



City of Mesa, Arizona

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2006



CITY OF MESA
Great People. Quality Service!

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Mayor

Claudia Walters
Vice Mayor, District 1

Mike Whalen
Councilmember, District 2

Tom Rawles
Councilmember, District 3

Kyle Jones
Councilmember, District 4

Rex Griswold
Councilmember, District 5

Scott Somers
Councilmember, District 6

Chris Brady
City Manager

Debra Dollar
Deputy City Manager

Paul Wenbert
Deputy City Manager

Bryan Raines
Financial Services Manager

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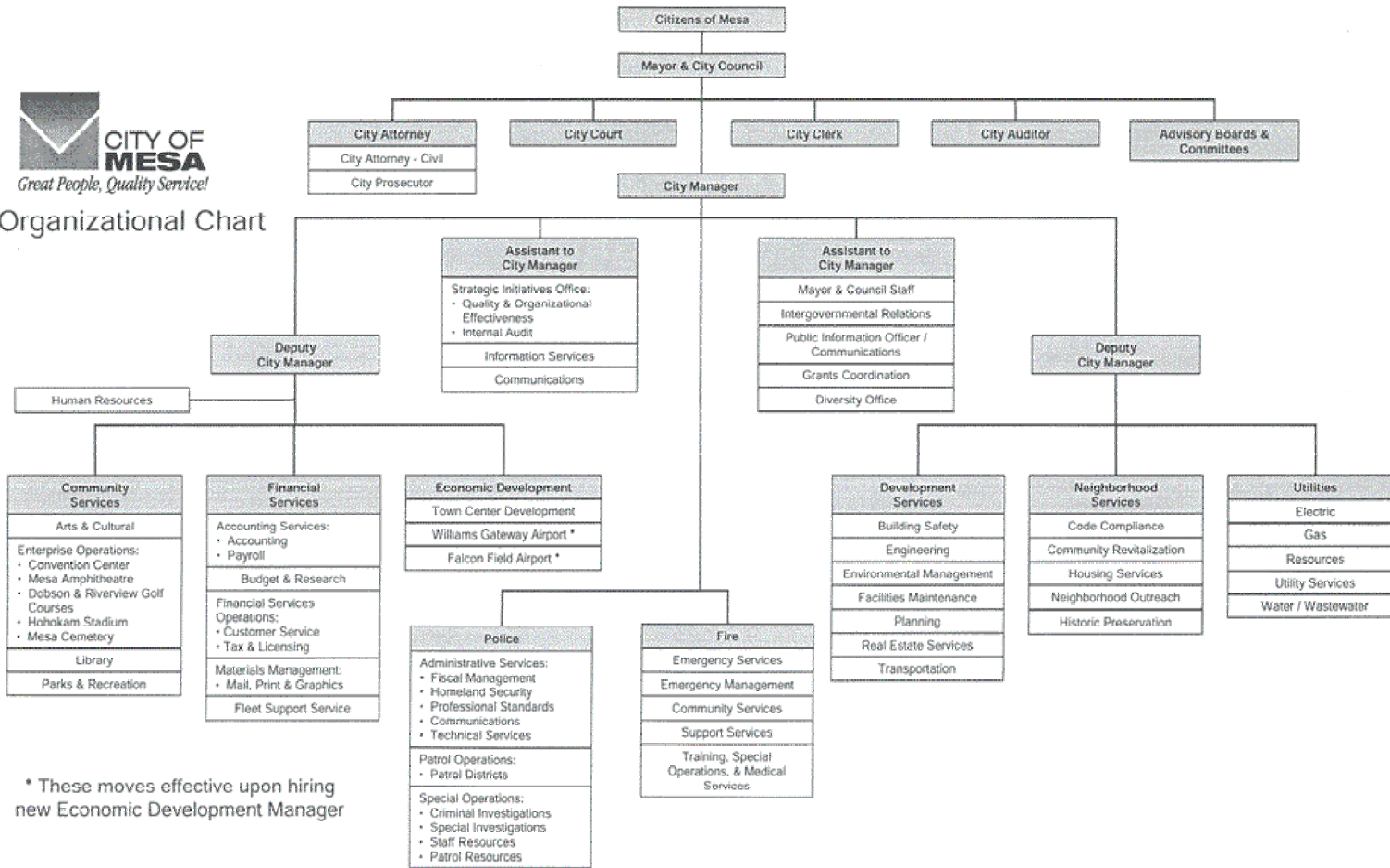
City of Mesa, Arizona
**Comprehensive
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For the Fiscal Year Ended June 30, 2006





Organizational Chart



* These moves effective upon hiring new Economic Development Manager



Introductory Section



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October 13, 2006

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

The Comprehensive Annual Financial Report of the City of Mesa (the “City”) for the fiscal year ended June 30, 2006 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, 2006, 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, 2006, 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 455,000 within an area of approximately 132 square miles. The City is the 40th 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 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. Hiring of the City's Department Managers requires concurrence of the City Council. Additionally, City employees are hired under merit system procedures as specified in the City Charter. A staff of 3,742 full-time City employees working within eleven 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 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.

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.

(Continued)

The legally adopted budget consists of all funds except Agency, Property & Public Liability, Workers' Compensation, and Employee Benefits Self-Insurance. 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. A budget is established, however, for management purposes for the three self-insurance 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 experienced positive economic growth during this past year in retail sales, but construction has lagged. During fiscal year 2005-06, the City issued 1,304 new residential building permits, a decrease of 248 permits issued during the previous fiscal year. The corresponding dollar valuation associated with these permits increased from \$269.6 million in fiscal year 2004-05 to \$333.6 million in fiscal year 2005-06.

Revenues subject to City sales tax increased when compared to the previous fiscal year reflecting a 13.8 percent growth. Sales tax receipts from construction activity increased by 20.1 percent as compared to the prior year. Previously, taxable sales from construction activity decreased by 3.5 percent from fiscal 2003-04 to 2004-05. Revenues from retail sales also increased by 15.2 percent during this past fiscal year.

As the City attempts to deal with the current economic situation, it has benefited by having a diversified economic base that is comprised of:

- Large manufacturing employers such as Boeing, Inc. (Apache helicopter manufacturing facility), TRW Vehicle Safety Systems, Inc. and Talley Defense Systems, Inc.
- Large non-manufacturing employers such as the Banner Health System, Mesa Public Schools and Tribune Newspapers publishing company.
- Commercial and retail developments such as Fiesta Mall, Superstition Springs Center, Mesa Grande, Dana Park and adjoining retail and commercial developments.
- The hospitality industry oriented primarily to winter tourism activities, such as Cactus League major league baseball spring training.

(Continued)

- Educational institutions and related employment centers including the Mesa Public Schools, the East Valley Institute of Technology, Mesa Community College, Arizona State University East, and satellite campuses of various higher education institutions.
- Available locations for future economic development within the City, such as Williams Gateway Airport, Falcon Field Airpark and the Red Mountain Freeway Employment Corridor.

Major Initiatives

The City was able to take advantage of low interest rates by refunding existing debt to help meet the challenges of providing services to a growing community. During fiscal year 2005-06, the City completed two refundings that provided savings in future debt service payments of approximately \$2,700,000.

In May, voters approved a ballot measure that increased the City's sales tax rate to 1.75% from 1.50%. As part of this measure 0.30% was dedicated to the City's streets program to restore and maintain the condition of the City's roadway infrastructure. A measure to institute Mesa's first property tax since 1946 failed during the same election. The combination of these two adjustments provided guideposts for future service adjustments and budget development, and ultimately resulted in the reduction in the fiscal year 2005-06 budget of approximately \$15 million of previously ongoing services.

Despite the City's financial correction, major accomplishments have continued to be realized. Some of these were:

- The approved plan for Riverview at Dobson retail development project broke ground and celebrated the grand opening of a movie complex as the first tenant. Designed to include specialty and big-box retailers, new car dealerships, and Arizona's first Bass Pro Shop retail store, more than 900,000 square feet of development covering nearly 250 acres is a significant sales tax revenue generator.
- The Mesa Police Department dedicated their newest police substation in the fall of 2005. Designated as the Red Mountain Substation, this facility replaces a smaller facility that had been outgrown. Located on the Southwest corner of Greenfield Road and University Drive, this facility is now more centrally located within the district it serves and provides adequate space to double the facility size within the current site as police service needs continue to grow.
- Citywide, Mesa is experiencing significant retail, office and service facility expansion. Near the City's Falcon Field airport, construction of 1.5 million square feet of industrial and office facilities is underway, the final phase of a 92,000 square-foot office space development is under construction in south-central Mesa, and two new hospitals are under construction with another undergoing significant expansion, including the addition of a children's hospital.

(Continued)

- In the fall of 2005, the Mesa Arts Center opened its doors for classes and performances. A civic landmark located in the downtown corridor, this is a 200,000+ square-foot, \$97 million performing and visual arts center facility that was funded through a combination of Quality-of-Life sale tax revenues, cultural impact fees, arts grants and private contributions.

Long-term Financial Planning

The issues decided by the voters in 2005 was the culmination of more than a two-year process involving a dedicated citizens committee, the elected officials and City management. As a result, the City now has dedicated funds of 0.30% of sales tax revenue for street maintenance, adjusted service levels and a comprehensive plan for future financial activities.

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.

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, 2005. This was the twenty-fourth 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, Kathy Pace, 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
Financial Services Department

(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, 2005

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.



Carla E. Perry

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, 2006, 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 reports 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, 2006, 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 pages 59 and 60 and the budgetary comparison information on pages 81 through 83 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 October 13, 2006 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.

Cronstrom, Osuch & Company, P.C.

October 13, 2006

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, 2006. 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 \$37.4 million in fiscal year 2006.
- Total net assets of the City are \$1.68 billion, of which \$354 million are unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. However, \$255 million of the unrestricted net assets are invested in joint ventures for fiscal year 2006.
- As of the end of fiscal year 2006, the City's governmental funds reported a combined ending fund balance of \$138 million, a \$31.3 million increase 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 \$28 million, or 8.5% of total General Fund expenditures, compared to \$19.3 million, or 6.1% of total General Fund expenditures the previous year.
- The City issued \$36.4 million in general obligation debt during the current fiscal year. \$9.7 million was issued for new fire, storm sewer and law enforcement improvement projects and \$26.7 million was issued to refund prior outstanding general obligation debt.
- The City issued \$11.7 million in new street and highway user revenue debt. These were issued for street improvement projects.
- The City issued \$166.7 million in utility system revenue debt during the current fiscal year. \$105.4 million was issued for new gas, water, and wastewater improvements and \$61.3 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 50-55).

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 98-103).

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 32–80) 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 part of the required supplementary information beginning on page 81.

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, 2006 and as of and for the year ended June 30, 2005.

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, 2006 and 2005.

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

	Governmental		Business-type		Total		Change	
	Activities		Activities		Primary Government		Dollars	Percent
	2006	2005	2006	2005	2006	2005		
Cash and Other Assets	\$ 257,506	\$ 202,772	\$ 417,990	\$ 360,554	\$ 675,496	\$ 563,326	\$ 112,170	19.91 %
Capital Assets	1,150,094	1,137,821	1,063,476	1,015,440	2,213,570	2,153,261	60,309	2.80
Total Assets	<u>1,407,600</u>	<u>1,340,593</u>	<u>1,481,466</u>	<u>1,375,994</u>	<u>2,889,066</u>	<u>2,716,587</u>	<u>172,479</u>	6.35
Non-current Liabilities,								
Outstanding	398,568	373,438	674,861	590,949	1,073,429	964,387	109,042	11.31
Other Liabilities	73,036	66,206	58,733	39,555	131,769	105,761	26,008	24.59
Total Liabilities	<u>471,604</u>	<u>439,644</u>	<u>733,594</u>	<u>630,504</u>	<u>1,205,198</u>	<u>1,070,148</u>	<u>135,050</u>	12.62
Net Assets:								
Invested in Capital Assets,								
Net of Related Debt	765,875	769,923	390,100	424,821	1,155,975	1,194,744	(38,769)	(3.24)
Restricted	84,386	68,487	89,384	101,566	173,770	170,053	3,717	2.19
Unrestricted	<u>85,735</u>	<u>62,539</u>	<u>268,388</u>	<u>219,103</u>	<u>354,123</u>	<u>281,642</u>	<u>72,481</u>	25.74
Total Net Assets	<u>\$ 935,996</u>	<u>\$ 900,949</u>	<u>\$ 747,872</u>	<u>\$ 745,490</u>	<u>\$ 1,683,868</u>	<u>\$ 1,646,439</u>	<u>\$ 37,429</u>	2.27

In the case of the City, the combined net assets (governmental activities and business-type activities) exceeded liabilities by \$1.68 billion at the close of the most recent year.

The net assets increased \$37.4 million (2.27%) in fiscal year 2006. The governmental activities increased \$35 million, a 3.9% increase, while the business-type activities increased \$2.4 million, a 0.3% increase.

The largest portion of net assets (69%) 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.

\$173.8 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 \$354 million may be used to meet the City's ongoing obligations to citizens and creditors. However, \$255 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 year ended June 30, 2006 and 2005.

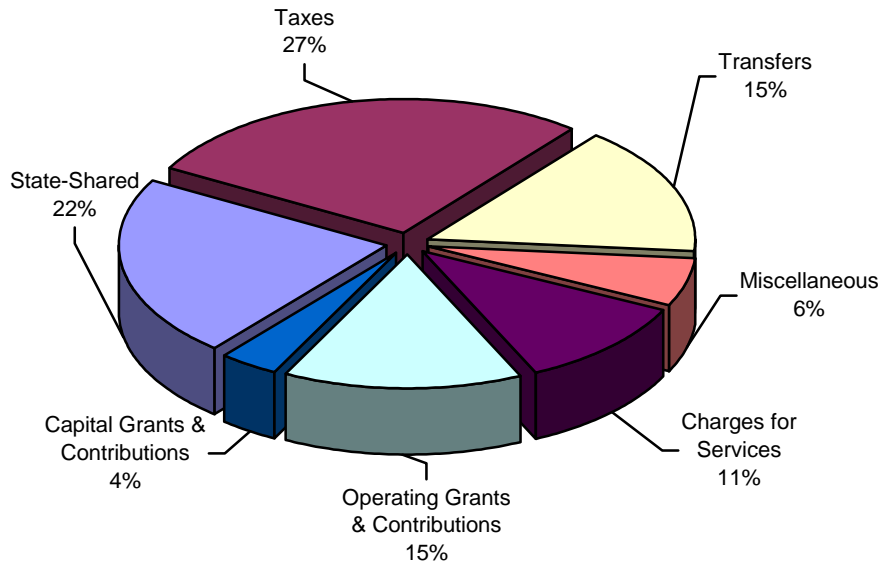
Changes in Net Assets
(In thousands of dollars)

