Safety	<u>1,973,544</u>	<u>2,441,978</u>	<u>2,441,978</u>	<u>-</u>
Less: Capital Outlay Expenditures	-	-	-	-
Total Current Expenditures	<u>1,973,544</u>	<u>2,441,978</u>	<u>2,441,978</u>	<u>-</u>
Contingencies	<u>558,000</u>	<u>89,566</u>	<u>-</u>	<u>89,566</u>
Total Environmental Compliance Fund Expenditures	<u>\$ 2,531,544</u>	<u>\$ 2,531,544</u>	<u>\$ 2,441,978</u>	<u>\$ 89,566</u>
VEHICLE REPLACEMENT FUND				
Capital Outlay:				
General Government				
Building Maintenance	\$ 90,615	\$ 90,615	\$ 51,720	\$ 38,895
Engineering	25,745	38,519	38,519	-
General Services	84,917	84,917	38,194	46,723
Planning	25,745	25,745	24,829	916
Fleet Services	<u>42,329</u>	<u>42,329</u>	<u>11,666</u>	<u>30,663</u>
Total General Government	<u>269,351</u>	<u>282,125</u>	<u>164,928</u>	<u>117,197</u>
Public Safety				
Law Enforcement	4,600,552	4,600,552	3,598,663	1,001,889
Fire	98,000	98,000	67,849	30,151
Building Inspection	61,187	61,187	-	61,187
Code Compliance	<u>58,774</u>	<u>58,774</u>	<u>39,045</u>	<u>19,729</u>
Total Public Safety	<u>4,818,513</u>	<u>4,818,513</u>	<u>3,705,557</u>	<u>1,112,956</u>
Cultural-Recreational				
Parks and Recreation	240,357	259,346	259,346	-
Aquatics	22,123	22,123	-	22,123
Museum for Youth	<u>19,886</u>	<u>19,886</u>	<u>18,856</u>	<u>1,030</u>
Total Cultural-Recreational	<u>282,366</u>	<u>301,355</u>	<u>278,202</u>	<u>23,153</u>
Community Environment				
Community Development	19,720	19,720	18,723	997
Streets	616,000	616,000	452,155	163,845
Mesa Housing Authority	22,350	22,350	16,488	5,862
Airport	<u>23,089</u>	<u>23,089</u>	<u>19,400</u>	<u>3,689</u>
Total Community Environment	<u>681,159</u>	<u>681,159</u>	<u>506,766</u>	<u>174,393</u>
Total Capital Outlay	<u>6,051,389</u>	<u>6,083,152</u>	<u>4,655,453</u>	<u>1,427,699</u>
Total Current Expenditures	-	-	-	-
Total Vehicle Replacement Fund Expenditures	<u>\$ 6,051,389</u>	<u>\$ 6,083,152</u>	<u>\$ 4,655,453</u>	<u>\$ 1,427,699</u>

CITY OF MESA, ARIZONA
EXHIBIT D-4 (Concluded)
NON-MAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF EXPENDITURES BY PROGRAM - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual Amounts - Budgetary Basis	Variance With Final Budget - Positive (Negative)
RECAP				
General Government	\$ 269,351	\$ 339,717	\$ 222,520	\$ 117,197
Public Safety	9,346,279	10,545,805	9,432,849	1,112,956
Cultural-Recreational	2,542,082	2,688,765	1,985,120	703,645
Community Environment	30,946,797	30,998,094	21,994,995	9,003,099
Contingencies	561,000	92,566	-	92,566
Total Nonmajor Special Revenue Funds Expenditures	<u>\$ 43,665,509</u>	<u>\$ 44,664,947</u>	<u>\$ 33,635,484</u>	<u>\$ 11,029,463</u>

CITY OF MESA, ARIZONA

EXHIBIT D-5

NON-MAJOR CAPITAL PROJECT FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
CAPITAL PROJECTS FUNDS				
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 11,345	11,345
Investment Income	-	-	5,495	5,495
Miscellaneous	-	-	230,562	230,562
Total Revenues	<u>-</u>	<u>-</u>	<u>247,402</u>	<u>247,402</u>
Expenditures:				
Capital Outlay	150,671,000	150,671,000	83,042,196	67,628,804
Total Expenditures	<u>150,671,000</u>	<u>150,671,000</u>	<u>83,042,196</u>	<u>67,628,804</u>
Deficiency of Revenues Under Expenditures	<u>(150,671,000)</u>	<u>(150,671,000)</u>	<u>(82,794,794)</u>	<u>67,876,206</u>
Other Financing Sources:				
Face Amount of Bonds Issued	140,359,669	140,359,669	68,325,000	(72,034,669)
Premium on Issuance of Bonds	-	-	889,171	889,171
Transfers In	<u>5,893,000</u>	<u>5,893,000</u>	<u>5,788,700</u>	<u>(104,300)</u>
Net Change in Fund Balances	(4,418,331)	(4,418,331)	(7,791,923)	(3,373,592)
Fund Balances-Beginning	<u>64,780,408</u>	<u>64,780,408</u>	<u>85,486,115</u>	<u>20,705,707</u>
Fund Balances-Ending	<u>\$ 60,362,077</u>	<u>\$ 60,362,077</u>	<u>\$ 77,694,192</u>	<u>\$ 17,332,115</u>

Budget Basis

Actual amounts (budgetary basis) "Net Change in Fund Balances" from the budgetary comparison schedule

\$ (7,791,923)

Perspective Differences:

Proprietary Capital Project Funds

1,556,560

Entity Differences:

Non-Budgeted Capital Leases

(7,940)

GAAP Basis

Actual amount (GAAP basis) "Net Change in Fund Balance" as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Capital Project Funds Exhibit C-8

\$ (6,243,303)

CITY OF MESA, ARIZONA

EXHIBIT D-6

ENTERPRISE FUND

SCHEDULE OF REVENUES, EXPENSES AND

CHANGES IN NET ASSETS - BUDGET AND ACTUAL (BUDGET BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
Revenues:				
Electric	\$ 35,257,000	\$ 35,257,000	\$ 35,617,544	\$ 360,544
Gas	50,481,000	50,481,000	47,267,325	(3,213,675)
Water	116,289,000	116,289,000	118,825,657	2,536,657
Wastewater	58,928,000	58,928,000	61,529,277	2,601,277
Solid Waste	46,026,000	46,026,000	47,253,507	1,227,507
Airport	12,052,000	12,052,000	4,321,806	(7,730,194)
Golf Course	2,609,000	2,609,000	2,456,147	(152,853)
Convention Center	3,935,000	3,935,000	3,658,449	(276,551)
District Cooling	197,000	197,000	229,168	32,168
Less: Bad Debt Expense	<u>(1,100,000)</u>	<u>(1,100,000)</u>	<u>(1,389,155)</u>	<u>(289,155)</u>
Total Revenues	<u>324,674,000</u>	<u>324,674,000</u>	<u>319,769,725</u>	<u>(4,904,275)</u>
Expenses:				
Electric	33,107,000	32,621,687	29,018,587	3,603,100
Gas	43,042,000	42,939,310	40,936,556	2,002,754
Water	65,791,000	65,443,195	61,145,373	4,297,822
Wastewater	48,521,000	48,227,494	48,084,456	143,038
Solid Waste	33,376,000	33,088,714	31,741,922	1,346,792
Airport	12,548,911	12,548,911	3,717,707	8,831,204
Golf Course	3,029,000	3,029,000	2,556,190	472,810
Convention Center	6,376,000	6,376,000	4,910,713	1,465,287
District Cooling	1,871,000	1,871,000	378,149	1,492,851
Contingencies	<u>36,379,000</u>	<u>37,895,600</u>	<u>-</u>	<u>37,895,600</u>
Total Expenses	<u>284,040,911</u>	<u>284,040,911</u>	<u>222,489,653</u>	<u>61,551,258</u>
Income Before Transfers	40,633,089	40,633,089	97,280,072	56,646,983
Other Operating Uses:				
Transfers Out	<u>89,485,000</u>	<u>89,485,000</u>	<u>94,140,326</u>	<u>(4,655,326)</u>
Change in Net Assets	(48,851,911)	(48,851,911)	3,139,746	51,991,657
Unappropriated Net Assets - Beginning	38,547,258	38,547,258	51,968,280	13,421,022
(Increase) Decrease in Restricted Net Assets	<u>10,304,653</u>	<u>10,304,653</u>	<u>9,330,792</u>	<u>(973,861)</u>
Unappropriated Net Assets - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,438,818</u>	<u>\$ 64,438,818</u>