	Governmental		Business-type		Total Primary		Change	
	Activities		Activities		Government		Dollars	Percent
	2006	2005	2006	2005	2006	2005		
REVENUES								
Program Revenues:								
Charges for Services	\$ 50,126	\$ 41,229	\$ 265,608	\$ 235,342	\$ 315,734	\$ 276,571	\$ 39,163	14.16 %
Operating Grants & Contributions	68,784	60,813	141	275	68,925	61,088	7,837	12.83
Capital Grants & Contributions	16,777	25,513	27,692	15,586	44,469	41,099	3,370	8.20
General Revenues:								
Sales & Occupancy Taxes	130,562	114,386			130,562	114,386	16,176	14.14
Unrestricted State-Shared	103,849	90,868			103,849	90,868	12,981	14.29
Contributions	12,206	10,726			12,206	10,726	1,480	13.80
Unrestricted Investment Income	5,431	1,905	4,819	1,579	10,250	3,484	6,766	194.20
Miscellaneous	10,052	9,740	554	85	10,606	9,825	781	7.95
Total Revenues	397,787	355,180	298,814	252,867	696,601	608,047	88,554	14.56
EXPENSES								
Governmental Activities:								
General Government	44,568	48,722			44,568	48,722	(4,154)	(8.53) %
Public Safety	212,011	204,366			212,011	204,366	7,645	3.74
Cultural-Recreational	65,389	62,870			65,389	62,870	2,519	4.01
Community Environment	97,613	86,363			97,613	86,363	11,250	13.03
Interest on Long-term Debt	16,061	15,504			16,061	15,504	557	3.59
Business-type Activities:								
Electric			26,817	27,119	26,817	27,119	(302)	(1.11)
Gas			38,744	33,830	38,744	33,830	4,914	14.53
Water			54,111	54,248	54,111	54,248	(137)	(0.25)
Wastewater			67,181	47,799	67,181	47,799	19,382	40.55
Solid Waste			25,070	23,864	25,070	23,864	1,206	5.05
Airport			4,194	2,120	4,194	2,120	2,074	97.83
Golf Course			2,524	2,966	2,524	2,966	(442)	(14.90)
Convention Center			4,822	4,260	4,822	4,260	562	13.19
District Cooling			67	-	67	-	67	100.00
Total Expenses	435,642	417,825	223,530	196,206	659,172	614,031	45,141	7.35
Increase (decrease) in Net Assets Before Special Item and Transfers	(37,855)	(62,645)	75,284	56,661	37,429	(5,984)	43,413	(725.48)
Special Item - Gain on Sale of Land	-	-	-	32,679	-	32,679	(32,679)	(100.00)
Transfers	72,902	76,360	(72,902)	(76,360)	-	-	-	-
Change in Net Assets	35,047	13,715	2,382	12,980	37,429	26,695	10,734	40.21
Net Assets-Beginning	900,949	887,234	745,490	732,510	1,646,439	1,619,744	26,695	1.65
Net Assets-Ending	\$ 935,996	\$ 900,949	\$ 747,872	\$ 745,490	\$ 1,683,868	\$ 1,646,439	\$ 37,429	2.27

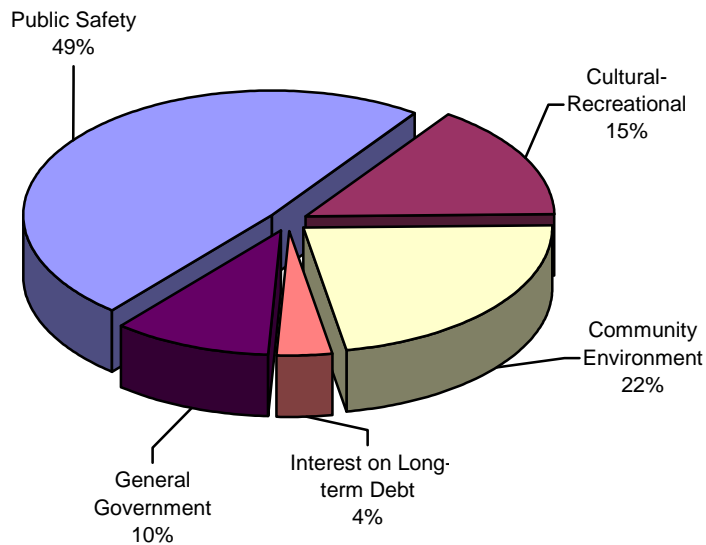
Governmental Activities

As presented in the following two graphs, the largest funding sources, including transfers, for the governmental activities are taxes (27%) and state-shared revenues (22%). The largest users of resources for the governmental activities are Public Safety (49%), Community Environment (22%), Cultural-Recreational (15%), and General Government (10%).

Revenues by Source Including Transfers – Governmental Activities
For the Fiscal Year Ended June 30, 2006

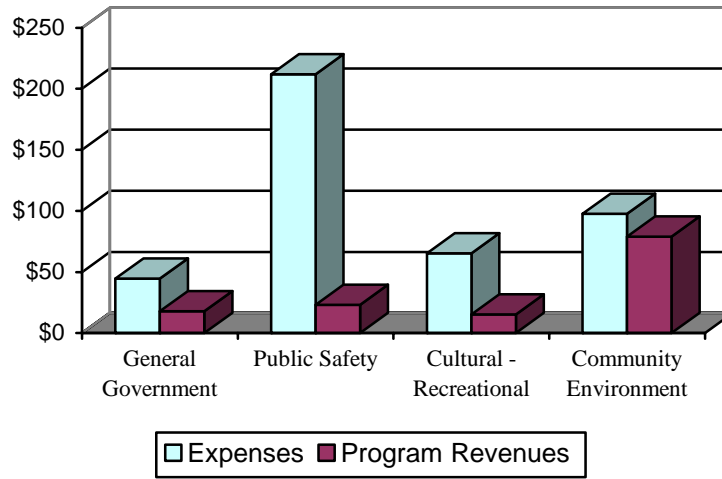


Functional Expenses – Governmental Activities
For the Fiscal Year Ended June 30, 2006



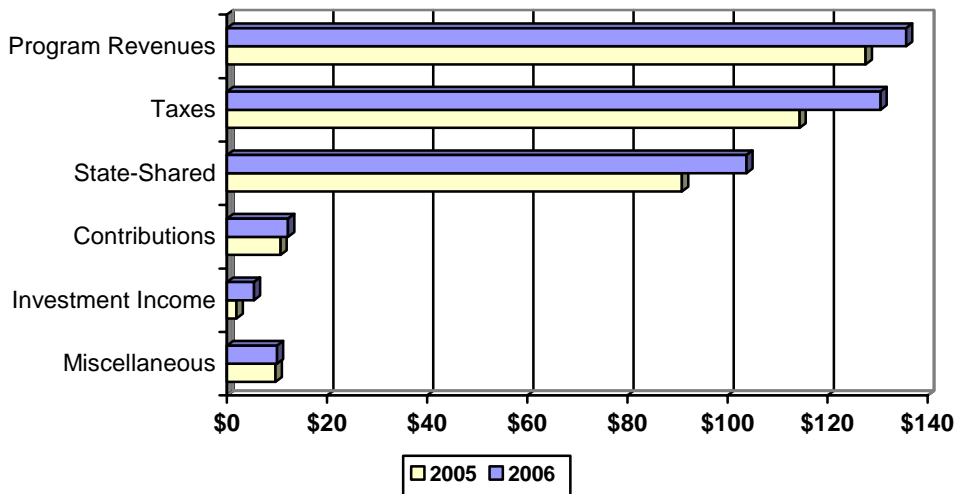
The following graph shows the functional revenues and expenses of the governmental activities to demonstrate the extent to which the governmental functions produce direct revenues to offset the program costs. It should be noted that this is not intended to represent the full cost allocation to these functions. General revenues of the City, including a \$75 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, 2006
(In millions of dollars)



Governmental activities increased the net assets of the City by \$35 million accounting for 2.13% increase in the City’s net assets. Governmental activities accounted for 57% of the total revenues and 66% of the total expenses of the City in fiscal year 2006. This compares to 58% of total revenues and 68% of the total expenses in fiscal year 2005.

Governmental Activities Revenues
For Fiscal Years 2005 and 2006
(In millions of dollars)



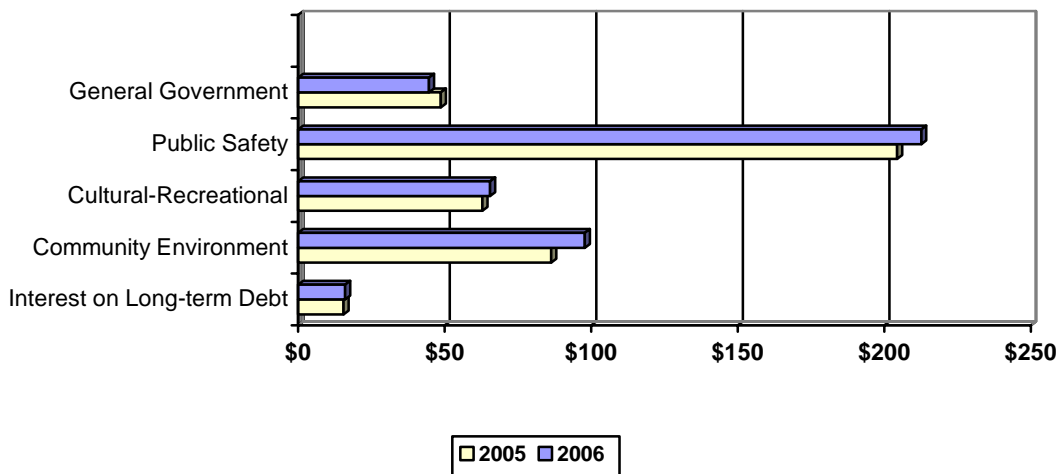
The graph above compares governmental activities revenues from fiscal year 2006 to fiscal year 2005. Total governmental activities revenues increased \$42.6 million from \$355.2 million to \$397.8 million. Key factors in this change includes:

- The program revenues (charges for services, grants and contributions that are clearly identifiable to an operating activity) of the governmental activities increased \$8 million over the previous year. This increase is related to higher fees being charged for services

and an increase in grants being received from other governments. The City actually had a decrease of \$13 million in the amount of contributions of streets, storm sewers and retention basins by developers over the previous year.

- Taxes increased by \$16.2 million (14.1%) over the previous year, reflecting the continued growth occurring in the local and national economy.
- Unrestricted state-shared revenues increased by \$13 million over the previous year reflecting the continued growth in the state economy.

Governmental Activities Functional Expenses
For Fiscal Years 2005 and 2006
(In millions of dollars)



The graph above compares governmental activities expenses from fiscal year 2006 to fiscal year 2005. Total governmental expenses increased by \$17.8 million (4.3%) from \$417.8 million to \$435.6 million. Key factors in this change include:

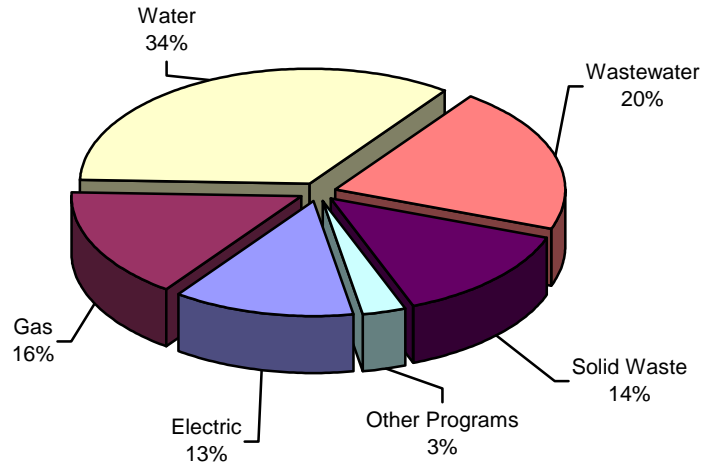
Public Safety expenses increased due to additional fire personnel hired to meet the needs in the growth areas of the City and the increase in costs to provide these services.

Community Environment expenses increased primarily due to an additional \$5 million spent on operational street projects in the Highway User Revenue Fund and an increase in depreciation expense.

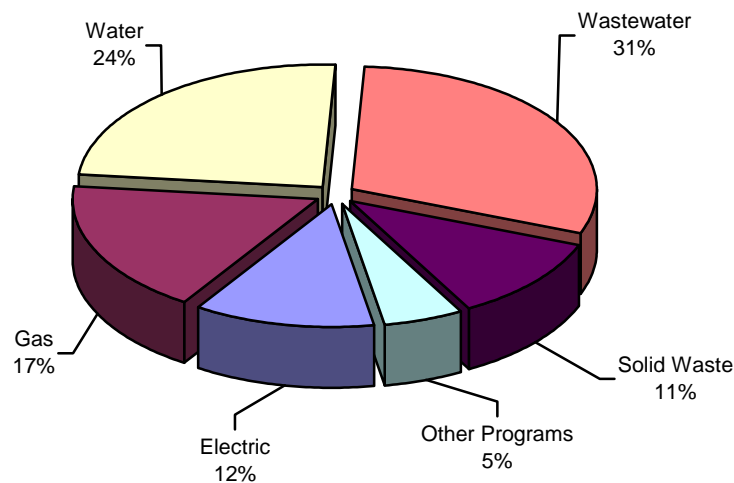
Business-type Activities

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



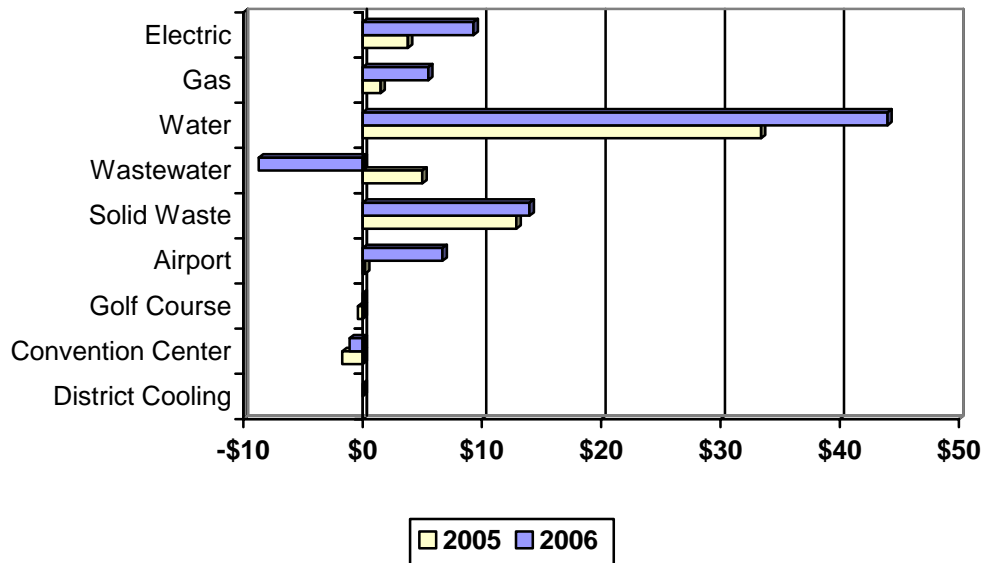
Functional Expenses – Business-type Activities



Business-type activities increased the City's net assets by \$2.4 million accounting for 0.14% of the total increase in the City's net assets. Total business-type activities program and general revenues increased by \$45.9 million (18.2%) from \$252.9 million to \$298.8 million, while the business-type activities total expenses increased by \$27.3 million (13.9%) from \$196.2 million to \$223.5 million. Business-type activities accounted for 43% of the total revenues and 34% of the total expenses of the City in fiscal year 2006. This compares to 42% of total revenues and 32% of the expenses in fiscal year 2005.

The graph on the following page compares the business-type activities increase (decrease) in net assets before transfers from fiscal year 2006 to fiscal year 2005.

Business-type Activities
 Increase (Decrease) in Net Assets Before Transfers
 For Fiscal Years 2005 and 2006
(In millions of dollars)



Total business-type activities revenues increased by \$45.9 million (18.2%) while the business-type activities total expenses increased by \$27.3 million (13.9%) 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 \$27.6 million decrease in net assets.

Charges for services increased by \$30.3 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 \$3 million in interest expense for utility revenue bonds and higher commodity purchases for the electric and gas utilities. In addition, there was an increase in depreciation expense as a result of a change in the useful life of some of the components on three large wastewater reclamation facilities. Overall, the wastewater program reported a loss as a result of this difference.

- Capital contributions increased by \$13.7 million (85%) 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 more water and wastewater lines contributed by developers and a \$2 million increase in Federal and State funding.
- The transfer to the General Fund decreased by \$2 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 \$138 million, a \$31.3 million increase from the previous year. \$68.4 million of this total amount is in unreserved fund balance, available for spending in the coming year. The remainder of fund balance (\$69.6 million) is reserved to indicate it is not available for new spending as it is already committed. These fund balance reservations include \$19.8 million committed to liquidate contracts and purchase orders of the prior fiscal year, \$49.3 million reserved for Quality of Life Projects and the remaining \$0.5 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 \$89.3 million, while unreserved fund balance was \$27.9 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 2006, unreserved fund balance represents 8.5% of total General Fund expenditures of \$330.4 million, while total fund balance represents 27% of the same amount. For 2005, unreserved fund balance was 6.1% of total General Fund expenditures of \$318.7 million, while total fund balance was 17.9% of the same amount.

The fund balance of the City's General Fund increased by \$32.1 million during the current fiscal year. Total revenues of \$309 million were \$49.5 million more than the previous year, while total expenditures of \$330.4 were \$11.7 million more than the previous year. Taxes collected were \$16.2 million more than the previous year reflecting the continued economic recovery occurring. Charges for Services and Fines and Forfeitures increased by \$3.8 million as a result of an increase in the fees charged for these services for the fiscal year.

The increase in General Fund expenditures was caused by several factors. The increase of \$8.5 million in Public Safety expenditures resulted primarily from the hiring of additional fire personnel and the increased cost to provide these services. An additional \$4.3 million was spent on capital-related expenditures.

The transfer in of \$75 million from the Enterprise Fund was reduced by \$21.5 million in transfers out to other funds, compared with a transfer in from the Enterprise Fund of \$77 million that was reduced by \$16.7 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 an additional \$2.2 million in state-shared revenue and had an additional \$9.5 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 an increase of \$9.4 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 \$2.4 million in fiscal year 2006 from \$745.6 million to \$748 million. The unrestricted net assets of the Enterprise Fund amounted to \$268.6 million. However, \$235.2 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 81-83. 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 108-128.

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 basic financial statements for more information on budget policies). No amendments increasing the City's total adopted budget of \$874.5 million occurred during fiscal year 2006. Contingency allocations were made at fiscal year-end to cover programs in the General Fund of \$25.7 million. \$16.7 million in contingency allocation was made to the Mass Transit program to cover additional capital expenditures for the light rail transit project. These additional expenditures will be reimbursed to the City through the Federal funding for the project. An additional \$2.5 million was allocated to the Miscellaneous Services program to cover expenditures related to the creation of a new special improvement district within the City.

General Fund revenues of \$314.3 million, on a budgetary basis, exceeded budgeted revenues of \$293.9 million by \$20.4 million (6.9%) while expenditures of \$353.7 million were only 86.3% of budgeted expenditures. The surplus in revenues is primarily due to higher sales tax and State-shared revenues received than was budgeted. Reduced expenditures resulted from a continuing selective hiring freeze and 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 \$2.2 billion (net of accumulated depreciation/amortization) as of June 30, 2006. 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, 2006 and 2005.

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
	2006	2005	2006	2005	2006	2005		
Land	\$ 220,560	\$ 217,109	\$ 50,285	\$ 49,705	\$ 270,845	\$ 266,814	\$ 4,031	1.51 %
Water Rights		-	12,611	10,901	12,611	10,901	1,710	15.69
Buildings	248,279	146,425	55,637	26,664	303,916	173,089	130,827	75.58
Other Improvements	71,283	89,615	754,650	729,469	825,933	819,084	6,849	0.84
Machinery & Equipment	65,406	61,040	30,402	13,811	95,808	74,851	20,957	28.00
Infrastructure	459,157	460,663			459,157	460,663	(1,506)	(0.33)
Excess of Cost over Net Assets Acquired			4,847	5,861	4,847	5,861	(1,014)	(17.30)
Construction-in-Progress	85,409	162,969	155,044	179,029	240,453	341,998	(101,545)	(29.69)
Total	\$ 1,150,094	\$ 1,137,821	\$ 1,063,476	\$ 1,015,440	\$ 2,213,570	\$ 2,153,261	\$ 60,309	2.80

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

- The City continued construction on the expansion of the Central Arizona Water Project Treatment Plant with \$17.7 million spent during fiscal year 2006. The \$46.6 million expansion will increase the capacity of the plant from 48 million gallons per day to 72 million gallons per day. Included in the project is the construction of a second 20 million gallon reservoir and pumping station, updating the entire plant controls to a current state-of-the-art system and construction of a storage building and other ancillary facilities.
- The City continued construction of the Greenfield Water Reclamation Plant with \$56.1 million spent during fiscal year 2006. The \$172.5 million facility is being constructed as a joint project with the Town of Gilbert and the Town of Queen Creek. When completed the plant will have a capacity of 16 million gallons a day.

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

Debt Administration - At the end of the current fiscal year, the City had total bonded debt outstanding of \$996 million. Of this amount, \$206 million comprises debt backed by the full faith and credit of the City and \$790 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 \$1.029 billion at June 30, 2006. \$369 million of this total was in governmental activities and \$660 million was in business-type activities. The City's outstanding long-term debt (considering new borrowings, debt retirements and refunding) increased \$103.9 million. New borrowings during the fiscal year included \$9.7 million in general obligation bonds, \$11.7 million in street and highway user revenue bonds and \$105.4 million in utility system revenue bonds.

The following schedule shows the outstanding long-term debt of the City as of June 30, 2006 and 2005.

Outstanding Long-term Debt

(In thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Change	
	2006	2005	2006	2005	2006	2005	Dollars	Percent
	General Obligation Bonds	\$ 203,016	\$ 195,480	\$ 3,321	\$ 3,322	\$ 206,337	\$ 198,802	\$ 7,535
Utility System Revenue Bonds		-	641,686	539,319	641,686	539,319	102,367	18.98
Highway User Revenue Fund Bonds	128,048	116,118			128,048	116,118	11,930	10.27
Municipal Development Corp. Bonds	9,970	9,970	9,600	13,500	19,570	23,470	(3,900)	(16.62)
Special Assessment Bonds								
with Governmental Commitment	5,049	36			5,049	36	5,013	13,925
Capital Leases	23,176	24,802	4,198	21,463	27,374	46,265	(18,891)	(40.83)
Notes Payable			760	921	760	921	(161)	(17.48)
Total	\$ 369,259	\$ 346,406	\$ 659,565	\$ 578,525	\$ 1,028,824	\$ 924,931	\$ 103,893	11.23

During the current fiscal year, the City refinanced \$87.4 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
\$26.7 General Obligation Bonds	\$26.7 General Obligation Bonds	\$0.6
\$61.3 Utility System Revenue Bonds	\$60.7 Utility System Revenue Bonds	\$2.1

The City's current bond ratings are as follows:

	Standards and Poor's <u>Corporation</u>	Moody's Investors <u>Service</u>
General Obligation Bonds	AA-	A1
Highway User Revenue Bonds	AA	A2
Utility Systems Revenue Bonds	A+	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.

The total debt margin available July 1, 2006 is:

6% Bonds	\$ 69,584,217
20% Bonds	<u>520,864,058</u>
Total Available	<u>\$590,448,275</u>

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

Economic Factors

Significant economic factors affecting the City are as follows:

- The City's unemployment rate of 3.8% compares favorably to the state unemployment rate of 4.4% and the national average rate of 4.8%.
- New residential building permits decreased 16% 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 and the major growth within the region is focused on other communities and adjacent unincorporated areas. New commercial building permits increased by over 50% compared to the previous year, continuing a 3-year trend of increases in the number of commercial building permits issued.

In June 2006, the City Council approved a \$973.3 million budget, which is approximately an 11% increase from the prior year's budget. The fiscal year 2006 – 07 budget includes \$836.9 million for operations and \$136.4 million for scheduled bond capital improvements.

Requests for Information

This financial report is designed to provide a general overview of the City of Mesa'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, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 118,201,236	\$ 23,850,841	\$ 142,052,077
Investments	49,697,273	12,432,867	62,130,140
Receivables:			
Accounts and Miscellaneous (Net of Allowances)	17,135,371	25,679,377	42,814,748
Accrued Interest	1,087,595	540,932	1,628,527
Due From Other Governments	24,256,990	1,257,284	25,514,274
Internal Balances	177,350	(177,350)	-
Inventory	4,014,473	-	4,014,473
Prepaid Costs	1,036,490	34,330	1,070,820
Deposits	521,405	15,183,347	15,704,752
Restricted Assets:			
Cash and Cash Equivalents	11,663,564	90,328,188	101,991,752
Investments	-	8,605,738	8,605,738
Accounts Receivable	7,650,332	-	7,650,332
Customer Deposits	-	2,925,843	2,925,843
Unamortized Bond Issue Costs	1,754,775	2,147,697	3,902,472
Investment in Joint Ventures	20,308,954	235,180,241	255,489,195
Capital Assets:			
Non-Depreciable	305,969,486	217,941,068	523,910,554
Depreciable, Net	844,124,976	845,535,122	1,689,660,098
Total Assets	1,407,600,270	1,481,465,525	2,889,065,795
LIABILITIES			
Warrants Outstanding	12,881,768	-	12,881,768
Accounts Payable	21,222,667	10,628,741	31,851,408
Other Accrued Expenses	15,629,972	-	15,629,972
Customer and Defendant Deposits	8,975,990	-	8,975,990
Liabilities Payable From Restricted Assets	14,326,003	48,104,339	62,430,342
Noncurrent Liabilities:			
Due Within One Year	10,667,766	6,344,111	17,011,877
Due in More Than One Year	387,900,088	668,516,824	1,056,416,912
Total Liabilities	471,604,254	733,594,015	1,205,198,269
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	765,874,830	390,100,160	1,155,974,990
Restricted For:			
Quality of Life Projects	49,309,686	-	49,309,686
Convention Center	-	70,405	70,405
Airport	-	3,328,935	3,328,935
Golf Courses	-	16,456	16,456
Capital Projects	21,875,283	64,953,489	86,828,772
Debt Service	-	16,215,927	16,215,927
Bond Indentures	-	4,643,100	4,643,100
Grant Programs	2,423,707	-	2,423,707
Transportation Programs	10,777,719	-	10,777,719
Water, Wastewater & Solid Waste Improvements	-	154,814	154,814
Unrestricted	85,734,791	268,388,224	354,123,015
Total Net Assets	\$ 935,996,016	\$ 747,871,510	\$ 1,683,867,526

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, 2006

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government:				
Governmental Activities:				
General Government	\$ 44,568,148	\$ 16,853,743	\$ 1,130,878	\$ -
Public Safety	212,010,952	16,817,147	6,170,320	182,098
Cultural-Recreational	65,389,229	14,543,642	840,656	-
Community Environment	97,613,466	1,911,484	60,642,530	16,595,338
Interest on Long-Term Debt	16,061,123	-	-	-
Total Government Activities	435,642,918	50,126,016	68,784,384	16,777,436
Business-type Activities:				
Electric	26,817,051	36,112,821	-	-
Gas	38,743,370	44,088,814	-	156,194
Water	54,110,525	88,497,653	88,641	9,664,972
Wastewater	67,180,688	49,618,163	17,500	8,857,196
Soild Waste	25,070,150	38,898,904	35,066	170,718
Airport	4,194,272	2,086,753	-	8,843,166
Golf Course	2,524,364	2,522,464	-	-
Convention Center	4,822,347	3,727,573	-	-
District Cooling	67,274	54,678	-	-
Total Business-type Activities	223,530,041	265,607,823	141,207	27,692,246
Total Primary Government	\$ 659,172,959	\$ 315,733,839	\$ 68,925,591	\$ 44,469,682

General Revenues:
Sales and 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**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (26,583,527)	\$ -	\$ (26,583,527)
(188,841,387)	-	(188,841,387)
(50,004,931)	-	(50,004,931)
(18,464,114)	-	(18,464,114)
<u>(16,061,123)</u>	<u>-</u>	<u>(16,061,123)</u>
<u>(299,955,082)</u>	<u>-</u>	<u>(299,955,082)</u>
-	9,295,770	9,295,770
-	5,501,638	5,501,638
-	44,140,741	44,140,741
-	(8,687,829)	(8,687,829)
-	14,034,538	14,034,538
-	6,735,647	6,735,647
-	(1,900)	(1,900)
-	(1,094,774)	(1,094,774)
-	<u>(12,596)</u>	<u>(12,596)</u>
-	<u>69,911,235</u>	<u>69,911,235</u>
<u>\$ (299,955,082)</u>	<u>\$ 69,911,235</u>	<u>\$ (230,043,847)</u>
130,561,985	-	130,561,985
103,848,818	-	103,848,818
12,205,647	-	12,205,647
5,430,860	4,818,652	10,249,512
10,052,208	553,806	10,606,014
<u>72,902,111</u>	<u>(72,902,111)</u>	<u>-</u>
<u>335,001,629</u>	<u>(67,529,653)</u>	<u>267,471,976</u>
35,046,547	2,381,582	37,428,129
<u>900,949,469</u>	<u>745,489,928</u>	<u>1,646,439,397</u>
<u>\$ 935,996,016</u>	<u>\$ 747,871,510</u>	<u>\$ 1,683,867,526</u>

CITY OF MESA, ARIZONA
EXHIBIT A-3
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2006

	<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	\$ 51,619,116	\$ 7,364,681	\$ 37,897,577	\$ 96,881,374
Investments	32,305,948	2,496,100	4,983,950	39,785,998
Accounts Receivable (Net of Allowances)	17,052,673	-	8,507	17,061,180
Accrued Interest Receivable	620,052	125,579	136,549	882,180
Due From Other Governments	20,757,486	3,400,997	65,317	24,223,800
Due From Other Funds	421,700	-	-	421,700
Prepaid Costs	503,131	-	4,086	507,217
Deposits	521,405	-	-	521,405
Restricted Assets:				-
Cash and Cash Equivalents	910,071	-	10,753,493	11,663,564
Accounts Receivable	2,615,335	-	5,034,997	7,650,332
Total Assets	<u>\$ 127,326,917</u>	<u>\$ 13,387,357</u>	<u>\$ 58,884,476</u>	<u>\$ 199,598,750</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants Outstanding	\$ 12,881,768	\$ -	\$ -	\$ 12,881,768
Accounts Payable	12,725,418	2,611,207	4,909,746	20,246,371
Customer and Defendant Deposits Payable From Restricted Assets:	8,943,238	-	32,752	8,975,990
Accounts Payable	-	-	3,107	3,107
Accrued Lease Interest Payable	-	-	130,384	130,384
Accrued Bond Interest Payable	-	-	7,709,656	7,709,656
Deferred Revenue	3,525,406	-	5,215,247	8,740,653
Matured General Obligation Bonds Payable	-	-	619,706	619,706
Matured Highway User Revenue Bonds Payable	-	-	135,000	135,000
Matured Capital Leases Payable	-	-	2,155,640	2,155,640
Total Liabilities	<u>38,075,830</u>	<u>2,611,207</u>	<u>20,911,238</u>	<u>61,598,275</u>
Fund Balances				
Reserved For Encumbrances	11,444,488	4,993,981	3,394,852	19,833,321
Reserved For Prepaid Costs	503,131	-	3,145	506,276
Reserved For Quality of Life Projects	49,309,686	-	-	49,309,686
Reserved For Debt Service	-	-	-	-
Unreserved, reported in:				
General Fund	27,993,782	-	-	27,993,782
Special Revenue Funds	-	5,782,169	15,963,821	21,745,990
Capital Project Funds	-	-	18,611,420	18,611,420
Total Fund Balances	<u>89,251,087</u>	<u>10,776,150</u>	<u>37,973,238</u>	<u>138,000,475</u>
Total Liabilities and Fund Balances	<u>\$ 127,326,917</u>	<u>\$ 13,387,357</u>	<u>\$ 58,884,476</u>	<u>\$ 199,598,750</u>

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

CITY OF MESA, ARIZONA
EXHIBIT A-4
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2006

Fund Balances - total governmental funds	\$ 138,000,475
Amounts reported for governmental activities in the statement of net assets are different because (also see Note 2 to the basic financial statements):	
Capital assets used in governmental activities are not financial resources and therefore not reported in the governmental funds.	1,146,328,270
Other assets used in governmental activities are not financial resources and therefore not reported in the governmental funds.	22,063,729
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore not reported in the governmental funds.	(398,548,235)
Deferred revenue for long-term rehabilitation loans and special assessments is shown on the governmental funds, but is not deferred on the statement of net assets.	5,168,143
Internal service funds are used by management to charge the costs of certain activities to individual funds.	<u>22,983,634</u>
Net assets of the governmental activities - statement of net assets	<u>\$ 935,996,016</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, 2006