CITY OF MESA, ARIZONA
EXHIBIT D-7
 ENTERPRISE FUND
 RECONCILIATION OF BUDGET TO GAAP
 CHANGES IN NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Budget Basis

Actual Amounts (Budgetary Basis)	
"Change in Net Assets" from Exhibit D-6	\$ 3,139,746

Basis Differences:

Compensated Absences	(333,665)
Post Employment Benefits	(9,257,317)
Capitalized Interest	2,345,773
Contractual Commitments	421,014
Utility Revenue Accrual	(2,226,393)
Increase of Fair Market Value of Investments	15,550

Perspective Differences:

Grants and Contributions	68,022,389
Transfer of Capital Assets from Governmental Activities	18,834
Premium on Bonds Sold	693,962

Timing Differences:

Water Rights	1,050,126
Capital Expenditures	9,500,323
Depreciation - Amortization	(41,134,521)
Investment in Joint Ventures	(7,480,853)
Non-Cash Loss on Disposal of Capital Assets	(2,939,780)
Bond Principal and Reserves	13,749,019
Amortization of Bond Premiums	2,114,092
Deferred Amounts on Refundings	(1,362,570)
Accretion of Certificates of Supplemental Interest	12,418
Deferred Revenue	(50,000)

Entity Differences:

Municipal Development Corp.	<u>5,086,219</u>
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GAAP Basis

Actual Amount (GAAP Basis)	
"Change in Net Assets" from Exhibit A-8	<u>\$ 41,384,366</u>

CITY OF MESA, ARIZONA
EXHIBIT D-8
INTERNAL SERVICE FUNDS
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET TO ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
WAREHOUSE, MAINTENANCE AND SERVICES FUND				
Revenues:				
Charges For Services:				
Materials and Supply	\$ 1,162,187	\$ 1,162,187	\$1,060,802	\$ (101,385)
Printing and Graphics	1,436,093	1,436,093	853,638	(582,455)
Fleet Support Services	<u>17,112,921</u>	<u>17,112,921</u>	<u>17,682,128</u>	<u>569,207</u>
Total Revenues	<u>19,711,201</u>	<u>19,711,201</u>	<u>19,596,568</u>	<u>(114,633)</u>
Expenses:				
Materials and Supply	1,234,187	1,560,950	1,560,950	-
Printing and Graphics	1,436,093	1,436,093	1,046,039	390,054
Fleet Support Services	<u>17,247,592</u>	<u>17,613,238</u>	<u>17,613,238</u>	<u>-</u>
Total Expenses	<u>19,917,872</u>	<u>20,610,281</u>	<u>20,220,227</u>	<u>390,054</u>
Loss Before Transfers	(206,671)	(899,080)	(623,659)	275,421
Transfers In	<u>207,000</u>	<u>207,000</u>	<u>623,000</u>	<u>416,000</u>
Change in Net Assets	329	(692,080)	(659)	691,421
Unappropriated Net Assets - Beginning	<u>312</u>	<u>312</u>	<u>740</u>	<u>428</u>
Unappropriated Net Assets - Ending	<u><u>\$ 641</u></u>	<u><u>\$ (691,768)</u></u>	<u><u>\$ 81</u></u>	<u><u>\$ 691,849</u></u>

CITY OF MESA, ARIZONA
EXHIBIT D-8 (Continued)
INTERNAL SERVICE FUNDS
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET TO ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
PROPERTY AND PUBLIC LIABILITY FUND				
Revenues:				
Investment Income	\$ 585,000	\$ 585,000	\$ 456,082	\$ (128,918)
Contributions	2,250,000	2,250,000	4,301,000	2,051,000
Miscellaneous	20,000	20,000	74,701	54,701
Total Revenues	<u>2,855,000</u>	<u>2,855,000</u>	<u>4,831,783</u>	<u>1,976,783</u>
Expenses:				
Administrative and Other Fees	2,419,250	2,429,762	2,091,540	338,222
Claims Incurred	<u>2,319,750</u>	<u>3,363,882</u>	<u>3,439,941</u>	<u>(76,059)</u>
Total Expenses	<u>4,739,000</u>	<u>5,793,644</u>	<u>5,531,481</u>	<u>262,163</u>
Change in Net Assets	(1,884,000)	(2,938,644)	(699,698)	1,714,620
Unappropriated Net Assets - Beginning	<u>13,245,797</u>	<u>13,245,797</u>	<u>12,744,610</u>	<u>(501,187)</u>
Unappropriated Net Assets - Ending	<u>\$ 11,361,797</u>	<u>\$ 10,307,153</u>	<u>\$12,044,912</u>	<u>\$ 1,213,433</u>

CITY OF MESA, ARIZONA
EXHIBIT D-8 (Continued)
INTERNAL SERVICE FUNDS
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET TO ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
WORKERS' COMPENSATION FUND				
Revenues:				
Investment Income	\$ 330,000	\$ 330,000	\$ 300,788	\$ (29,212)
Contributions	4,626,000	4,626,000	5,773,272	1,147,272
Miscellaneous	268,000	268,000	455,826	187,826
Total Revenues	<u>5,224,000</u>	<u>5,224,000</u>	<u>6,529,886</u>	<u>1,305,886</u>
Expenses:				
Administrative and Other Fees	5,198,000	5,198,000	1,015,834	4,182,166
Claims Incurred	<u>-</u>	<u>-</u>	<u>2,486,791</u>	<u>(2,486,791)</u>
Total Expenses	<u>5,198,000</u>	<u>5,198,000</u>	<u>3,502,625</u>	<u>1,695,375</u>
Change in Net Assets	26,000	26,000	3,027,261	3,001,261
Unappropriated Net Assets - Beginning	<u>7,843,550</u>	<u>7,843,550</u>	<u>8,016,012</u>	<u>172,462</u>
Unappropriated Net Assets - Ending	<u>\$ 7,869,550</u>	<u>\$ 7,869,550</u>	<u>\$11,043,273</u>	<u>\$ 3,173,723</u>