	<u>General Fund</u>	<u>Highway User Revenue Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 130,561,985	\$ -	\$ -	\$ 130,561,985
Special Assessments	-	-	4,770	4,770
Licenses and Permits	16,019,481	-	7,125,581	23,145,062
Intergovernmental	126,686,249	37,604,411	14,262,575	178,553,235
Charges For Services	16,704,528	102,103	843,087	17,649,718
Fines and Forfeitures	8,646,215	14,649	388,243	9,049,107
Investment Income	2,921,330	546,083	908,597	4,376,010
Miscellaneous	7,504,944	17,906	2,110,013	9,632,863
Total Revenues	<u>309,044,732</u>	<u>38,285,152</u>	<u>25,642,866</u>	<u>372,972,750</u>
Expenditures:				
Current:				
General Government	36,730,857	-	-	36,730,857
Public Safety	190,761,508	-	-	190,761,508
Cultural-Recreational	56,187,851	-	87	56,187,938
Community Environment	10,340,387	30,132,922	19,606,518	60,079,827
Debt Service:				
Principal Retirement	-	-	8,857,085	8,857,085
Interest on Bonds	-	-	15,398,838	15,398,838
Interest on Leases	-	-	782,646	782,646
Issuance Costs on Refunding Bonds	-	-	234,487	234,487
Service Charges	-	-	55,510	55,510
Capital Outlay	36,413,256	5,144,129	37,759,590	79,316,975
Total Expenditures	<u>330,433,859</u>	<u>35,277,051</u>	<u>82,694,761</u>	<u>448,405,671</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(21,389,127)</u>	<u>3,008,101</u>	<u>(57,051,895)</u>	<u>(75,432,921)</u>
Other Financing Sources (Uses):				
Transfers In	75,000,000	-	31,253,593	106,253,593
Transfers Out	(21,541,499)	(5,965,263)	(4,833,048)	(32,339,810)
Face Amount of Bonds Issued	-	-	26,410,000	26,410,000
Premium on Issuance of Bonds	-	-	2,003,565	2,003,565
Proceeds From Obligations of Capital Leases	-	-	6,401,832	6,401,832
Refunding Bonds Issued	-	-	25,482,000	25,482,000
Payment to Refunding Bond Escrow Agent	-	-	(27,474,833)	(27,474,833)
Total Other Financing Sources and (Uses)	<u>53,458,501</u>	<u>(5,965,263)</u>	<u>59,243,109</u>	<u>106,736,347</u>
Net Change in Fund Balances	32,069,374	(2,957,162)	2,191,214	31,303,426
Fund Balances - Beginning	57,181,713	13,733,312	35,782,024	106,697,049
Fund Balances - Ending	<u>\$ 89,251,087</u>	<u>\$ 10,776,150</u>	<u>\$ 37,973,238</u>	<u>\$ 138,000,475</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, 2006

Net change in fund balances - total governmental funds \$ 31,303,426

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. 5,001,934

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. (1,505,705)

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
(\$79,316,975) exceeded depreciation (\$54,743,800) in the current period. 24,573,175

The net effect of miscellaneous transactions involving capital assets (e.g., donations,
transfers and disposals) is to increase net assets. (3,045,441)

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. (23,515,758)

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. (82,610)

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. 2,317,526

Change in net assets of the governmental activities - statement of activities \$ 35,046,547

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, 2006

	<u>Business-type Activities</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>Enterprise Fund</u>	
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 23,850,841	\$ 21,319,862
Investments	12,432,867	9,911,275
Accounts Receivable (Net of Allowances of \$1,552,500)	25,679,377	74,191
Accrued Interest Receivable	540,932	205,415
Due From Other Governments	1,257,284	33,190
Inventory	-	4,014,473
Prepaid Costs	34,330	529,273
Deposits	15,183,347	-
Restricted Assets:		
Cash and Cash Equivalents	13,124,927	-
Investments	8,605,738	-
Customer Deposits	2,925,843	-
Total Current Assets	103,635,486	36,087,679
Noncurrent Assets:		
Restricted Assets:		
Impact & Development Fees:		
Cash and Cash Equivalents	154,814	-
Bond Replacement, Extensions and Reserves:		
Cash and Cash Equivalents	4,667,093	-
Capital Projects:		
Cash and Cash Equivalents	72,381,354	-
Unamortized Bond Issue Costs	2,147,697	-
Total Restricted Assets	79,350,958	-
Capital Assets:		
Land	50,285,301	-
Water Rights	12,611,498	-
Buildings	76,032,272	1,798,468
Other Improvements	1,038,528,000	4,599,291
Machinery and Equipment	70,707,932	975,164
Construction in Progress	155,044,269	11,341
Excess of Cost Over Net Assets Acquired	12,522,509	-
Less Accumulated Depreciation and Amortization	(352,255,591)	(3,618,072)
Total Capital Assets, Net	1,063,476,190	3,766,192
Investment in Joint Ventures	235,180,241	-
Total Noncurrent Assets	1,298,656,431	3,766,192
Total Assets	\$ 1,481,642,875	\$ 39,853,871

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, 2006

	<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	\$ 10,628,741	\$ 976,296
Other Accrued Expenses	-	15,629,972
Due To Other Funds	-	421,700
Current Portion of Capital Leases	-	6,353
Current Liabilities-Payable From Restricted Assets:		
Bond Replacement, Extensions and Reserves-Accounts Payable	23,993	-
Capital Projects-Accounts Payable	7,427,865	-
Accrued Notes Interest Payable	7,345	-
Accrued Capital Lease Interest Payable	160,839	-
Accrued Bond Interest Payable	12,985,258	-
Deferred Revenue	7,804	-
Matured Bonds Payable	340,294	-
Matured Leases Payable	15,619,360	-
Customer Deposits and Prepayments	11,531,581	-
Current Portion of Long-term Liabilities:		
Current Portion of Revenue Bonds Payable	340,000	-
Current Portion of General Obligation Bonds Payable	294	-
Current Portion of Municipal Development Bonds Payable	4,500,000	-
Current Portion of Notes Payable	170,531	-
Current Portion of Leases Payable	1,333,286	-
Total Current Liabilities	<u>65,077,191</u>	<u>17,034,321</u>
Long-Term Liabilities:		
Revenue Bonds Payable, Net of Deferred Amounts on Refundings	641,345,538	-
General Obligation Bonds Payable	3,320,455	-
Municipal Development Corporation Bonds Payable	5,100,000	-
Notes Payable	589,462	-
Capital Leases	2,864,508	13,266
Unamortized Bond Premium	15,296,861	-
Total Long-Term Liabilities	<u>668,516,824</u>	<u>13,266</u>
Total Liabilities	<u>733,594,015</u>	<u>17,047,587</u>
NET ASSETS		
Invested In Capital Assets, Net of Related Debt	390,100,160	3,746,573
Restricted For:		
Convention Center	70,405	-
Airport	3,328,935	-
Golf Courses	16,456	-
Capital Projects	64,953,489	-
Debt Service	16,215,927	-
Bond Indentures	4,643,100	-
Water, Wastewater & Solid Waste Improvements	154,814	-
Unrestricted	268,565,574	19,059,711
Total Net Assets	<u>\$ 748,048,860</u>	<u>\$ 22,806,284</u>
Adjustment to reflect the consolidation of the internal service funds related to the enterprise fund.	(177,350)	
Total net assets of the business-type activities	<u>\$ 747,871,510</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, 2006

	<u>Business-type Activities</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>Enterprise Fund</u>	<u>Funds</u>
Operating Revenues:		
Electric Sales Pledged as Security for Revenue Bonds	\$ 36,112,821	\$ -
Gas Sales Pledged as Security for Revenue Bonds	44,088,814	-
Water Sales Pledged as Security for Revenue Bonds	88,497,653	-
Wastewater Charges Pledged as Security for Revenue Bonds	49,618,163	-
Solid Waste Charges Pledged as Security for Revenue Bonds	38,898,904	-
Airport Fees	2,086,753	-
Golf Course Fees	2,522,464	-
Convention Center Fees	3,727,573	-
District Cooling Charges	54,678	-
Charges For Services	-	18,181,497
Self-Insurance Contributions	-	46,555,532
Other	-	202,394
	<u>265,607,823</u>	<u>64,939,423</u>
Total Operating Revenues		
Operating Expenses:		
Electric	23,185,846	-
Gas	35,440,153	-
Water	27,264,820	-
Wastewater	19,911,660	-
Solid Waste	23,408,978	-
Airport	1,277,836	-
Golf Course	2,246,631	-
Convention Center	4,562,434	-
District Cooling	20,219	-
Warehouse, Maintenance & Services	-	18,221,647
Self-Insurance	-	46,723,005
	<u>137,318,577</u>	<u>64,944,652</u>
Total Operating Expenses		
Operating Income (Loss) Before Depreciation and Amortization	128,289,246	(5,229)
Depreciation and Amortization	<u>(54,801,979)</u>	<u>(293,277)</u>
Operating Income (Loss)	<u>73,487,267</u>	<u>(298,506)</u>

(Continued)

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

CITY OF MESA, ARIZONA

EXHIBIT A-8 (Continued)

STATEMENT OF REVENUES, EXPENSES

AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<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	4,803,968	-
Investment Income Unpledged	14,684	1,336,979
Intergovernmental	141,207	-
Miscellaneous Pledged as Security for Revenue Bonds	553,806	-
Miscellaneous Unpledged	-	1,717
Interest Expense:		
Revenue Bonds	(22,973,324)	-
General Obligation Bonds	(146,290)	-
Municipal Development Corporation Bonds	(479,621)	-
Notes Payable	(48,000)	-
Capital Leases	(226,103)	(706)
Amortization of Bond Issuance and Administrative Costs	(97,348)	-
Net Gain on Disposal of Capital Assets	13,637	753
Equity Interest in Joint Ventures	(7,432,270)	-
Total Nonoperating Revenues (Expenses)	<u>(25,875,654)</u>	<u>1,338,743</u>
Income before Transfers and Capital Contributions	47,611,613	1,040,237
Capital Contributions	29,961,041	-
Transfers In	5,694	1,257,123
Transfers Out	<u>(75,176,600)</u>	<u>-</u>
Change in Net Assets	2,401,748	2,297,360
Total Net Assets - Beginning	<u>745,647,112</u>	<u>20,508,924</u>
Total Net Assets - Ending	<u>\$ 748,048,860</u>	<u>\$ 22,806,284</u>
Adjustment to reflect consolidation of internal service funds related to the enterprise fund.	<u>(20,166)</u>	
Change in net assets of the business-type activities	<u>\$ 2,381,582</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, 2006

	<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	\$ 298,904,382	\$ -
Cash Received From Users	5,616,169	65,066,868
Cash Payments to Suppliers	(98,020,508)	(57,196,262)
Cash Payments to Employees	(40,801,494)	(8,898,329)
Net Cash Provided By (Used For) Operating Activities	<u>165,698,549</u>	<u>(1,027,723)</u>
Cash Flows From Noncapital Financing Activities:		
Deferred Revenue	7,804	-
Intergovernmental	136,197	-
Transfers In From Other Funds	5,694	1,257,123
Transfers Out to Other Funds	(75,176,600)	-
Net Cash Provided By (Used For) Noncapital Financing Activities	<u>(75,026,905)</u>	<u>1,257,123</u>
Cash Flows From Capital and Related Financing Activities:		
Proceeds From Bond Sales	173,503,619	-
Payment to Refunded Bond Escrow Agent	(66,881,745)	-
Acquisition and Construction of Capital Assets	(87,796,351)	(129,552)
Investment in Joint Ventures	(50,528,915)	-
Proceeds From Sale of Capital Assets	6,605,589	1,717
Principal Paid on Bonds, Leases and Notes Maturities	(7,325,386)	(6,172)
Interest Paid on Bonds, Leases and Notes	(27,319,275)	(706)
Bond Issuance and Administrative Expenses	222,532	-
Capital Contributed by Other Governments	3,569,285	-
Capital Contributed by Subdividers	7,556,058	-
Net Cash Used For Capital and Related Financing Activities	<u>(48,394,589)</u>	<u>(134,713)</u>
Cash Flows From Investing Activities:		
Purchase of Investment Securities	(27,552,109)	(4,998,872)
Proceeds from Sale and Maturities of Investment Securities	22,494,542	-
Interest Received on Investments	5,003,444	1,358,161
Net Cash Used For Investing Activities	<u>(54,123)</u>	<u>(3,640,711)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	42,222,932	(3,546,024)
Cash and Cash Equivalents at Beginning of Year	<u>71,956,097</u>	<u>24,865,886</u>
Cash and Cash Equivalents at End of Year	<u>\$ 114,179,029</u>	<u>\$ 21,319,862</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, 2006

	<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 (Used For) Operating Activities:		
Operating Income (Loss)	\$ <u>73,487,267</u>	\$ <u>(298,506)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Depreciation and Amortization	54,801,979	293,277
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	38,912,728	127,445
(Increase) in Inventory	-	(88,933)
(Increase) Decrease in Prepaid Costs	(4,877,378)	(53,134)
Increase (Decrease) in Accounts Payable	3,373,953	(261,973)
(Decrease) in Other Accrued Expense	-	(866,799)
Increase in Due to Other Funds	-	120,900
Total Adjustments	<u>92,211,282</u>	<u>(729,217)</u>
Net Cash Provided By (Used For) Operating Activities	\$ <u><u>165,698,549</u></u>	\$ <u><u>(1,027,723)</u></u>
Noncash Transactions Affecting Financial Position:		
Contributions of Capital Assets from Developers	\$ 16,566,903	-
Transfers of Capital Assets from Governmental Funds	2,268,795	-
Gain on Disposal of Capital Assets	6,509,848	753
Amortization of Bond Premium	1,602,257	-
Amortization of Debt Issuance Costs	319,880	-
Amortization of Deferred Amounts on Refundings	1,128,477	-
Accretion of Certificates of Supplementary Interest Payments	11,770	-
Decrease of Fair Market Value of Investments	16,380	90,772

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, 2006

	<u>Payroll Agency</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 13,300,927</u>
Total Assets	<u><u>\$ 13,300,927</u></u>
LIABILITIES	
Accrued Payroll Payable	<u>\$ 13,300,927</u>
Total Liabilities	<u><u>\$ 13,300,927</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, 2006

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 455,151 within an area of approximately 132 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.

a. **Reporting Entity**

The accompanying financial statements include the City and its blended component unit, the 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 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 \$2.5 million to the WGAA operating and capital budget during this fiscal year.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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 \$206,000. 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 13).

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.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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. 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.

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.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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.

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 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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

conflict with or contradict GASB pronouncements. 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, 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.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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:

Seven 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.

Nine 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.

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 and convention center.

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 \$3,199,638 of which \$231,010 was petty cash. The City's bank deposits were \$2,968,628 and the bank balance was \$4,245,835. Of the bank balance, \$100,160 was covered by federal depository insurance and \$4,145,675 was covered by collateral held in the pledging bank's trust department in the City's name.

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.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The City does purchase its own Special Improvement District Bonds with maturities that exceed three years.

Credit Risk. The City Charter 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, 2006, is equal to \$1.00. The State Treasurer's Investment Pool does not receive a credit quality rating.

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 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 \$254,145,118.

The City's investments and cash equivalents at June 30, 2006 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>14-15</u>
U.S. Agencies	\$ 64,564,900	\$ 44,718,850	\$ 19,846,050	* \$
City of Mesa Special Improvement District Bonds	4,979,323			4,979,323**
State Treasurer Plan 6 Pool	<u>1,191,655</u>	<u>1,191,655</u>		
Total Investments	<u>\$ 70,735,878</u>	<u>\$ 45,910,505</u>	<u>\$ 19,846,050</u>	<u>\$ 4,979,323</u>

*All of these bonds are callable from November 21, 2006 to April 17, 2007.

**These bonds are callable from July 1, 2006 to July 1, 2020.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Fair Value</u>
<u>Investments:</u>	
U.S. Government Agencies	\$ 64,564,900
City of Mesa Special Improvement District Bonds	4,979,323
Investments in State Treasurer's Plan 6 Pool	<u>1,191,655</u>
 Total Investments as Reported in the Financial Statements	 <u>70,735,878</u>
<u>Cash Equivalents:</u>	
Money Market Mutual Funds	6,058,476
Investments in State Treasurer's Local Government Investment Pool	<u>248,086,642</u>
 Total Cash Equivalents	 <u>254,145,118</u>
 Total Investments and Cash Equivalents	 <u>\$ 324,880,996</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 decrease in the fair value of investments during fiscal year 2005-06 of \$281,513. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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	\$ 12,766,809	\$ (691,845)	\$ 12,074,964
Courts	34,851,986	(32,692,624)	2,159,362
Other Customers	3,610,747	(792,400)	2,818,347
Restricted	2,615,335		2,615,335
Due from Other Governments:			
State Shared Revenues	9,734,874		9,734,874
Other	11,022,612		11,022,612
Highway User Revenue Fund:			
Due from Other Governments:			
State Shared Revenues	3,400,997		3,400,997
Internal Service Funds:			
Customers	74,191		74,191
Due from Other Governments:	33,190		33,190
Other Governmental Funds:			
Customers	8,507		8,507
Restricted-Spec. Assessments	5,034,997		5,034,997
Due from Other Governments:	<u>65,317</u>		<u>65,317</u>
Total Governmental Activities	<u>\$ 83,219,562</u>	<u>\$ (34,176,869)</u>	<u>\$ 49,042,693</u>
Business-Type Activities:			
Utility Customers	\$ 26,542,658	\$ (1,300,000)	\$ 25,242,658
Other Customers	689,219	(252,500)	436,719
Due from Other Governments:	<u>1,257,284</u>		<u>1,257,284</u>
Total Business-type Activities	<u>\$ 28,489,161</u>	<u>\$ (1,552,500)</u>	<u>\$ 26,936,661</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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 Projects (general fund)	\$ 591,714
Rehabilitation Revolving Loans not yet due (general fund)	133,146
Surcharges included in Court Receivables (general fund)	2,482,189
Grants received prior to meeting all eligibility requirements (general fund)	318,357
Lease Revenue not yet due (special revenue fund)	180,250
Special assessments not yet due (debt service fund)	<u>5,034,997</u>
Total deferred revenue for governmental funds	<u>\$8,740,653</u>

The deferred revenue of \$7,804 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, 2006:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds:		
General Fund	\$ <u>421,700</u>	\$ _____
Proprietary funds:		
Internal Service Funds	_____	<u>421,700</u>
Total	<u>\$ 421,700</u>	<u>\$ 421,700</u>

The interfund balances at June 30, 2006 are short-term loans to cover temporary cash deficits in various funds. All interfund balances outstanding at June 30, 2006 are expected to be repaid within one year.

The net transfers of \$72,902,111 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 \$2,268,795 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, 2006:

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Governmental funds:		
General Fund	\$ 21,541,499	\$ 75,000,000
Highway User Revenue Fund	5,965,263	
Non-major Governmental Funds	<u>4,833,048</u>	<u>31,253,593</u>
Total governmental funds	32,339,810	106,253,593
Proprietary funds:		
Enterprise Fund	75,176,600	5,694
Internal Service Funds		<u>1,257,123</u>
Total	<u>\$ 107,516,410</u>	<u>\$ 107,516,410</u>

The interfund transfers generally fall within one of the 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, 2006, unbilled utility service receivables are recorded in the Enterprise Fund as follows:

Electric	\$ 3,011,439
Gas	1,294,987
Water	4,667,374
Wastewater	2,332,193
Solid Waste	<u>1,594,828</u>
	<u>\$12,900,821</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, 2006

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, 2006

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2006 follows:

	Balance July 1, 2005	Additions	Retirements	Transfers	Balance June 30, 2006
Governmental Activities:					
Non-depreciable Assets:					
Land	\$ 217,108,915	\$ 5,067,820	\$ (1,616,508)	\$ -	\$ 220,560,227
Construction-in-Progress	<u>162,968,692</u>	<u>70,331,302</u>	<u>(147,890,735)</u>	-	<u>85,409,259</u>
Total Non-depreciable Assets	<u>380,077,607</u>	<u>75,399,122</u>	<u>(149,507,243)</u>	-	<u>305,969,486</u>
Depreciable Assets:					
Buildings	191,409,370	91,298,492	(290,254)	16,771,385	299,188,993
Other Improvements	122,481,087	2,309,058	(537,834)	(16,707,882)	107,544,429
Machinery & Equipment	145,600,337	25,948,278	(17,500,788)	(1,334,286)	152,713,541
Infrastructure	<u>637,446,319</u>	<u>29,122,735</u>	<u>(3,812,635)</u>	<u>(998,012)</u>	<u>661,758,407</u>
Total Depreciable Assets	<u>1,096,937,113</u>	<u>148,678,563</u>	<u>(22,141,511)</u>	<u>(2,268,795)</u>	<u>1,221,205,370</u>
Less Accumulated Depreciation for:					
Buildings	(44,983,924)	(6,057,563)	112,690	18,303	(50,910,494)
Other Improvements	(32,866,128)	(3,880,737)	455,335	30,482	(36,261,048)
Machinery & Equipment	(84,560,286)	(15,541,459)	12,842,773	(48,785)	(87,307,757)
Infrastructure	<u>(176,783,205)</u>	<u>(29,538,521)</u>	<u>3,720,631</u>	-	<u>(202,601,095)</u>
Total Accum. Depreciation	<u>(339,193,543)</u>	<u>(55,018,280)</u>	<u>17,131,429</u>	-	<u>(377,080,394)</u>
Total Depreciable Assets, net	<u>757,743,570</u>	<u>93,660,283</u>	<u>(5,010,082)</u>	<u>(2,268,795)</u>	<u>844,124,976</u>
Governmental Activities					
Capital Assets, net	<u>\$ 1,137,821,177</u>	<u>\$ 169,059,405</u>	<u>\$ (154,517,325)</u>	<u>\$ (2,268,795)</u>	<u>\$ 1,150,094,462</u>

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

General Government	\$ 4,582,536
Public Safety	11,509,768
Cultural – Recreational	7,431,177
Community Environment	31,201,522
Capital assets held by the City’s internal service funds are charged to the various functions based on their usage of the assets	<u>293,277</u>
Total Depreciation	<u>\$55,018,280</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Balance July 1, 2005	Additions	Retirements	Transfers	Balance June 30, 2006
Business-type Activities:					
Non-depreciable Assets:					
Land	\$ 49,705,076	\$ 1,506,668	\$ (926,443)	\$ -	\$ 50,285,301
Water Rights	10,900,500	1,710,998	-	-	12,611,498
Construction-in-Progress	<u>179,028,718</u>	<u>87,482,083</u>	<u>(111,466,532)</u>	-	<u>155,044,269</u>
Total Non-depreciable Assets	<u>239,634,294</u>	<u>90,699,749</u>	<u>(112,392,975)</u>	-	<u>217,941,068</u>
Depreciable Assets:					
Buildings	40,771,673	36,231,472	(970,873)	-	76,032,272
Other Improvements	991,758,838	59,265,669	(13,454,238)	957,731	1,038,528,000
Machinery & Equipment	38,415,893	32,368,855	(1,387,880)	1,311,064	70,707,932
Excess of Cost over Net Assets					-
Acquired	<u>13,982,586</u>	-	<u>(1,460,077)</u>	-	<u>12,522,509</u>
Total Depreciable Assets	<u>1,084,928,990</u>	<u>127,865,996</u>	<u>(17,273,068)</u>	<u>2,268,795</u>	<u>1,197,790,713</u>
Less Accum. Depr. & Amort. for:					
Buildings	(14,107,255)	(6,603,083)	314,583	-	(20,395,755)
Other Improvements	(262,290,135)	(30,733,875)	9,145,787	225	(283,877,998)
Machinery & Equipment	(24,604,352)	(17,027,486)	1,326,151	(225)	(40,305,912)
Excess of Cost over Net Assets					
Acquired	<u>(8,121,141)</u>	<u>(437,535)</u>	<u>882,750</u>	-	<u>(7,675,926)</u>
Total Accum. Depr. & Amort.	<u>(309,122,883)</u>	<u>(54,801,979)</u>	<u>11,669,271</u>	-	<u>(352,255,591)</u>
Total Depreciable Assets, net	<u>775,806,107</u>	<u>73,064,017</u>	<u>(5,603,797)</u>	<u>2,268,795</u>	<u>845,535,122</u>
Business-type Activities					
Capital Assets, net	<u>\$ 1,015,440,401</u>	<u>\$ 163,763,766</u>	<u>\$ (117,996,772)</u>	<u>\$ 2,268,795</u>	<u>\$ 1,063,476,190</u>

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

Electric	\$ 3,292,379
Gas	2,218,638
Water	14,750,387
Wastewater	25,365,194
Solid Waste	1,591,811
Airport	7,057,632
Golf Course	222,895
Convention Center	255,988
District Cooling	<u>47,055</u>
Total Depreciation	<u>\$54,801,979</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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	\$ 12,629,817	\$ 1,188,081
Public Safety	6,792,202	4,760,529
Cultural-Recreational	5,866,061	4,710,146
Community Environmental	60,109,838	5,841,099
Warehouse, Maintenance & Services	11,341	6,104
Total	<u>\$ 85,409,259</u>	<u>\$ 16,505,959</u>
 <u>Business-type Activities</u> 		
Electric	\$ 2,539,920	\$ 86,305
Gas	9,196,254	172,956
Water	84,174,230	13,178,237
Sewer	56,574,780	42,243,081
Solid Waste	926,859	607,219
Airport	1,462,468	583,553
Golf Course	149,867	7,825
Convention Center	19,891	-
Total	<u>\$ 155,044,269</u>	<u>\$ 56,879,176</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, 2006 was \$12,522,509 and \$7,675,926, respectively.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

n. **Capitalization of Interest**

For the year ended June 30, 2006, the City capitalized net interest costs of \$2,300,560 (interest expense of \$2,766,795, reduced by interest income of \$466,235 in the Business-type Activities Enterprise Fund). Total interest expense and income in the Business-type Activities Enterprise Fund before capitalization was \$26,640,133 and \$5,284,887, 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 \$600,000 liability per occurrence. The current policy went into effect July 1, 2005; prior to that, the coverage level was \$500,000. In the Employee Benefit Fund, the City has excess insurance coverage when an individual's claims exceeds \$150,000 per contract year; however, no claims will be reimbursed until all claims in excess of the specific attachment point (\$150,000) exceed the aggregate specific (\$175,000). This policy went into effect January 1, 2006. Prior to that, the City had excess insurance coverage when total claims exceeded 125 percent of the contracted projected claims or when an individual's claim exceeded \$150,000 per year. There were no changes in insurance coverage during this fiscal year for the Property and Public Liability Self-Insurance Fund.

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 2006.

The Stop Loss Receivable balance for the Workers' Compensation Fund at June 30, 2006 is \$64,530. None of this was established during the current fiscal year. Over the past three fiscal years the Fund has received settlements in excess of insurance coverage of \$235,311 with \$30,697 received this current fiscal year. The Property and Public Liability Fund does not have a Stop Loss Receivable at June 30, 2006, and the Fund has not received any settlements in excess of insurance coverage over the past three fiscal years. The Employee Benefits Fund has a Stop Loss Receivable at June 30, 2006 of \$9,600 that was established this current fiscal year. Over the past three fiscal years the Fund has received settlements in excess of insurance coverage of \$634,180 with \$496,407 received this current fiscal year.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

	Property & Public Liability	Workers' Compensation	Employee Benefit	Total
Unpaid Claims, 7/1/04	\$ 8,900,000	\$ 6,532,881	\$ 2,180,676	\$ 17,613,557
Adjustments to Reserves-FY 04-05	1,694,707	1,914,606	33,735,584	37,344,897
Claim Payments-FY 04-05	<u>(3,794,707)</u>	<u>(2,518,176)</u>	<u>(32,148,800)</u>	<u>(38,461,683)</u>
Unpaid Claims, 6/30/05	\$ 6,800,000	\$ 5,929,311	\$ 3,767,460	\$ 16,496,771
Adjustments to Reserves-FY 05-06	\$ 1,645,733	\$ 1,725,495	\$ 34,840,620	\$ 38,211,848
Claim Payments-FY 05-06	<u>(1,345,733)</u>	<u>(2,726,995)</u>	<u>(35,005,919)</u>	<u>(39,078,647)</u>
Unpaid Claims, 6/30/06	<u>\$ 7,100,000</u>	<u>\$ 4,927,811</u>	<u>\$ 3,602,161</u>	<u>\$ 15,629,972</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.

p. **Compensated Absences**

The current portion of governmental funds accrued vacation and sick leave benefits payable are included as a liability in the Payroll Agency Fund 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 Payroll Agency Fund in the 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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Local Government Investment Pool since the City may deposit or withdraw cash at any time without prior notice or penalty.

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 Agency, Property and Public Liability, Workers' Compensation, and Employee Benefits Self-Insurance. 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. Budgets are established, however, for management purposes for the three Self-Insurance Funds.

Budget schedules for the major governmental funds (General and Highway User Revenue Funds) are presented in the Required Supplementary 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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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.

Budgeted amounts are as originally adopted by the City Council on June 20, 2005.

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, 2006 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.

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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	\$ 96,881,374	\$	\$ 21,319,862		\$ 118,201,236
Investments	39,785,998		9,911,275		49,697,273
Accounts Receivable, net	17,061,180		74,191		17,135,371
Interest Receivable	882,180		205,415		1,087,595
Due From Other Governments	24,223,800		33,190		24,256,990
Due From Other Funds	421,700		177,350	(421,700)	177,350
Inventories			4,014,473		4,014,473
Prepaid Costs	507,217		529,273		1,036,490
Deposits	521,405				521,405
Restricted Cash and Cash Equivalents	11,663,564				11,663,564
Restricted Accounts Receivable - Deferred	7,650,332				7,650,332
Unamortized Bond Issuance Costs		1,754,775			1,754,775
Investment in Joint Ventures		20,308,954			20,308,954
Capital Assets		1,146,328,270	3,766,192		1,150,094,462
Total Assets	\$ <u>199,598,750</u>	\$ <u>1,168,391,999</u>	\$ <u>40,031,221</u>	\$ <u>(421,700)</u>	\$ <u>1,407,600,270</u>
Liabilities					
Warrants Outstanding	\$ 12,881,768	\$	\$	\$	\$ 12,881,768
Accounts Payable	20,246,371		976,296		21,222,667
Other Accrued Expenses			15,629,972		15,629,972
Due To Other Funds			421,700	(421,700)	-
Customer and Defendant Deposits	8,975,990				8,975,990
Restricted Accounts Payable	3,107				3,107
Restricted Lease Interest Payable	130,384				130,384
Restricted Bond Interest Payable	7,709,656				7,709,656
Restricted Deferred Revenue	8,740,653	(5,168,143)			3,572,510
Matured G.O. Bonds Payable	619,706				619,706
Matured HURF Bonds Payable	135,000				135,000
Matured Capital Leases Payable	2,155,640				2,155,640
Long-term Liabilities		398,548,235	19,619		398,567,854
Total Liabilities	\$ <u>61,598,275</u>	\$ <u>393,380,092</u>	\$ <u>17,047,587</u>	\$ <u>(421,700)</u>	\$ <u>471,604,254</u>
Fund Balance/Net Assets					
Total Fund Balance/Net Assets	\$ <u>138,000,475</u>	\$ <u>775,011,907</u>	\$ <u>22,983,634</u>	\$ <u>-</u>	\$ <u>935,996,016</u>
Total Liabilities and Fund Balance/Net Assets	\$ <u>199,598,750</u>	\$ <u>1,168,391,999</u>	\$ <u>40,031,221</u>	\$ <u>(421,700)</u>	\$ <u>1,407,600,270</u>