CITY OF MESA, ARIZONA
EXHIBIT D-8 (Concluded)
INTERNAL SERVICE FUNDS
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET TO ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
RECAP				
Revenues:				
Charges for Services	\$ 19,711,201	\$ 19,711,201	\$ 19,596,568	\$ (114,633)
Investment Income	1,554,000	1,554,000	1,425,599	(128,401)
Contributions	52,949,000	52,949,000	59,104,327	6,155,327
Miscellaneous	<u>985,000</u>	<u>985,000</u>	<u>1,000,238</u>	<u>15,238</u>
Total Revenues	<u>75,199,201</u>	<u>75,199,201</u>	<u>81,126,732</u>	<u>5,927,531</u>
Expenses:				
Materials and Supply	1,234,187	1,661,548	1,560,950	100,598
Printing and Graphics	1,436,093	1,628,494	1,046,039	582,455
Fleet Support	17,247,592	17,247,592	17,613,238	(365,646)
Administrative and Other Fees	12,492,863	12,503,375	8,042,331	4,461,044
Claims Incurred	<u>43,699,137</u>	<u>44,743,269</u>	<u>46,376,484</u>	<u>(1,633,215)</u>
Total Expenses	<u>76,109,872</u>	<u>77,784,278</u>	<u>74,639,042</u>	<u>3,145,236</u>
Income (Loss) Before Transfers	(910,671)	(2,585,077)	6,487,690	9,072,767
Transfers In	<u>207,000</u>	<u>207,000</u>	<u>623,000</u>	<u>416,000</u>
Change in Net Assets	(703,671)	(2,378,077)	7,110,690	9,488,767
Unappropriated Net Assets - Beginning	<u>36,256,692</u>	<u>36,256,692</u>	<u>38,474,820</u>	<u>2,218,128</u>
Unappropriated Net Assets - Ending	<u>\$ 35,553,021</u>	<u>\$ 33,878,615</u>	<u>\$ 45,585,510</u>	<u>\$ 11,706,895</u>

CITY OF MESA, ARIZONA
EXHIBIT D-9
INTERNAL SERVICE FUND
RECONCILIATION OF BUDGET TO GAAP
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Budget Basis

Actual Amounts (Budgetary Basis)
"Change in Net Assets" from Exhibit D-8 \$ 7,110,690

Basis Differences:

Compensated Absences (39,165)
Post Employment Benefits (1,086,592)
Increase of Fair Market Value of Investments 3,100

Perspective Differences:

Transfer of Capital Assets from Governmental Activities 11,666

Timing Differences:

Capital Expenditures 387,656
Depreciation (468,326)
Loss on Disposal of Assets (218)
Inventory Increase 236,002
Increase in Contingent Liability (14,152,358)

GAAP Basis

Actual Amount (GAAP Basis)
"Change in Net Assets" from Exhibit A-8 \$ (7,997,545)

CITY OF MESA, ARIZONA

EXHIBIT D-10

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE BY SOURCE

JUNE 30, 2008

GOVERNMENTAL FUNDS CAPITAL ASSETS

Land	\$ 245,538,370
Buildings	296,116,250
Other Improvements	127,338,120
Machinery and Equipment	150,414,535
Infrastructure	722,463,437
Construction in Progress	<u>108,492,287</u>
Total Governmental Funds Capital Assets	\$ <u>1,650,362,999</u>

INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS

Investment in Property Acquired Prior to July 1, 1978:	
Source Indeterminable	\$ <u>2,263,043</u>
Investment in Property Acquired After June 30, 1978 From:	
General Obligation Bonds	413,602,558
Highway User Revenue Bonds	149,492,919
Federal Revenue Sharing	2,255,716
Federal Aid	44,611,245
General Revenue	472,755,863
Contributions From Developers	428,253,119
Contributions From Property Owners	19,252,908
Contributions From Lessees	2,982,607
Contributions From Other Gov't	44,455,875
Contributions - Indeterminant Funding	<u>70,437,146</u>
Total	<u>1,648,099,956</u>
Total Investment in Governmental Funds Capital Assets	\$ <u>1,650,362,999</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of the internal service funds are included as governmental activities in the statement of net assets.

Statistical Section



STATISTICAL SECTION

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	137
Revenue Capacity These schedules contain information to help readers assess the City's most significant local revenue source, the sales tax.	149
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.	152
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.	160
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.	162

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

The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

CITY OF MESA, ARIZONA

TABLE I

NET ASSETS BY COMPONENTS

LAST SIX FISCAL YEARS

(accrual basis of accounting)

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
GOVERNMENTAL ACTIVITIES			
Invested in Capital Assets, Net of Related Debt	\$ 692,576,782	\$ 781,518,870	\$ 769,923,509
Restricted	85,299,383	61,749,912	68,486,614
Unrestricted	<u>53,068,738</u>	<u>43,964,946</u>	<u>62,539,346</u>
Total Governmental Activities Net Assets	<u>\$ 830,944,903</u>	<u>\$ 887,233,728</u>	<u>\$ 900,949,469</u>
BUSINESS-TYPE ACTIVITIES			
Invested in Capital Assets, Net of Related Debt	\$ 477,877,715	\$ 451,550,515	\$ 424,820,602
Restricted	44,402,649	62,692,972	101,565,804
Unrestricted	<u>182,390,271</u>	<u>218,266,775</u>	<u>219,103,522</u>
Total Business-type Activities	<u>\$ 704,670,635</u>	<u>\$ 732,510,262</u>	<u>\$ 745,489,928</u>
PRIMARY GOVERNMENT			
Invested in Capital Assets, Net of Related Debt	\$ 1,170,454,497	\$ 1,233,069,385	\$ 1,194,744,111
Restricted	129,702,032	124,442,884	170,052,418
Unrestricted	<u>235,459,009</u>	<u>262,231,721</u>	<u>281,642,868</u>
Total Primary Government	<u>\$ 1,535,615,538</u>	<u>\$ 1,619,743,990</u>	<u>\$ 1,646,439,397</u>

TABLE I
(Continued)

<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
\$ 765,874,830	\$ 791,591,633	\$ 794,720,403
84,386,395	95,107,036	86,252,122
<u>85,734,791</u>	<u>128,548,213</u>	<u>125,128,033</u>
<u>\$ 935,996,016</u>	<u>\$ 1,015,246,882</u>	<u>\$ 1,006,100,558</u>
\$ 390,100,160	\$ 366,497,841	\$ 410,073,719
89,383,126	96,756,386	94,133,333
<u>268,388,224</u>	<u>308,374,940</u>	<u>308,215,959</u>
<u>\$ 747,871,510</u>	<u>\$ 771,629,167</u>	<u>\$ 812,423,011</u>
\$ 1,155,974,990	\$ 1,158,089,474	\$ 1,204,794,122
173,769,521	191,863,422	180,385,455
<u>354,123,015</u>	<u>436,923,153</u>	<u>433,343,992</u>
<u>\$ 1,683,867,526</u>	<u>\$ 1,786,876,049</u>	<u>\$ 1,818,523,569</u>