(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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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	\$1,519,790,592
Accumulated depreciation	<u>(373,462,322)</u>
	<u>\$1,146,328,270</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>20,308,954</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>1,754,775</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	\$ 346,083,262
Capital leases	23,157,337
Compensated absences	17,671,414
Unamortized bond premium	<u>11,636,222</u>
	<u>\$ 398,548,235</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	\$ 5,034,997
Deferred rehabilitation loan revenue	<u>133,146</u>
	<u>\$ 5,168,143</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>22,983,634</u>
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(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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	\$ 130,561,985	\$	\$	\$	\$	\$	\$ 130,561,985
Special Assessments	4,770	5,020,230					5,025,000
Licenses and Permits	23,145,062						23,145,062
Intergovernmental	178,553,235	(18,296)					178,534,939
Charges for Services	17,649,718						17,649,718
Contributions				12,205,647			12,205,647
Fines and Forfeitures	9,049,107						9,049,107
Investment Income	4,376,010			1,336,979			5,712,989
Miscellaneous	9,632,863	215,234		204,111			10,052,208
Other Sources:							
Capital Contributions			5,850,699				5,850,699
Transfers In	106,253,593					(31,253,593)	75,000,000
Face Amount of Bond Sales	26,410,000				(26,410,000)		-
Premiums on Issuance of Bonds	2,003,565	(215,234)			(1,788,331)		-
Proceeds From Capital Leases	6,401,832				(6,401,832)		-
Proceeds From Refunding Issue	25,482,000				(25,482,000)		-
Total Revenues and Other Sources	\$ 539,523,740	\$ 5,001,934	\$ 5,850,699	\$ 13,746,737	\$ (60,082,163)	\$ (31,253,593)	\$ 472,787,354
Expenditures/Expenses							
Current:							
General Government	\$ 36,730,857	\$ 210,363	\$ 5,859,155	\$ 1,746,324	\$ 21,449	\$	\$ 44,568,148
Public Safety	190,761,508	1,025,773	11,584,649	8,596,604	42,418		212,010,952
Cultural-Recreational	56,187,938	229,092	7,446,171	1,484,024	42,004		65,389,229
Community Environment	60,079,827	95,987	36,481,170	859,382	97,100		97,613,466
Debt Service:							
Principal Payments	8,857,085				(8,857,085)		-
Interest on Bonds	15,398,838				(152,661)		15,246,177
Interest on Capital Leases	782,646				32,300		814,946
Issuance Costs on Refunding Bonds	234,487				(234,487)		-
Service Charges	55,510	(55,510)					-
Capital Outlay	79,316,975		(79,316,975)				-
Total Expenditures/Expenses	\$ 448,405,671	\$ 1,505,705	\$ (17,945,830)	\$ 12,686,334	\$ (9,008,962)	\$ -	\$ 435,642,918
Other Financing Uses/							
Changes in Net Assets							
Transfers Out	32,339,810		2,268,795	(1,257,123)		(31,253,593)	2,097,889
Payment to Refunded Bond Escrow Agent	27,474,833				(27,474,833)		-
Total Expenditures/Expenses & Other Financing Uses	508,220,314	1,505,705	(15,677,035)	11,429,211	(36,483,795)	(31,253,593)	437,740,807
Net Change for the Year	\$ 31,303,426	\$ 3,496,229	\$ 21,527,734	\$ 2,317,526	\$ (23,598,368)	\$ -	\$ 35,046,547

(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	\$5,020,230
Rehabilitation loan revenue	(18,296)
Total	<u>\$5,001,934</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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	\$ <u>1,505,705</u>
Total	\$ <u>1,505,705</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	\$ 70,206,699
Capital outlay for joint venture	9,110,276
Depreciation expense	(54,725,003)
Depreciation expense for joint venture	<u>(18,797)</u>
Total	\$ <u>24,573,175</u>

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

Donation of capital assets	\$ 5,850,699
Loss on disposal of capital assets	(6,627,345)
Transfer of capital assets	<u>(2,268,795)</u>
Total	\$ <u>(3,045,441)</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	\$ 13,746,737
Expenditures and other uses	(12,686,334)
Transfers in	<u>1,257,123</u>
Change in net assets	\$ <u>2,317,526</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

- (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)	
Revenue bond proceeds	\$(11,675,000)
General Obligation bond proceeds	(40,217,000)
Premiums on Refunding Bonds	(1,788,331)
Capital lease proceeds	(6,401,832)
Principal repayments	8,857,085
Payment to refunded bond escrow agent	27,474,833
Issuance Costs on Refunding Bonds	<u>234,487</u>
Total	<u><u>\$(23,515,758)</u></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	\$ (202,971)
Amortization of deferred amounts	(200,338)
Accretion of certificates	<u>320,699</u>
Total	<u><u>\$ (82,610)</u></u>

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

Transfers out	\$ 31,253,593
Transfers in	<u>(31,253,593)</u>
Total	<u><u>\$ -</u></u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

3. POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 4, the City provides post-retirement health care benefits to all 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, 2006, approximately 1,080 former employees were eligible for these benefits.

The City's cost for retiree health insurance for the fiscal year ended June 30, 2006 was \$4,239,968. This cost represents actual claims paid for retirees under the self-insurance program and premiums paid to the vision care provider; net of contributions received from retirees and retirement systems.

4. 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 7.40 percent of their salary to the System during fiscal year 2005-06 and the City was required to match it. The Arizona Revised Statutes ("A.R.S.") provide statutory authority for determining the

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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, 2006, 2005 and 2004 were \$10,041,506, \$8,046,641 and \$7,559,156, 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 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 2005-06 was 20.54 percent. The City's contributions to EORP for the fiscal years ending June 30, 2006, 2005 and 2004 were \$29,636, \$17,817 and \$19,062, respectively, which were equal to the required contributions for each year. The City's employees contributed \$10,099, \$9,243 and \$9,891 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

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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 2005-06 was 10.81 percent for fire personnel and 11.26 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)

c. **Annual Pension Cost**

Police personnel contributed \$3,942,045 and fire personnel \$1,951,863 during fiscal year 2005-06. For 2006, the City's annual pension cost of \$5,802,278 for police and \$2,758,123 for fire was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 9 percent investment rate of return, (b) projected salary increases of 6.5 percent per year compounded annually attributable to inflation and other across-the-board increases, (c) additional projected salary increases ranging from 0.0 percent to 3.0 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 20 years.

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

Police

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2003	\$ 3,267,907	100 %	-
2004	4,469,549	100	-
2005	4,995,079	100	-

Fire

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2003	\$ 1,162,926	100 %	\$ -
2004	1,716,783	100	-
2005	2,438,281	100	-

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
1996	\$ 88,796,871	\$ 86,487,738	102.7%	\$ (2,309,133)	\$ 27,244,348	- %
1997	107,257,407	96,853,824	110.7%	(10,403,583)	30,118,564	-
1998	120,765,775	108,157,318	111.7%	(12,608,457)	32,659,519	-
1999	143,165,304	119,519,031	119.8%	(23,646,273)	34,913,388	-
2000	168,065,424	138,558,410	121.3%	(29,507,014)	41,356,041	-
2001	187,280,489	151,987,452	123.2%	(35,293,037)	44,675,271	-
2002	191,200,945	170,390,053	112.2%	(20,810,892)	48,128,704	-
2003	199,339,444	190,290,565	104.8%	(9,048,879)	48,854,068	-
2004	204,165,027	207,950,516	98.2%	3,785,489	48,742,220	7.8
2005	213,696,650	247,592,446	86.3%	33,895,796	51,400,085	65.9

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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
1996	\$ 64,501,566	\$ 54,347,247	118.7%	\$ (10,154,319)	\$ 14,785,955	- %
1997	76,602,958	60,384,792	126.9%	(16,218,166)	15,573,320	-
1998	84,034,496	69,351,133	121.2%	(14,683,363)	17,324,713	-
1999	98,666,741	78,166,154	126.2%	(20,500,587)	19,069,238	-
2000	115,297,435	88,631,745	130.1%	(26,665,690)	20,882,521	-
2001	127,968,471	96,981,661	132.0%	(30,986,810)	23,072,687	-
2002	130,154,053	110,765,627	117.5%	(19,388,426)	22,823,965	-
2003	135,273,964	127,311,489	106.3%	(7,962,475)	22,625,122	-
2004	137,550,141	135,831,878	101.3%	(1,718,263)	22,386,133	-
2005	143,372,232	160,467,876	89.3%	17,095,644	24,552,560	69.6

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CITY OF MESA, ARIZONA
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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	\$ 198,769,540	\$ 35,192,000	\$ (26,101,706)	\$ 207,859,834	\$ 659,706
Municipal Development Corp. Bonds	9,970,000	-	-	9,970,000	-
Highway User Revenue Bonds	120,410,000	11,675,000	(135,000)	131,950,000	165,000
Special Assessment Bonds					
with Governmental Commitment	36,000	5,025,000	(12,000)	5,049,000	343,000
Add Certificates of Supplemental Interest	2,461,420	84,433	(405,132)	2,140,721	-
Less Deferred Amounts on Refundings	<u>(10,042,623)</u>	<u>(1,992,833)</u>	<u>1,149,163</u>	<u>(10,886,293)</u>	<u>-</u>
Total Bonds Payable	<u>321,604,337</u>	<u>49,983,600</u>	<u>(25,504,675)</u>	<u>346,083,262</u>	<u>1,167,706</u>
Capital Leases	24,968,195	6,401,832	(8,096,551)	23,273,476	6,434,787
Less Deferred Amounts on Refundings	(166,567)	-	70,047	(96,520)	-
Unamortized Bond Premiums	10,866,761	1,788,331	(1,018,870)	11,636,222	-
Compensated Absences	<u>16,165,709</u>	<u>14,100,841</u>	<u>(12,595,136)</u>	<u>17,671,414</u>	<u>3,065,273</u>
Governmental Activities Total	<u>\$ 373,438,435</u>	<u>\$ 72,274,604</u>	<u>\$ (47,145,185)</u>	<u>\$ 398,567,854</u>	<u>\$ 10,667,766</u>
Business-type Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 3,290,460	\$ 1,168,000	\$ (1,168,294)	\$ 3,290,166	\$ 294
Municipal Development Corp. Bonds	13,500,000	-	(3,900,000)	9,600,000	4,500,000
Utility System Revenue Bonds	549,415,000	166,700,000	(61,030,000)	655,085,000	340,000
Add Certificates of Supplemental Interest	90,316	3,098	(14,868)	78,546	-
Less Deferred Amounts on Refundings	<u>(10,154,358)</u>	<u>(4,592,830)</u>	<u>1,299,763</u>	<u>(13,447,425)</u>	<u>-</u>
Total Bonds Payable	<u>556,141,418</u>	<u>163,278,268</u>	<u>(64,813,399)</u>	<u>654,606,287</u>	<u>4,840,294</u>
Notes Payable	921,377	-	(161,384)	759,993	170,531
Capital Leases	21,641,099	-	(17,339,925)	4,301,174	1,333,286
Less Deferred Amounts on Refundings	(178,407)	-	75,027	(103,380)	-
Unamortized Bond Premiums	<u>12,423,329</u>	<u>4,475,789</u>	<u>(1,602,257)</u>	<u>15,296,861</u>	<u>-</u>
Business-type Activities Total	<u>\$ 590,948,816</u>	<u>\$ 167,754,057</u>	<u>\$ (83,841,938)</u>	<u>\$ 674,860,935</u>	<u>\$ 6,344,111</u>

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b. **Bonds Payable**

At June 30, 2006, long-term bonds payable consisted of:

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

General Obligation Bonds

\$20,060,000 1995 general obligation serial bonds (partially refunded by general obligation refunding bonds, series 2002 & 2004), due on July 1, 2007, plus semi-annual interest of 6.75 percent through July 1, 2007.	\$ 425,000
\$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
\$18,100,000 1998 general obligation refunding serial bonds, due in annual principal installments ranging from \$175,000 to \$16,875,000, plus semi-annual interest ranging from 4.10 percent to 4.50 percent through July 1, 2008.	17,050,000
\$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.	23,721,402
\$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, 2006, include \$2,140,722 of certificates of ownership of supplemental interest payments and \$241,841 of capital appreciation maturing through 2010.	39,519,074
\$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.	43,350,453

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\$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

\$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. 23,513,803

Total General Obligation Bonds **\$203,015,922**
 Deferred amounts on refundings 6,984,633
 Certificates of Supplemental Interest (2,140,721)
 Total General Obligation Bonds not including deferred amounts on refundings and certificates of supplemental interest **\$207,859,834**

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. \$ 9,970,000

Total Municipal Development Corp. Bonds **\$ 9,970,000**

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

\$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

\$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

\$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

\$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. 30,222,000

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\$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.	16,710,341
\$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.	22,400,999
\$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.	<u>11,675,000</u>

Total Street and Highway User Revenue Bonds	\$128,048,340
Deferred amounts on refundings	<u>3,901,660</u>
Total Street and Highway User Revenue Bonds not including deferred amounts on refundings	<u>\$131,950,000</u>

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

\$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.	\$ 24,000
\$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.	<u>5,025,000</u>

Total Special Assessment Bonds	\$ <u>5,049,000</u>
Total bonds payable recorded in governmental activities	<u>\$346,083,262</u>

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
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\$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.	119,167
\$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, 2006, include \$78,546 of certificates of ownership of supplemental interest payments and \$8,902 of capital appreciation maturing through 2010.	1,450,072
\$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	\$ 3,320,749
Deferred amounts on refundings	47,963
Certificates of Supplemental Interest	<u>(78,546)</u>
Total General Obligation Bonds not including deferred amounts on refundings and certificates of supplemental interest	\$ <u>3,290,166</u>
<u>Municipal Development Corp. Bonds</u>	
\$20,600,000 2001 City of Mesa Municipal Development Corp., excise tax revenue refunding bonds, series 2001 serial bonds, due in annual principal installments ranging from \$800,000 to \$5,100,000, plus semi-annual interest ranging from 3.50 percent to 4.25 percent through January 1, 2008.	\$ <u>9,600,000</u>
Total Municipal Development Corp. Bonds	\$ <u>9,600,000</u>
<u>Utility Systems Revenue Bonds</u>	
\$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 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.	19,470,000
\$32,500,000 1998 utility systems revenue refunding serial bonds (partially refunded by 2002A & 2006 utility systems revenue refunding bonds), due in	

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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.	16,351,576
\$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.	125,293,478
\$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.	46,751,740
\$50,470,000 2003 utility systems revenue serial 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.	50,470,000
\$64,625,000 2004 utility systems revenue serial 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.	64,625,000
\$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.	37,818,913
\$91,200,000 2005 utility systems revenue serial 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.	91,200,000
\$105,400,000 2006 utility systems revenue serial 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.	105,400,000
\$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.	<u>56,904,831</u>
Total Utility Systems Revenue Bonds	\$641,685,538
Deferred amounts on refundings	<u>13,399,462</u>
Total Utility System Revenue Bonds not including deferred amounts on refundings	<u>655,085,000</u>
Total bonds payable recorded in business-type activities	<u>\$654,606,287</u>

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NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The following tables summarize the City's debt service requirements to maturity for its long term bonds payable at June 30, 2006. 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>
2007	\$ 659,706	\$ 10,209,725	\$ 10,869,431	2007	\$ 165,000	\$ 6,405,689	\$ 6,570,689
2008	16,939,682	10,026,432	26,966,114	2008	170,000	6,355,880	6,525,880
2009	16,017,910	9,264,551	25,282,461	2009	2,025,000	6,350,480	8,375,480
2010	16,783,189	9,125,473	25,908,662	2010	5,720,000	6,219,230	11,939,230
2011	17,090,395	7,190,081	24,280,476	2011	6,030,000	5,893,055	11,923,055
2012-16	69,829,372	24,287,299	94,116,671	2012-16	35,225,000	24,605,882	59,830,882
2017-21	54,619,580	9,030,829	63,650,409	2017-21	44,165,000	15,598,098	59,763,098
2022-25	<u>15,920,000</u>	<u>1,720,681</u>	<u>17,640,681</u>	2022-25	<u>38,450,000</u>	<u>4,558,813</u>	<u>43,008,813</u>
TOTALS	\$ <u>207,859,834</u>	\$ <u>80,855,071</u>	\$ <u>288,714,905</u>	TOTALS	\$ <u>131,950,000</u>	\$ <u>75,987,127</u>	\$ <u>207,937,127</u>

Special Assessment Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 343,000	\$ 282,935	\$ 625,935
2008	343,000	263,025	606,025
2009	343,000	243,115	586,115
2010	335,000	223,445	558,445
2011	335,000	204,015	539,015
2012-16	1,675,000	728,625	2,403,625
2017-21	<u>1,675,000</u>	<u>242,875</u>	<u>1,917,875</u>
TOTALS	\$ <u>5,049,000</u>	\$ <u>2,188,035</u>	\$ <u>7,237,035</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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>
2007	\$ 294	\$ 173,875	\$ 174,169	2007	\$ 340,000	\$ 32,712,839	\$ 33,052,839
2008	318	168,887	169,205	2008	9,210,000	32,036,114	41,246,114
2009	332,090	168,874	500,964	2009	9,715,000	31,577,308	41,292,308
2010	266,811	176,362	443,173	2010	10,375,000	31,056,107	41,431,107
2011	469,605	122,824	592,429	2011	12,475,000	30,442,608	42,917,608
2012-16	2,035,628	243,563	2,279,191	2012-16	170,545,000	132,976,630	303,521,630
2017-21	185,420	16,578	201,998	2017-21	162,325,000	87,930,605	250,255,605
2022-26			-	2022-26	142,850,000	51,706,562	194,556,562
2027-30			-	2027-30	137,250,000	15,514,688	152,764,688
TOTALS	\$ 3,290,166	\$ 1,070,963	\$ 4,361,129	TOTALS	\$ 655,085,000	\$ 445,953,461	\$ 1,101,038,461

**Municipal Development
 Corporation Bonds**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 4,500,000	\$ 309,000	\$ 4,809,000
2008	5,100,000	108,375	5,208,375
TOTALS	\$ 9,600,000	\$ 417,375	\$ 10,017,375

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 so collected to retire the bonds issued to finance the improvements. At June 30, 2006, 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, 2006 are \$5,049,000.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

General Obligation Bonds

The general obligation bonds are backed by the ultimate taxing power and general revenues of the City; however, \$3,320,749 of these bonds at June 30, 2006 is carried as a liability of the Enterprise Fund to reflect the intention of retirement from resources of that fund.