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

EXPENSES	2002-03	2003-04	2004-05	2005-06
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 48,918,830	\$ 44,012,723	\$ 48,722,316	\$ 44,568,148
Public Safety	169,665,871	181,856,295	204,366,091	212,010,952
Cultural-Recreational	52,778,367	53,201,350	62,870,201	65,389,229
Community Environment	55,886,591	72,984,342	86,363,321	97,613,466
Interest in Long-term Debt	13,891,122	14,490,474	15,503,667	16,061,123
Total Governmental Activities Expenses	341,140,781	366,545,184	417,825,596	435,642,918
BUSINESS-TYPE ACTIVITIES:				
Electric	21,809,560	24,390,551	27,118,590	26,817,051
Gas	22,433,015	25,990,497	33,829,631	38,743,370
Water	46,247,340	49,542,568	54,247,920	54,110,525
Wastewater	36,177,157	39,673,430	47,799,248	67,180,688
Solid Waste	21,737,238	21,826,949	23,863,908	25,070,150
Airport	1,940,735	2,087,395	2,119,795	4,194,272
Golf Course	2,296,550	2,781,273	2,966,147	2,524,364
Convention Center.	3,013,443	4,224,151	4,260,510	4,822,347
District Cooling	-	-	-	67,274
Total Business-type Activities Expenses	155,655,038	170,516,814	196,205,749	223,530,041
Total Primary Government Expenses	\$ 496,795,819	\$ 537,061,998	\$ 614,031,345	\$ 659,172,959

TABLE II
(Continued)

<u>2006-07</u>	<u>2007-08</u>
\$ 48,200,767	\$ 63,633,405
232,099,968	292,395,865
64,591,583	72,999,346
91,664,096	99,414,870
<u>18,037,348</u>	<u>19,082,936</u>
<u>454,593,762</u>	<u>547,526,422</u>
26,280,947	31,612,431
37,825,634	43,246,724
59,964,524	59,224,757
60,603,399	61,293,453
27,891,495	32,877,483
2,720,953	3,316,536
2,601,521	3,011,883
5,666,507	5,447,050
<u>1,090,931</u>	<u>768,873</u>
<u>224,645,911</u>	<u>240,799,190</u>
<u>\$ 679,239,673</u>	<u>\$ 788,325,612</u>

CITY OF MESA, ARIZONA

TABLE III

FUND BALANCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>
GENERAL FUND				
Reserved (1)(2)	\$ 30,597,742	\$ 40,729,716	\$ 61,847,049	\$ 69,785,175
Unreserved	<u>30,031,145</u>	<u>31,854,206</u>	<u>22,182,897</u>	<u>24,532,385</u>
Total General Fund	<u>\$ 60,628,887</u>	<u>\$ 72,583,922</u>	<u>\$ 84,029,946</u>	<u>\$ 94,317,560</u>
ALL OTHER GOVERNMENTAL FUNDS				
Reserved	\$ 20,331,310	\$ 8,821,348	\$ 14,731,211	\$ 20,241,119
Unreserved, Reported in:				
Special Revenue Funds	8,235,021	11,516,626	11,958,553	12,119,328
Capital Project Funds	<u>17,985,480</u>	<u>13,210,539</u>	<u>24,492,954</u>	<u>8,559,611</u>
Total All Other Governmental Funds	<u>\$ 46,551,811</u>	<u>\$ 33,548,513</u>	<u>\$ 51,182,718</u>	<u>\$ 40,920,058</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.

TABLE III
(Continued)

<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
\$ 53,697,322	\$ 30,195,115	\$ 37,871,632	\$ 61,257,305	\$ 77,177,037	\$ 84,886,350
<u>11,253,612</u>	<u>25,844,445</u>	<u>19,310,081</u>	<u>27,993,782</u>	<u>57,029,523</u>	<u>50,283,211</u>
<u>\$ 64,950,934</u>	<u>\$ 56,039,560</u>	<u>\$ 57,181,713</u>	<u>\$ 89,251,087</u>	<u>\$ 134,206,560</u>	<u>\$ 135,169,561</u>
\$ 14,555,545	\$ 8,542,839	\$ 10,335,341	\$ 8,391,978	\$ 5,885,100	\$ 8,643,272
9,211,016	20,215,242	23,498,926	21,745,990	24,627,227	24,921,672
<u>23,676,985</u>	<u>13,773,686</u>	<u>15,681,069</u>	<u>18,611,420</u>	<u>17,567,790</u>	<u>11,142,826</u>
<u>\$ 47,443,546</u>	<u>\$ 42,531,767</u>	<u>\$ 49,515,336</u>	<u>\$ 48,749,388</u>	<u>\$ 48,080,117</u>	<u>\$ 44,707,770</u>

CITY OF MESA, ARIZONA

TABLE IV

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>
REVENUES				
Sales Taxes (1)	\$ 98,109,056	\$ 105,353,854	\$ 102,710,563	\$ 101,660,597
Occupancy Taxes	1,433,267	1,469,110	1,449,997	1,256,894
Special Assessments	629,955	538,211	547,069	68,388
Licenses and Permits	17,048,064	20,966,327	18,530,634	17,441,330
Intergovernmental	127,228,891	132,679,952	139,131,708	144,899,946
Charges for Services	9,433,129	9,260,179	9,122,804	9,492,864
Contributions	-	-	-	-
Fines and Forfeitures	6,778,743	6,645,488	8,087,106	7,881,541
Investment Income	4,589,751	4,913,109	7,805,680	3,823,765
Loss on Investment in Local Government Investment Pool	-	-	-	-
Miscellaneous	4,733,523	4,466,611	3,193,930	5,702,529
Total Revenues	<u>269,984,379</u>	<u>286,292,841</u>	<u>290,579,491</u>	<u>292,227,854</u>
EXPENDITURES				
General Government	25,950,817	30,495,284	32,158,977	34,413,634
Public Safety	114,122,259	131,414,608	143,663,306	152,211,510
Cultural-Recreational	36,916,715	41,572,154	43,370,223	45,139,625
Community Environment	38,232,446	41,483,266	43,641,860	48,793,335
Debt Service				
Principal	17,979,311	20,438,129	13,240,354	20,844,687
Interest	10,690,969	11,265,739	20,861,188	13,482,328
Issuance Cost on Refunding Bonds	-	-	-	-
Service Charges	77,786	83,531	91,344	98,891
Capital Outlay	69,037,834	94,405,447	77,341,312	90,516,208
Total Expenditures	<u>313,008,137</u>	<u>371,158,158</u>	<u>374,368,564</u>	<u>405,500,218</u>
Excess of Revenues Over (Under) Expenditures	<u>(43,023,758)</u>	<u>(84,865,317)</u>	<u>(83,789,073)</u>	<u>(113,272,364)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	68,679,296	84,683,534	94,442,234	98,319,124
Transfers Out	(28,899,296)	(36,205,817)	(40,154,867)	(38,779,124)
Face Amount of Bonds Issued	-	19,436,976	56,500,000	51,175,000
Premium on Issuance of Bonds	-	5,076	10,935	134,318
Proceeds from Obligations of				
Capital Leases	10,760,000	15,862,000	2,021,000	2,448,000
Proceeds From Refunding Issue	-	-	-	26,333,383
Payment to Refunded Bond Escrow Agent	-	-	-	(26,333,383)
Total Other Financing Sources (Uses)	<u>50,540,000</u>	<u>83,781,769</u>	<u>112,819,302</u>	<u>113,297,318</u>
Net Change in Fund Balances	<u>\$ 7,516,242</u>	<u>\$ (1,083,548)</u>	<u>\$ 29,030,229</u>	<u>\$ 24,954</u>
Debt Service as a percentage of Noncapital Expenditures	11.78%	11.49%	11.51%	10.93%