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

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

The total debt margin available July 1, 2006 is:

6% Bonds	\$ 69,584,217
20% Bonds	<u>520,864,058</u>
Total Available	<u>\$590,448,275</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, 2006, the amount provided in the Replacement and Extension Funds equaled \$4,643,100 which is in compliance with the bond provisions.

d. **Notes Payable**

The City has entered into two separate loan agreements with the State of Arizona Department of Transportation Aeronautics Division State Aviation Fund for the

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

construction of T-Hangars at the airport. The interest rate on the notes is 5.03 and 6.02 percent.

The following table reflects the annual requirements to amortize all notes outstanding as of June 30, 2006, as presented in the business-type activities.

Fiscal Year				
Ending June 30	Principal	Interest	Total	
2007	\$ 170,531	\$ 40,345	\$ 210,876	
2008	157,898	30,677	188,575	
2009	98,376	23,295	121,671	
2010	104,464	17,207	121,671	
2011	110,929	10,742	121,671	
2012	117,795	3,876	121,671	
TOTALS	\$ 759,993	\$ 126,142	\$ 886,135	

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, 2006. The deferred amounts on refundings are not included.

Fiscal Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 6,434,787	\$ 842,391	\$ 7,277,178	\$ 1,333,286	\$ 122,747	\$ 1,456,033
2008	6,658,168	605,088	7,263,256	1,360,046	82,267	1,442,313
2009	5,801,129	351,520	6,152,649	1,415,655	39,122	1,454,777
2010	2,269,761	178,582	2,448,343	192,187	4,317	196,504
2011	937,787	96,716	1,034,503			-
2012-13	1,171,844	78,613	1,250,457			-
TOTALS	\$ 23,273,476	\$ 2,152,910	\$ 25,426,386	\$ 4,301,174	\$ 248,453	\$ 4,549,627

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Asset:		
Land	\$ 3,642,860	\$
Buildings	11,167,294	
Other Improvements	3,285,793	10,646,407
Machinery & Equipment	23,130,484	3,435,340
Infrastructure	85,936	
Construction Work in Process	1,837,288	14,350,000
Less: Accumulated depreciation	<u>(8,989,942)</u>	<u>(7,029,780)</u>
Total	<u>\$ 34,159,713</u>	<u>\$ 21,401,967</u>

f. **Short-term Debt**

The City had no short-term debt activity for the fiscal year ended June 30, 2006.

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.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The repayment of these bonds, assuming the interest rate of 3.38 percent at June 30, 2006, is as follows:

Fiscal Year			
<u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$	\$ 336,986	\$ 336,986
2008		336,986	336,986
2009	1,370,000	304,186	1,674,186
2010	1,600,000	252,373	1,852,373
2011	1,800,000	193,505	1,993,505
2012-2016	4,400,000	448,978	4,848,978
2017	<u>800,000</u>	<u>7,887</u>	<u>807,887</u>
	<u>\$ 9,970,000</u>	<u>\$ 1,880,901</u>	<u>\$ 11,850,901</u>

If the remarketing agent is unable to remarket the bonds, the Municipal Development Corporation has provided a standby purchase agreement through an irrevocable letter of credit issued by the Westdeutsche Landesbank Girozentrale, New York Branch, which will permit the trustee, Texas Commerce Bank, to make drawings thereunder for an amount equal to the principal of the bonds and up to 406 days interest on the outstanding bonds at a rate not to exceed 15 percent per annum.

The annual fee for the letter of credit is .20 percent per annum of the maximum amount available under the agreement. The agreement expires on the earlier of November 30, 2015 or the occurrence of certain specified events. As of June 30, 2006, there were no draws outstanding under this letter of credit. Additionally, there have been no bonds presented for debt service payments on the letter of credit facility.

If the standby financing agreement were to be exercised because the outstanding principal of \$9,970,000 could not be remarketed, the maximum debt service requirements would be \$11,633,488.

7. REFUNDING BONDS

The City issued \$26,650,000 of General Obligation Refunding bonds on June 28, 2006 to advance refund \$26,650,000 of outstanding General Obligation bonds. The refunding bonds were issued at an average interest rate of 5.09 percent. The proceeds of \$26,650,000, plus an original issue premium of \$1,870,301 and other available City funds of \$459,050, were used to pay cost of issuance, underwriting fees and bond insurance premiums of \$249,418. The balance of \$28,729,933 was used to provide cash and purchase United States Government securities. The cash and securities were deposited into an irrevocable trust with an escrow

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

agent to provide for all future debt service payments of the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the debt of the City.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,079,933. The difference, reported in the accompanying financial statements as a deduction from General Obligation bonds payable, is being charged to operations through the year 2014 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 reduce debt service payments by \$2,012,593 over the next 7 years producing an economic gain (difference between the present value of old and new debt service payments) of \$643,902.

On June 28, 2006, the City issued \$61,300,000 of utility system revenue bonds with an original issue premium of \$4,393,819 to advance refund \$60,690,000 of outstanding utility system revenue bonds. The refunding bonds were issued with an average interest rate of 4.97 percent. The net proceeds of \$65,611,715 (after payment of \$82,104 to the City) were provided to a refunding escrow agent to pay issuance costs of \$580,192 for insurance premiums, underwriting fees and other issuance costs with the remaining \$65,031,523 used to provide cash and purchase United States Government securities. The cash and securities were deposited in an irrevocable trust to provide for all future debt service payments of the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the debt of the City.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$4,341,523. This difference, reported in the accompanying financial statements as a deduction from revenue bonds payable, is being charged to operations through the year 2021 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 increase debt service payments by \$5,803,188 over the next 15 years producing an economic gain (difference between the present value of old and new debt service payments) of \$2,120,223.

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.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

In accordance with GASB Statement No. 7, the refunded debt outstanding at June 30, 2006 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	90,730,000
General Obligation Bond Issue dated April 1, 1997	6,650,000
Street and Highway User Revenue Bond Issue dated October 1, 1997	17,350,000
Utility System Revenue Refunding Bond Issue dated March 1, 1998	13,715,000
General Obligation Bond Issue dated March 1, 1998	28,000,000
Utility System Revenue Bond Issue dated March 1, 1998	15,130,000
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
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
Street and Highway User Revenue Bond Issue dated June 1, 2004	<u>8,000,000</u>
Total Refunded Bonds Outstanding	<u>\$429,000,000</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

9. CAPITAL CONTRIBUTIONS

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

	<u>Property Owners</u>	<u>Lessees</u>	<u>Governmental Agencies</u>	<u>Developers</u>	<u>Total</u>
Governmental Activities:					
Federal Funds	\$ -	\$ -	\$ 2,683,089	\$ -	\$ 2,683,089
State Funds	-	-	123,000	-	123,000
Contributions - Capital Assets	<u>2,353,534</u>	<u>2,875,788</u>	<u>421,134</u>	<u>200,243</u>	<u>5,850,699</u>
Total	<u>\$ 2,353,534</u>	<u>\$ 2,875,788</u>	<u>\$ 3,227,223</u>	<u>\$ 200,243</u>	<u>\$ 8,656,788</u>
Business-type Activities:					
Federal Funds	\$ -	\$ -	\$ 655,707	\$ -	\$ 655,707
State Funds	-	-	2,038,875	-	2,038,875
Developers - Impact and Development Fees	-	-	-	6,777,975	6,777,975
Contributions-In-Aid	-	-	-	778,083	778,083
Contributions - Capital Assets	<u>874,703</u>	<u>-</u>	<u>-</u>	<u>16,566,903</u>	<u>17,441,606</u>
Total	<u>\$ 874,703</u>	<u>\$ -</u>	<u>\$ 2,694,582</u>	<u>\$ 24,122,961</u>	<u>\$ 27,692,246</u>

In addition, during the year existing capital assets with a book value of \$2,268,795 were transferred between governmental and business-type activities that are 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.

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.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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 Payroll Agency Fund 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 in the appropriate funds and the liability is shown in the Payroll Agency Fund. These amounts have been calculated based on the vested method.

The total sick leave balance at June 30, 2006, was \$37,127,987 of which \$9,213,526 is recorded as a liability.

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, 2006 for these services are as follows:

Functions	Operating Revenues	Operating Expenses		Operating Income (Loss)
		Depreciation and Amortization	Other	
Electric	\$ 36,112,821	\$ 3,292,379	\$ 23,185,846	\$ 9,634,596
Gas	44,088,814	2,218,638	35,440,153	6,430,023
Water	88,497,653	14,750,387	27,264,820	46,482,446
Wastewater	49,618,163	25,365,195	19,911,660	4,341,308
Solid Waste	38,898,904	1,591,811	23,408,978	13,898,115
Airport	2,086,753	7,057,632	1,277,836	(6,248,715)
Golf Course	2,522,464	222,895	2,246,631	52,938
Convention Center	3,727,573	255,988	4,562,434	(1,090,849)
District Cooling	54,678	47,054	20,219	(12,595)
Total	\$ 265,607,823	\$ 54,801,979	\$ 137,318,577	\$ 73,487,267

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

12. 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.

The net assets in the Property and Public Liability Self-Insurance Fund is the result of management's intention to increase the equity in this fund until such time that it can be self supporting.

13. 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, 2005 (latest information available) is as follows:

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Assets	
Equity in Pooled Cash and Investments	\$ 43,455,000
Receivables	19,339,000
Inventories at Average Cost	731,000
Capital Assets	<u>589,140,000</u>
Total Assets	<u>652,665,000</u>
Liabilities	<u>46,353,000</u>
Net Assets	\$ <u>606,312,000</u>
Total Revenues	\$ 105,953,000
Total Expenses	<u>(53,220,000)</u>
Increase in Net Assets	\$ <u>52,733,000</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.

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 2005 (latest information available) is as follows:

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Assets	
Equity in Pooled Cash and Investments	\$ 3,404,000
Receivables	5,913,000
Capital Assets, Net of Accumulated Depreciation	<u>163,169,000</u>
Total Assets	<u>172,486,000</u>
Liabilities	<u>6,091,000</u>
Net Assets	\$ <u><u>166,395,000</u></u>
Total Revenues	\$ 27,281,000
Total Expenses	<u>(24,138,000)</u>
Increase in Net Assets	\$ <u><u>3,143,000</u></u>

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

The City is currently in the process of constructing a joint water reclamation plant with the Town of Gilbert and the Town of Queen Creek. Mesa will act as the lead agency and be responsible for the planning, budgeting, construction, operation and maintenance of the plant. As lead agent, Mesa will provide all management personnel and financing arrangements. Mesa, Gilbert and Queen Creek will participate in ownership of the plant and be 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.

Total construction costs as of June 30, 2006 are:

Mesa's Share	\$ 72,719,256
Gilbert's Share	72,566,756
Queen Creek's Share	<u>31,822,839</u>
Total Construction	<u>\$177,108,851</u>

In June 2002, the City agreed to participate in the Central Phoenix/East Valley Light Rail Transit (LRT) Project with the understanding that there would be an agreement on advancing funds with the City of Phoenix.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The terms of the offer include an advance of \$4.5 million in federal monies by the City of Phoenix, to assist the City with its projected LRT expenditures. The outstanding balance owed to the City of Phoenix is \$1.5 million. This final payment was made in August 2006.

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 \$20,327,751 has been spent on this project through fiscal year end 2006. The Federal Transit Administration has funded \$7,543,490 related to this project.



Required Supplementary Information



CITY OF MESA
Great People, Quality Service!

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, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
Revenues:				
Taxes	\$ 118,893,000	\$ 118,893,000	\$ 129,249,702	\$ 10,356,702
Licenses and Permits	13,042,000	13,042,000	16,019,481	2,977,481
Intergovernmental	122,735,000	122,735,000	131,201,459	8,466,459
Charges For Services	19,848,000	19,848,000	16,767,994	(3,080,006)
Fines and Forfeitures	12,791,000	12,791,000	11,262,466	(1,528,534)
Investment Income	1,131,000	1,131,000	2,991,190	1,860,190
Miscellaneous	8,697,000	8,697,000	9,857,676	1,160,676
Total Revenues	<u>297,137,000</u>	<u>297,137,000</u>	<u>317,349,968</u>	<u>20,212,968</u>
Less: Bad Debts	<u>3,200,000</u>	<u>3,200,000</u>	<u>3,029,925</u>	<u>170,075</u>
Total Net Revenues	<u>293,937,000</u>	<u>293,937,000</u>	<u>314,320,043</u>	<u>20,383,043</u>
Expenditures:				
Current:				
General Government	43,003,309	45,232,930	40,748,813	4,484,117
Public Safety	202,938,334	202,548,135	192,611,775	9,936,360
Cultural-Recreational	65,772,910	64,968,509	56,773,125	8,195,384
Community Environment	11,415,313	13,863,507	12,580,537	1,282,970
Capital Outlay	42,516,502	62,774,599	45,251,412	17,523,187
Contingencies	37,621,000	13,879,688	-	13,879,688
Debt Service:				
Principal Retirement	123,110	123,110	123,110	-
Interest/Service Charges on Bonds	6,540,077	6,540,077	5,131,051	1,409,026
Advance on Refunding	-	-	438,989	(438,989)
Total Expenditures	<u>409,930,555</u>	<u>409,930,555</u>	<u>353,658,812</u>	<u>56,271,743</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(115,993,555)	(115,993,555)	(39,338,769)	76,654,786
Other Financing Sources (Uses):				
Transfers In	75,592,000	75,592,000	75,000,000	(592,000)
Transfers Out	(6,273,000)	(6,273,000)	(6,989,400)	(716,400)
Total Other Financing Sources	<u>69,319,000</u>	<u>69,319,000</u>	<u>68,010,600</u>	<u>(1,308,400)</u>
Net Change in Fund Balance	(46,674,555)	(46,674,555)	28,671,831	75,346,386
Fund Balance - Beginning	25,242,010	25,242,010	23,377,815	(1,864,195)
(Increase) Decrease in Restricted Fund Balance	<u>21,432,545</u>	<u>21,432,545</u>	<u>(20,259,005)</u>	<u>(41,691,550)</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,790,641</u>	<u>\$ 31,790,641</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, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 36,977,000	\$ 36,977,000	\$ 37,604,411	\$ 627,411
Charges For Services	110,000	110,000	102,103	(7,897)
Fines and Forfeitures	11,000	11,000	14,649	3,649
Investment Income	-	-	549,983	549,983
Miscellaneous	-	-	17,906	17,906
Total Revenues	<u>37,098,000</u>	<u>37,098,000</u>	<u>38,289,052</u>	<u>1,191,052</u>
Expenditures:				
Current:				
Community Environment	38,054,093	38,682,039	30,132,922	8,549,117
Capital Outlay	4,923,005	5,686,201	5,144,129	542,072
Contingencies	3,527,000	2,135,858	-	2,135,858
Debt Service:				
Principal Retirement	135,000	135,000	135,000	-
Interest/Service Charges on Bonds	5,952,318	5,952,318	5,830,263	122,055
Total Expenditures	<u>52,591,416</u>	<u>52,591,416</u>	<u>41,242,314</u>	<u>11,349,102</u>
Net Change in Fund Balance	(15,493,416)	(15,493,416)	(2,953,262)	12,540,154
Fund Balance - Beginning	<u>15,494,305</u>	<u>15,494,305</u>	<u>13,733,312</u>	<u>(1,760,993)</u>
Fund Balance - Ending	<u>\$ 889</u>	<u>\$ 889</u>	<u>\$ 10,780,050</u>	<u>\$ 10,779,161</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, 2006**

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, 2006 on the “GAAP basis” to the “budget basis” as follows:

Net Change in Fund Balance-Budget Basis - Exhibit B-1	\$ 28,671,831
Basis Differences:	
Compensated Absences	62,044
Special Assessments	(11,807)
Sales Tax Accrual	1,491,425
Unrealized Loss on Investments	(155,611)
Timing Differences:	
Grants & Contributions	464,982
Interest Earnings in Escrow Account	85,753
Debt Service Activities	(39,243)
City of Phoenix Light Rail Accrual	<u>1,500,000</u>
Net Change in Fund Balance-GAAP Basis - Exhibit A-5	<u>\$ 32,069,374</u>

Adjustments necessary to convert the results of operations of the Highway User Revenue Fund for the year ended June 30, 2006 on the “GAAP basis” to the “budget basis” as follows:

Net Change in Fund Balance-Budget Basis - Exhibit B-2	\$ (2,953,262)
Basis Difference:	
Unrealized Loss on Investments	<u>(3,900)</u>
Net Change in Fund Balance-GAAP Basis - Exhibit A-5	<u>\$ (2,957,162)</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 that are based on at least one percent of the anticipated yearly expenditures for parks, recreation, and cultural bond and capital improvement projects.