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

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

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

TABLE IV
(Continued)

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
\$	98,434,394	\$ 105,096,378	\$ 112,258,968	\$ 128,372,155	\$ 155,817,051	\$ 147,762,866
	1,227,044	1,320,706	1,856,955	2,189,830	2,389,528	2,394,765
	67,313	57,567	4,770	4,770	416,906	1,218,100
	15,436,013	19,819,170	18,817,521	23,145,062	20,127,674	23,342,116
	157,187,256	149,036,481	153,369,074	178,553,235	190,825,624	193,585,472
	9,639,690	11,152,669	13,047,596	17,649,718	22,039,055	23,702,601
	-	-	-	-	-	-
	8,421,178	8,536,253	9,247,469	9,049,107	10,276,600	10,761,086
	1,999,483	885,188	1,353,224	4,376,010	6,463,111	5,177,695
	(3,588,706)	-	-	-	-	-
	<u>6,204,205</u>	<u>5,268,925</u>	<u>9,562,131</u>	<u>9,632,863</u>	<u>6,365,625</u>	<u>6,421,576</u>
	<u>295,027,870</u>	<u>301,173,337</u>	<u>319,517,708</u>	<u>372,972,750</u>	<u>414,721,174</u>	<u>414,366,277</u>
	35,314,279	36,328,122	38,364,301	36,730,857	40,661,807	48,111,893
	160,151,434	166,576,022	182,224,448	190,761,508	210,541,969	233,506,939
	46,940,164	47,366,458	54,761,753	56,187,938	54,711,334	57,765,169
	48,643,271	51,520,603	56,953,311	60,079,827	65,314,260	66,615,531
	20,548,390	7,145,591	7,692,222	8,857,085	8,357,577	25,870,624
	13,551,752	14,081,131	15,369,204	16,181,484	18,150,710	19,229,682
	-	-	-	234,487	-	-
	74,345	62,131	61,994	55,510	56,768	58,196
	<u>106,255,818</u>	<u>81,823,895</u>	<u>62,392,135</u>	<u>79,316,975</u>	<u>77,474,595</u>	<u>77,308,807</u>
	<u>431,479,453</u>	<u>404,903,953</u>	<u>417,819,368</u>	<u>448,405,671</u>	<u>475,269,020</u>	<u>528,466,841</u>
	<u>(136,451,583)</u>	<u>(103,730,616)</u>	<u>(98,301,660)</u>	<u>(75,432,921)</u>	<u>(60,547,846)</u>	<u>(114,100,564)</u>
	100,545,246	98,213,698	104,642,640	106,253,593	99,900,805	147,477,785
	(40,765,246)	(27,993,698)	(28,065,640)	(32,339,810)	(33,233,233)	(53,960,459)
	49,370,000	9,585,000	21,930,000	26,410,000	30,681,840	15,450,000
	145,133	-	640,258	2,003,565	573,254	195,209
	4,899,000	9,322,015	6,746,097	6,401,832	6,911,382	2,528,683
	84,292,722	139,441,539	26,420,341	25,482,000	-	-
	<u>(84,875,410)</u>	<u>(138,661,071)</u>	<u>(26,156,314)</u>	<u>(27,474,833)</u>	<u>-</u>	<u>-</u>
	<u>113,611,445</u>	<u>89,907,483</u>	<u>106,157,382</u>	<u>106,736,347</u>	<u>104,834,048</u>	<u>111,691,218</u>
\$	<u><u>(22,840,138)</u></u>	<u><u>(13,823,133)</u></u>	<u><u>7,855,722</u></u>	<u><u>31,303,426</u></u>	<u><u>44,286,202</u></u>	<u><u>(2,409,346)</u></u>
	10.51%	6.59%	6.51%	6.86%	6.68%	10.01%

CITY OF MESA, ARIZONA

TABLE V

SALES TAX COLLECTIONS BY CATEGORY
LAST TEN FISCAL YEARS

	<u>1998-99 (1)</u>	<u>1999-00</u>	<u>2000-01 (2)</u>	<u>2001-02</u>
Utilities	\$ 5,138,855	\$ 5,554,088	\$ 5,938,529	\$ 5,988,972
Communications	2,778,108	3,171,604	3,576,769	3,771,511
Publishing	1,503,482	1,552,012	1,576,120	1,594,079
Printing & Advertising	374,040	434,722	411,049	418,108
Contracting	10,678,631	13,639,634	14,415,520	14,146,743
Retail Sales	59,583,841	61,434,089	55,557,307	54,461,048
Restaurants & Bars	5,950,334	6,262,220	6,774,683	7,029,557
Amusements	868,952	932,541	1,027,591	1,005,956
Rentals	11,145,886	12,275,886	13,352,281	13,156,005
Miscellaneous	<u>86,927</u>	<u>97,058</u>	<u>80,714</u>	<u>88,618</u>
Total	<u>\$ 98,109,056</u>	<u>\$ 105,353,854</u>	<u>\$ 102,710,563</u>	<u>\$ 101,660,597</u>
City Direct Tax Rate	1.50%	1.50%	1.50%	1.50%

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

- (1) Beginning in August 1998, the City enacted a voter-approved 1/2 percent increase in sales tax to fund quality of life projects.
- (2) Beginning in fiscal year 2001, the City enacted a voter-approved initiative that eliminated sales tax on food items.

Source: City of Mesa Tax & Licensing Division

TABLE V
(Continued)

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
\$	5,912,385	\$ 6,762,032	\$ 6,692,042	\$ 7,539,420	\$ 9,116,291	\$ 9,667,778
	3,574,953	3,164,951	3,241,465	2,839,438	3,939,497	4,312,054
	1,530,906	1,470,008	1,564,309	1,792,345	1,963,330	1,922,909
	384,241	378,322	367,306	453,958	477,939	374,839
	11,333,545	12,454,780	12,073,940	14,580,722	21,424,371	19,300,601
	54,110,533	58,588,455	64,266,464	74,420,542	85,014,600	77,307,911
	7,176,167	7,749,295	8,483,650	9,417,798	11,725,779	12,038,983
	974,633	1,029,101	1,071,285	1,210,343	1,456,808	1,348,973
	13,323,813	13,399,200	14,380,416	15,786,032	20,533,854	21,369,386
	113,218	100,234	118,091	331,557	164,582	119,432
\$	<u>98,434,394</u>	<u>\$ 105,096,378</u>	<u>\$ 112,258,968</u>	<u>\$ 128,372,155</u>	<u>\$ 155,817,051</u>	<u>\$ 147,762,866</u>
	1.50%	1.50%	1.50%	1.50%	1.75%	1.75%

CITY OF MESA, ARIZONA

TABLE VI

DIRECT AND OVERLAPPING SALES TAX RATES

LAST TEN FISCAL YEARS

	<u>City Direct Rate</u>		<u>Maricopa County</u>		<u>State of Arizona</u>	
1998-99	1.50	%	0.70	%	5.00	%
1999-00	1.50		0.70		5.00	
2000-01	1.50		0.70		5.60	
2001-02	1.50		0.70		5.60	
2002-03	1.50		0.70		5.60	
2003-04	1.50		0.70		5.60	
2004-05	1.50		0.70		5.60	
2005-06	1.50		0.70		5.60	
2006-07	1.75		0.70		5.60	
2007-08	1.75		0.70		5.60	

Source: City of Mesa Tax & Licensing Division

CITY OF MESA, ARIZONA

TABLE VII

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Year	Governmental Activities					Utility System Revenue Bonds
	General Obligation Bonds	Municipal Development Corporation Bonds	Highway User Revenue Bonds	Special Assessment Bonds	Capital Leases	
1999	\$ 154,912,746	\$ 24,520,000	\$ 19,000,000	\$ 1,445,000	\$ 17,704,031	\$ 216,730,000
2000	153,040,255	23,450,000	26,900,000	939,000	28,777,965	216,730,000
2001	175,433,951	22,315,000	46,900,000	329,000	25,238,893	285,755,000
2002	181,307,268	11,925,000	72,700,000	217,000	20,845,608	353,875,000
2003	187,839,000	10,970,000	101,190,000	133,000	21,665,644	397,315,000
2004	187,644,270	9,970,000	110,770,000	48,000	25,193,586	458,525,000
2005	198,769,540	9,970,000	120,410,000	36,000	24,968,195	549,415,000
2006	207,859,834	9,970,000	131,950,000	5,049,000	23,273,476	655,085,000
2007	223,115,128	9,970,000	142,460,000	8,797,840	22,988,632	723,185,000
2008	221,625,447	9,970,000	142,290,000	8,046,000	17,502,575	767,445,000

(1) Information on personal income and population is presented on Table XII.
Personal income information not available for years 1999 & 2001.

TABLE VII
(Continued)

Business-type Activities						
General Obligation Bonds	Municipal Development Corporation Bonds	Notes Payable	Capital Leases	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
\$ 80,257,476	\$ 28,200,000	\$ 1,708,978	\$ -	\$ 544,478,231	N/A %	\$ 1,397
88,523,646	26,500,000	1,607,506	5,970,804	572,439,176	8.98	1,444
69,028,384	24,600,000	1,484,952	14,853,400	665,938,580	N/A	1,584
23,072,732	20,600,000	1,355,468	12,140,530	698,038,606	8.34	1,616
13,706,000	19,800,000	1,218,660	10,092,842	763,930,146	8.08	1,758
3,290,730	16,900,000	1,074,110	23,473,486	836,889,182	8.57	1,879
3,290,460	13,500,000	921,377	21,641,099	942,921,671	9.24	2,090
3,290,166	9,600,000	759,993	4,301,174	1,051,138,643	9.97	2,309
3,289,872	5,100,000	589,462	2,869,497	1,142,365,431	10.54	2,483
3,289,553	-	431,565	1,541,281	1,172,141,421	10.68	2,529

CITY OF MESA, ARIZONA

TABLE VIII

RATIOS OF GENERAL BONDED DEBT OUTSTANDING (1)
LAST TEN FISCAL YEARS

Year	General Bonded Debt Outstanding				Percentage Of Secondary Assessed Value	Per Capita (3)
	Secondary Assessed Value (2)	General Obligation Bonds	Less: Current Portion	Net General Bonded Debt		
1999	\$ 1,541,503,375	\$ 226,195,000	\$ 32,090,000	\$ 194,105,000	12.59 %	\$ 497.88
2000	1,726,848,814	232,605,000	33,615,000	198,990,000	11.52	502.02
2001	1,919,915,826	235,490,000	16,765,000	218,725,000	11.39	520.12
2002	2,142,980,665	231,025,000	26,645,000	204,380,000	9.54	473.24
2003	2,272,244,234	226,945,000	25,400,000	201,545,000	8.87	463.76
2004	2,463,878,234	191,130,000	195,000	190,935,000	7.75	428.73
2005	2,648,163,284	202,640,000	580,000	202,060,000	7.63	447.81
2006	2,921,998,915	211,770,000	620,000	211,150,000	7.23	463.91
2007	3,083,070,290	227,065,000	660,000	226,405,000	7.34	492.02
2008	4,114,527,313	241,855,000	16,940,000	224,915,000	5.47	485.36

(1) General Obligation debt has been supported through non-property tax revenues since the 1944-45 fiscal year. The City of Mesa, Arizona has operated without a property tax levy since that time.

Source: (2) Maricopa County Finance Department Assessor's Office.
(3) Population figures are found on Table XII.

CITY OF MESA, ARIZONA

TABLE IX

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)

JUNE 30, 2008

<u>Governmental Unit</u>	<u>Debt Outstanding (2)</u>	<u>Proportion Applicable to the City of Mesa</u>	
		<u>Percent (3)</u>	<u>Amount</u>
Debt repaid with property taxes			
Maricopa County	\$ -0-	8.49 %	\$ -0-
Maricopa County Community College District	557,390,000	8.49	47,322,411
Central Arizona Water Conservation District	-0-	8.80	-0-
Flood Control District of Maricopa County	-0-	9.96	-0-
Maricopa County Fire District	-0-	8.80	-0-
Maricopa County Library District	-0-	8.81	-0-
Mesa Unified School District No. 4	239,315,000	85.80	205,332,270
Gilbert Unified School District	219,015,000	26.48	57,995,172
Queen Creek Unified School District No. 95	29,505,000	16.84	4,968,642
Higley Elementary School District No. 60	58,530,000	2.24	1,311,072
Tempe Union High School District No. 213	117,540,000	0.28	329,112
Tempe Elementary School District No. 3	114,455,000	0.62	709,621
East Valley Institute of Technology District No. 401	-0-	19.57	-0-
Other Debt:			
Maricopa County	225,195,000	8.49	<u>19,119,056</u>
Subtotal, overlapping debt			337,087,356
City direct debt			<u>\$ 401,851,554</u>
Total Direct and Overlapping Debt			<u>\$ 738,938,910</u>

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

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

Proportion applicable to the City is computed on the ratio of secondary assessed valuation as calculated for fiscal year 2007/08 for the overlapping jurisdiction to the amount of such valuation which lies within the City.

Source:

(2) Peacock, Hislop, Staley & Given, Inc.

(3) Maricopa County Finance Department and Assessor's Office.

CITY OF MESA, ARIZONA

TABLE X

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>
6% Limitation				
Legal Debt Limitation Equal to 6% of Assessed Valuation	\$ 92,490,203	\$ 103,610,929	\$ 115,194,950	\$ 128,578,840
Total Net Debt Applicable to 6% Limit	<u>61,304,000</u>	<u>64,340,000</u>	<u>86,180,000</u>	<u>88,245,000</u>
Margin Available for Future General Obligation Bond Issues for 6% Bonds	<u>\$ 31,186,203</u>	<u>\$ 39,270,929</u>	<u>\$ 29,014,950</u>	<u>\$ 40,333,840</u>
Total Net Debt Applicable to the 6% Limit as a Percentage of the 6% Legal Debt Limitation	66.28%	62.10%	74.81%	68.63%
20% Limitation				
Legal Debt Limitation Equal to 20% of Assessed Valuation	\$ 308,300,675	\$ 345,369,763	\$ 383,983,165	\$ 428,596,133
Total Net Debt Applicable to 20% Limit	<u>132,801,000</u>	<u>134,650,000</u>	<u>132,545,000</u>	<u>116,135,000</u>
Margin Available for Future General Obligation Bond Issues for 20% Bonds	<u>\$ 175,499,675</u>	<u>\$ 210,719,763</u>	<u>\$ 251,438,165</u>	<u>\$ 312,461,133</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of the 20% Legal Debt Limitation	43.08%	38.99%	34.52%	27.10%
Total Margin Available	<u>\$ 206,685,878</u>	<u>\$ 249,990,692</u>	<u>\$ 280,453,115</u>	<u>\$ 352,794,973</u>

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

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

TABLE X
(Continued)

Legal Debt Margin Calculation for Fiscal Year 2007-08

Secondary Assessed Value		\$ 4,114,527,313
	6% Bonds (1)	20% Bonds (2)
Legal Debt Limitation	\$ 246,871,639	\$ 822,905,463
Debt Applicable to Limit:		
General Obligation Bonds	22,453,366	219,401,634
Less: Cash With Fiscal Agents	<u>(4,765,750)</u>	<u>(12,174,250)</u>
Total Net Debt Applicable to Limit	<u>17,687,616</u>	<u>207,227,384</u>
Margin Available for Future General Obligation Bond Issues	<u>\$ 229,184,023</u>	<u>\$ 615,678,079</u>
Total Margin Available		<u>\$ 844,862,102</u>

<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
\$ 136,334,693	\$ 147,832,694	\$ 158,889,797	\$ 175,319,935	\$ 184,984,217	\$ 246,871,639
<u>102,910,000</u>	<u>102,715,000</u>	<u>110,085,000</u>	<u>115,400,000</u>	<u>22,453,366</u>	<u>17,687,616</u>
<u>\$ 33,424,693</u>	<u>\$ 45,117,694</u>	<u>\$ 48,804,797</u>	<u>\$ 59,919,935</u>	<u>\$ 162,530,851</u>	<u>\$ 229,184,023</u>
75.48%	69.48%	69.28%	65.82%	12.14%	7.16%
\$ 454,448,977	\$ 492,775,647	\$ 529,632,657	\$ 584,399,783	\$ 616,614,058	\$ 822,905,463
<u>98,635,000</u>	<u>88,220,000</u>	<u>91,975,000</u>	<u>95,750,000</u>	<u>203,951,634</u>	<u>207,227,384</u>
<u>\$ 355,813,977</u>	<u>\$ 404,555,647</u>	<u>\$ 437,657,657</u>	<u>\$ 488,649,783</u>	<u>\$ 412,662,424</u>	<u>\$ 615,678,079</u>
21.70%	17.90%	17.37%	16.38%	33.08%	25.18%
<u>\$ 389,238,670</u>	<u>\$ 449,673,341</u>	<u>\$ 486,462,454</u>	<u>\$ 548,569,718</u>	<u>\$ 575,193,275</u>	<u>\$ 844,862,102</u>

CITY OF MESA, ARIZONA

TABLE XI

PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS

Utility System Revenue Bonds

	Operating Revenues (1)	Operating Expenses	Net Revenue Available for Debt Service	Debt Service		Coverage Ratio
				Principal	Interest	
1998-99	\$ 162,523,512	\$ 105,673,603	\$ 56,849,909	\$ -	\$ 11,669,338	4.87
1999-00	176,531,381	106,823,380	69,708,001	175,000	11,669,338	5.89
2000-01	191,782,485	129,099,163	62,683,322	200,000	14,050,528	4.40
2001-02	199,854,151	122,151,840	77,702,311	4,650,000	16,301,351	3.71
2002-03	201,213,634	124,831,571	76,382,063	8,475,000	18,784,114	2.80
2003-04	221,775,345	132,447,862	89,327,483	14,010,000	20,476,532	2.59
2004-05	228,502,773	156,577,547	71,925,226	310,000	23,444,519	3.03
2005-06	254,216,355	174,560,598	79,655,757	340,000	25,843,553	3.04
2006-07	270,069,593	175,941,671	94,127,922	340,000	29,304,976	3.18
2007-08	278,365,559	196,129,748	82,235,811	7,960,000	34,658,198	1.93

Highway User Revenue Fund Revenue Bonds

	Highway User Fund Revenues	Debt Service		Coverage Ratio
		Principal	Interest	
1998-99	\$ 29,189,770	\$ -	\$ 979,050	29.81
1999-00	29,515,063	-	979,050	30.15
2000-01	30,233,015	-	1,417,069	21.33
2001-02	30,129,033	-	2,486,694	12.12
2002-03	31,384,493	-	3,793,944	8.27
2003-04	33,640,946	40,000	4,899,880	6.81
2004-05	35,369,649	135,000	5,400,476	6.39
2005-06	38,285,152	135,000	5,829,910	6.42
2006-07	40,974,923	135,000	6,401,428	6.27
2007-08	38,512,394	170,000	6,828,068	5.50

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

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

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

TABLE XI
(Continued)

Special Assessment Bonds				
	Special Assessment Collections	Debt Service		Coverage Ratio
		Principal	Interest	
\$	776,435	\$ 558,000	\$ 138,795	1.11
	597,471	577,000	91,375	0.89
	583,833	610,000	45,905	0.89
	80,040	112,000	16,695	0.62
	75,365	84,000	10,535	0.80
	60,844	85,000	5,455	0.67
	5,807	12,000	2,535	0.40
	188,475	12,000	184,771	0.96
	850,926	343,000	357,384	1.21
	1,709,830	751,840	457,396	1.41

Municipal Development Corporation Bonds				
	Excise Tax Revenues (2)	Debt Service		Coverage Ratio
		Principal	Interest	
\$	140,380,913	\$ 810,000	\$ 115,955	151.61
	152,316,444	845,000	99,755	161.22
	147,509,279	875,000	82,010	154.14
	152,643,664	910,000	126,832	147.22
	149,774,369	1,755,000	910,270	56.19
	153,456,415	3,900,000	796,250	32.68
	162,555,789	3,400,000	625,250	40.38
	187,580,165	3,900,000	479,250	42.83
	216,896,723	4,500,000	309,000	45.10
	226,909,733	5,100,000	108,375	43.57

CITY OF MESA, ARIZONA

TABLE XII

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Personal Income (3)</u>	<u>Median Age (3)</u>	<u>Public School Enrollment (4)</u>	<u>Unemployment Rate (5)</u>
1999	389,860	\$ N/A	\$ N/A	N/A	70,241	2.4 %
2000	396,375	7,769,346,375	19,601	32.0	71,813	2.3
2001	420,525	N/A	N/A	N/A	72,476	3.1
2002	431,874	8,368,422,498	19,377	32.8	72,707	4.7
2003	434,585	9,452,658,335	21,751	31.0	73,211	4.4
2004	445,354	9,770,176,052	21,938	32.3	73,428	4.2
2005	451,223	10,203,505,699	22,613	32.5	74,070	3.6
2006	455,151	10,539,476,556	23,156	32.6	74,626	3.8
2007	460,155	10,840,791,645	23,559	32.9	74,128	2.9
2008	463,397	10,977,411,533	23,689	33.1	73,054	4.3

Note: Personal Income and Median age information is not available for Fiscal Years 1999 & 2001.

Sources:

- (1) City of Mesa Development Services Estimate
- (2) 2000-2004 Census Bureau (estimate), 2005-2008 Claritas (estimate)
- (3) 2000-2004 Census Bureau, 2005-2008 Claritas
- (4) Mesa Public Schools
- (5) AZ Dept of Economic Security. Data is Phoenix - Mesa Metropolitan Area

CITY OF MESA, ARIZONA

TABLE XIII

PRINCIPAL EMPLOYERS

CURRENT YEAR AND EIGHT YEARS AGO

Employer	2008			2000 (1)		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Mesa Public Schools	10,000	1	5.19 %	10,000	1	5.38 %
Banner Health Systems	6,600	2	3.43	6,700	2	3.61
Boeing	4,000	3	2.08	4,100	4	2.21
City of Mesa	3,500	4	1.82	4,480	3	2.41
Wal-Mart	2,280	5	1.18	1,775	6	0.96
Empire Southwest Machinery	1,800	6	0.93	1,000	8	0.54
Mesa Community College	1,500	7	0.78	-		0.00
Maricopa County Government (2)	1,300	8	0.67	N/A		0.00
Bashas'	1,000	9	0.52	860	9	0.46
The Kroger Company	1,000	9	0.52	-		0.00
Home Depot	750	10	0.39	-		0.00
TRW			0.00	1,396	7	0.75
AT&T			0.00	2,600	5	1.40
Target			0.00	700	10	0.38
Total	33,730		16.80 %	33,611		18.10 %

(1) Earliest information available

(2) Information for Maricopa County Government not available for the year 2000

Source: City of Mesa Office of Economic Development

CITY OF MESA, ARIZONA

TABLE XIV

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST SEVEN FISCAL YEARS (1)

Function/Program	2001-02	2002-03	2003-04	2004-05	2005-06
General Government	891	879	867	882	826
Public Safety					
Police	1,247	1,269	1,286	1,325	1,311
Fire	436	434	440	446	454
Other	116	113	121	123	108
Cultural-Recreational	518	501	478	490	398
Community Environment	175	168	164	170	161
Electric	64	48	51	50	38
Gas	83	82	77	79	77
Water	86	90	97	104	102
Wastewater	40	43	47	44	54
Solid Waste	141	137	135	135	138
Airport	11	9	10	9	11
Convention Center	24	22	21	21	64
Total	3,832	3,795	3,794	3,878	3,742

(1) Information from earlier fiscal years not available.

Source: City of Mesa Budget and Research Division

TABLE XIV
(Continued)

<u>2006-07</u>	<u>2007-08</u>
857	875
1,332	1,306
468	472
122	91
426	398
183	181
44	47
81	85
113	97
64	69
132	136
10	9
19	19
<u>3,851</u>	<u>3,785</u>

CITY OF MESA, ARIZONA

TABLE XV

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	1998-99	1999-00	2000-01	2001-02
Police				
Major Crimes	23,626	30,083	16,362	32,956
Traffic Accidents	14,955	12,419	16,432	16,572
Fire				
Fires	1,354	1,374	1,271	1,459
Rescue or Emergency	30,464	33,016	34,405	37,928
False Alarms	1,865	2,173	2,213	2,067
Hazardous Conditions			778	1,199
Other Calls	6,695	7,980	7,172	206
Libraries				
Number of Registered Borrowers	132,630	131,049	144,773	199,563
Total Attendance	1,083,883	1,059,912	1,054,039	1,187,052
Access to Electronic Resources	160,726	679,770	1,977,527	3,392,101
Electric Connections				
Electric Connections	15,680	15,949	15,901	15,911
Gas Connections				
Gas Connections	32,038	34,429	36,485	38,629
Water				
Connections	111,674	116,829	121,656	124,742
Average Daily Consumption (mgd)*	87.6	90.4	87.5	91.9
Peak Daily Consumption (mg)**	126.39	122.82	127.14	132.32
Wastewater				
Connections	93,114	98,683	130,699	107,532
Average Daily Sewage Treatment (mgd)*	37.7	38.7	41.7	42.1
Solid Waste				
Customers Served	108,509	121,830	129,339	135,517
Refuse Collected (tons)	233,200	227,141	241,921	244,999
Recyclables Collected (tons)	26,700	30,380	31,783	32,924
Green Waste Collected (tons)	8,600	11,658	13,706	13,713
Falcon Field				
Average Number of Aircraft Based	865	893	904	902
Aircraft Operations (annual)	245,606	270,844	270,731	251,702

* mgd - millions of gallons per day

** mg - millions of gallons

TABLE XV
(Continued)

<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
29,379	27,933	25,853	24,904	22,437	21,388
9,593	9,562	10,121	9,205	12,184	7,578
1,451	1,332	1,386	1,605	1,428	1,200
37,339	39,489	41,689	43,073	38,003	34,207
2,073	1,999	2,021	2,595	2,875	2,456
557	653	591	676	608	567
7,229	7,439	7,738	7,820	11,792	12,976
184,647	200,461	193,722	233,836	266,839	275,449
1,202,947	1,183,794	1,208,594	1,195,075	1,161,887	1,165,451
1,027,157	1,365,863	1,835,867	2,307,051	3,029,001	2,910,088
15,797	17,945	15,652	15,806	15,723	15,215
40,328	42,241	45,435	48,622	50,478	51,454
127,140	129,477	131,141	133,105	133,249	133,086
93.5	105.3	93.6	94.5	89.6	85.8
141.01	132.15	137.95	131.28	128.83	125.72
110,537	112,497	114,500	116,282	116,190	116,465
38.7	39.3	38.9	41.8	38.1	38.0
140,190	109,960	114,112	113,146	115,305	112,632
245,286	254,688	248,255	261,369	266,817	243,208
36,282	34,141	36,264	32,869	38,660	39,296
15,373	16,384	16,983	17,500	18,215	17,601
930	934	922	924	901	934
290,902	277,088	255,069	271,295	261,623	337,178

CITY OF MESA, ARIZONA

TABLE XVI

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	1998-99	1999-00	2000-01	2001-02
Police Stations				
Stations	4	4	4	4
Vehicular Patrol Units	243	287	255	270
Fire Stations	15	15	15	17
Libraries	3	3	3	3
Parks and Recreation				
Developed Parks (acres)	1,077	1,082	1,089	1,158
Undeveloped Acres	1,175	1,887	1,971	1,947
Swimming Pools	12	13	13	13
Recreation Facilities	6	6	6	7
Community Environment				
Streets (miles)				
Paved	1,008	1,037	1,070	1,094
Unpaved	12	12	12	12
Storm Sewers (miles)	225	230	238	252
Gas Mains (miles)	834	880	909	929
Water				
Mains (miles)	1,674	1,707	1,758	1,809
Storage Capacity (millions of gallons)	97	97	97	97
Wastewater				
Mains (miles)	1,209	1,625	1,311	1,356
Treatment Capacity (millions of gallons per day)	42	42	56	56
Solid Waste				
Collection Trucks (1)				
Golf Courses	2	2	2	2

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

TABLE XVI
(Continued)

<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
4	4	4	4	4	4
421	306	321	285	351	368
17	17	17	19	17	17
3	3	3	3	3	3
1,202	1,198	1,149	1,184	1,184	1,180
1,932	1,228	1,230	1,251	1,251	1,251
13	13	12	12	12	12
6	6	6	6	6	6
1,132	1,152	1,160	1,162	1,169	1,178
12	12	12	12	12	12
271	290	296	298	303	308
954	998	1,037	1,121	1,147	1,202
1,924	1,978	2,004	2,022	2,008	2,068
97	97	97	117	117	117
1,454	1,496	1,512	1,522	1,544	1,577
56	56	56	56	60	60
		69	78	68	70
2	2	2	2	2	2