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.

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.

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.

Capital Projects Funds (cont.)

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

Special Assessment Construction Fund accounts for the costs of projects financed through special assessment bonds.

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, 2006

	<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	\$ 11,822,647	\$ -	\$ 26,074,930	\$ 37,897,577
Investments	4,983,950	-	-	4,983,950
Accounts Receivable	8,507	-	-	8,507
Accrued Interest Receivable	136,549	-	-	136,549
Due From Other Governments	65,317	-	-	65,317
Prepaid Costs	4,086	-	-	4,086
Restricted Assets:				
Cash and Cash Equivalents	-	10,753,493	-	10,753,493
Special Assessments Receivable	-	5,034,997	-	5,034,997
Total Assets	<u>\$ 17,021,056</u>	<u>\$ 15,788,490</u>	<u>\$ 26,074,930</u>	<u>\$ 58,884,476</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 710,099	\$ -	\$ 4,199,647	\$ 4,909,746
Customer Deposits	32,752	-	-	32,752
Payable From Restricted Assets:				
Accounts Payable	-	3,107	-	3,107
Accrued Lease Interest Payable	-	130,384	-	130,384
Accrued Bond Interest Payable	-	7,709,656	-	7,709,656
Deferred Revenue	180,250	5,034,997	-	5,215,247
Matured General Obligation Bonds Payable	-	619,706	-	619,706
Matured Highway User Revenue				
Bonds Payable	-	135,000	-	135,000
Matured Capital Leases Payable	-	2,155,640	-	2,155,640
Total Liabilities	<u>923,101</u>	<u>15,788,490</u>	<u>4,199,647</u>	<u>20,911,238</u>
Fund Balances:				
Reserved For Encumbrances	130,989	-	3,263,863	3,394,852
Reserved For Prepaid Costs	3,145	-	-	3,145
Unreserved	15,963,821	-	18,611,420	34,575,241
Total Fund Balances	<u>16,097,955</u>	<u>-</u>	<u>21,875,283</u>	<u>37,973,238</u>
Total Liabilities and Fund Balances	<u>\$ 17,021,056</u>	<u>\$ 15,788,490</u>	<u>\$ 26,074,930</u>	<u>\$ 58,884,476</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, 2006

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Total Non-major Governmental Fund</u>
Revenues:				
Special Assessments	\$ -	\$ 4,770	\$ -	\$ 4,770
Licenses and Permits	7,125,581	-	-	7,125,581
Intergovernmental	13,993,389	-	269,186	14,262,575
Charges For Services	843,087	-	-	843,087
Fees and Forfeitures	388,243	-	-	388,243
Investment Income	631,250	183,705	93,642	908,597
Miscellaneous	993,252	-	1,116,761	2,110,013
Total Revenues	<u>23,974,802</u>	<u>188,475</u>	<u>1,479,589</u>	<u>25,642,866</u>
Expenditures:				
Current:				
Cultural - Recreational	87	-	-	87
Community Environment	19,606,518	-	-	19,606,518
Debt Service:				
Principal Retirement	-	8,857,085	-	8,857,085
Interest on Bonds	-	15,398,838	-	15,398,838
Interest on Leases	-	782,646	-	782,646
Issuance Costs on Refunding Bonds	-	234,487	-	234,487
Service Charges	-	55,510	-	55,510
Capital Outlay	635,369	-	37,124,221	37,759,590
Total Expenditures	<u>20,241,974</u>	<u>25,328,566</u>	<u>37,124,221</u>	<u>82,694,761</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,732,828</u>	<u>(25,140,091)</u>	<u>(35,644,632)</u>	<u>(57,051,895)</u>
Other Financing Sources (Uses):				
Transfers In	5,909,000	25,344,593	-	31,253,593
Transfers Out	(4,512,277)	-	(320,771)	(4,833,048)
Face Amount of Bonds Issued	-	-	26,410,000	26,410,000
Premium on Issuance of Bonds	-	1,788,331	215,234	2,003,565
Proceeds From Obligations of Capital Leases	-	-	6,401,832	6,401,832
Refunding Bonds Issued	-	25,482,000	-	25,482,000
Payment to Refunded Bond Escrow Agent	-	(27,474,833)	-	(27,474,833)
Total Other Financing Sources and (Uses)	<u>1,396,723</u>	<u>25,140,091</u>	<u>32,706,295</u>	<u>59,243,109</u>
Net Change in Fund Balances	5,129,551	-	(2,938,337)	2,191,214
Fund Balances - Beginning	<u>10,968,404</u>	<u>-</u>	<u>24,813,620</u>	<u>35,782,024</u>
Fund Balances - Ending	<u>\$ 16,097,955</u>	<u>\$ -</u>	<u>\$ 21,875,283</u>	<u>\$ 37,973,238</u>

CITY OF MESA, ARIZONA
EXHIBIT C-3
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2006

	<u>Local Transportation Assistance</u>	<u>Mesa Housing Authority</u>	<u>Cemetery</u>
ASSETS			
Cash and Cash Equivalents	\$ 634,390	\$ 1,720,174	\$ 1,326,590
Investments	-	-	4,983,950
Accounts Receivable	-	8,507	-
Accrued Interest Receivable	186	10,052	79,326
Due From Other Governments	65,317	-	-
Prepaid Costs	2,510	1,576	-
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 702,403</u>	<u>\$ 1,740,309</u>	<u>\$ 6,389,866</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 520,584	\$ 189,515	\$ -
Customer Deposits	-	32,752	-
Deferred Revenue	180,250	-	-
	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>700,834</u>	<u>222,267</u>	<u>-</u>
Fund Balances:			
Reserved For Encumbrances	-	40,280	71,040
Reserved For Prepaid Costs	1,569	1,576	-
Unreserved	-	1,476,186	6,318,826
	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>1,569</u>	<u>1,518,042</u>	<u>6,389,866</u>
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 702,403</u>	<u>\$ 1,740,309</u>	<u>\$ 6,389,866</u>

EXHIBIT C-3
(Continued)

<u>Public Art</u>	<u>Development Impact Fees</u>	<u>Court Construction Fee</u>	<u>Mesa Arts Center Restoration</u>	<u>Total</u>
\$ 362,500	\$ 7,175,300	\$ 392,672	\$ 211,021	\$ 11,822,647
-	-	-	-	4,983,950
-	-	-	-	8,507
2,296	42,396	2,035	258	136,549
-	-	-	-	65,317
-	-	-	-	4,086
<u>\$ 364,796</u>	<u>\$ 7,217,696</u>	<u>\$ 394,707</u>	<u>\$ 211,279</u>	<u>\$ 17,021,056</u>
\$ -	\$ -	\$ -	\$ -	\$ 710,099
-	-	-	-	32,752
-	-	-	-	180,250
-	-	-	-	923,101
-	19,669	-	-	130,989
-	-	-	-	3,145
<u>364,796</u>	<u>7,198,027</u>	<u>394,707</u>	<u>211,279</u>	<u>15,963,821</u>
<u>364,796</u>	<u>7,217,696</u>	<u>394,707</u>	<u>211,279</u>	<u>16,097,955</u>
<u>\$ 364,796</u>	<u>\$ 7,217,696</u>	<u>\$ 394,707</u>	<u>\$ 211,279</u>	<u>\$ 17,021,056</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, 2006

	Local Transportation Assistance	Mesa Housing Authority	Cemetery
Revenues:			
Licenses and Permits	\$ -	\$ -	\$ -
Intergovernmental	2,876,958	11,116,431	-
Charges for Services	-	522,367	109,875
Fines and Forfeitures	-	-	-
Investment Income	8,911	43,823	267,175
Miscellaneous	938,687	54,565	-
Total Revenues	3,824,556	11,737,186	377,050
Expenditures:			
Current:			
Cultural-Recreational	-	-	-
Community Environment	7,993,422	11,613,096	-
Capital Outlay	334,625	222	-
Total Expenditures	8,328,047	11,613,318	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,503,491)	123,868	377,050
Other Financing Sources (Uses):			
Transfers In	4,530,000	1,224,000	155,000
Transfers Out	(39,522)	(10,893)	-
Total Other Financing Sources and (Uses)	4,490,478	1,213,107	155,000
Net Change in Fund Balances	(13,013)	1,336,975	532,050
Fund Balances - Beginning	14,582	181,067	5,857,816
Fund Balances - Ending	\$ 1,569	\$ 1,518,042	\$ 6,389,866

EXHIBIT C-4
(Continued)

<u>Public Art</u>	<u>Development Impact Fees</u>	<u>Court Construction Fee</u>	<u>Mesa Arts Center Restoration</u>	<u>Total</u>
\$ -	\$ 7,125,581	\$ -	\$ -	\$ 7,125,581
-	-	-	-	13,993,389
-	-	-	210,845	843,087
-	-	388,243	-	388,243
22,315	282,128	6,464	434	631,250
-	-	-	-	993,252
<u>22,315</u>	<u>7,407,709</u>	<u>394,707</u>	<u>211,279</u>	<u>23,974,802</u>
87	-	-	-	87
-	-	-	-	19,606,518
<u>54,403</u>	<u>246,119</u>	<u>-</u>	<u>-</u>	<u>635,369</u>
<u>54,490</u>	<u>246,119</u>	<u>-</u>	<u>-</u>	<u>20,241,974</u>
<u>(32,175)</u>	<u>7,161,590</u>	<u>394,707</u>	<u>211,279</u>	<u>3,732,828</u>
-	-	-	-	5,909,000
<u>-</u>	<u>(4,461,862)</u>	<u>-</u>	<u>-</u>	<u>(4,512,277)</u>
<u>-</u>	<u>(4,461,862)</u>	<u>-</u>	<u>-</u>	<u>1,396,723</u>
(32,175)	2,699,728	394,707	211,279	5,129,551
<u>396,971</u>	<u>4,517,968</u>	<u>-</u>	<u>-</u>	<u>10,968,404</u>
<u>\$ 364,796</u>	<u>\$ 7,217,696</u>	<u>\$ 394,707</u>	<u>\$ 211,279</u>	<u>\$ 16,097,955</u>

CITY OF MESA, ARIZONA
EXHIBIT C-5
NON-MAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2006

	<u>General Obligation Bond Redemption</u>	<u>Special Assessment Bond Redemption</u>	<u>Municipal Development Corporation Bond Redemption</u>
ASSETS			
Restricted Assets:			
Cash and Cash Equivalents	\$ 5,146,422	\$ 183,686	\$ 44,730
Special Assesments Receivable	<u>-</u>	<u>5,034,997</u>	<u>-</u>
Total Assets	<u>\$ 5,146,422</u>	<u>\$ 5,218,683</u>	<u>\$ 44,730</u>
LIABILITIES AND FUND BALANCES			
Liabilities Payable From Restricted Assets:			
Accounts Payable	\$ -	\$ -	\$ 3,107
Accrued Lease Interest Payable	-	-	-
Accrued Bond Interest Payable	4,526,716	183,686	41,623
Deferred Revenue - Special Assessments	-	5,034,997	-
Matured General Obligation Bonds Payable	619,706	-	-
Matured Highway User Revenue Bonds Payable	-	-	-
Matured Capital Leases Payable	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>5,146,422</u>	<u>5,218,683</u>	<u>44,730</u>
Fund Balances-Reserved For Debt Service	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 5,146,422</u>	<u>\$ 5,218,683</u>	<u>\$ 44,730</u>

EXHIBIT C-5
(Continued)

Capital Lease Redemption	Highway User Revenue Bond Redemption	Total
\$ 2,286,024	\$ 3,092,631	\$ 10,753,493
-	-	5,034,997
\$ 2,286,024	\$ 3,092,631	\$ 15,788,490
\$ -	\$ -	\$ 3,107
130,384	-	130,384
-	2,957,631	7,709,656
-	-	5,034,997
-	-	619,706
-	135,000	135,000
2,155,640	-	2,155,640
2,286,024	3,092,631	15,788,490
-	-	-
\$ 2,286,024	\$ 3,092,631	\$ 15,788,490

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, 2006

	General Obligation Bond Redemption	Special Assessment Bond Redemption	Municipal Development Corporation Bond Redemption
Revenues:			
Special Assessments	\$ -	\$ 4,770	\$ -
Investment Income	-	183,705	-
	<hr/>	<hr/>	<hr/>
Total Revenues	-	188,475	-
	<hr/>	<hr/>	<hr/>
Expenditures:			
Debt Service:			
Principal Retirement	619,706	12,000	-
Interest on Bonds	9,094,406	184,771	289,751
Interest on Leases	-	-	-
Issuance Costs on Refunding Bonds	234,487		
Service Charges	1,912	-	51,390
	<hr/>	<hr/>	<hr/>
Total Expenditures	9,950,511	196,771	341,141
	<hr/>	<hr/>	<hr/>
Deficiency of Revenues			
Under Expenditures	(9,950,511)	(8,296)	(341,141)
	<hr/>	<hr/>	<hr/>
Other Financing Sources (Uses):			
Transfer In	10,155,013	8,296	341,141
Refunding Bonds Issued	25,482,000	-	-
Premium on Issuance of Bonds	1,788,331		
Payment to Refunded Bond Escrow Agent	(27,474,833)	-	-
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	9,950,511	8,296	341,141
	<hr/>	<hr/>	<hr/>
Net Change In Fund Balances	-	-	-
	<hr/>	<hr/>	<hr/>
Fund Balances - Beginning	-	-	-
	<hr/>	<hr/>	<hr/>
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>
\$ -	\$ -	\$ 4,770
-	-	183,705
<u>-</u>	<u>-</u>	<u>188,475</u>
8,090,379	135,000	8,857,085
-	5,829,910	15,398,838
782,646	-	782,646
1,855	353	234,487
<u>1,855</u>	<u>353</u>	<u>55,510</u>
<u>8,874,880</u>	<u>5,965,263</u>	<u>25,328,566</u>
<u>(8,874,880)</u>	<u>(5,965,263)</u>	<u>(25,140,091)</u>
8,874,880	5,965,263	25,344,593
-	-	25,482,000
-	-	1,788,331
<u>-</u>	<u>-</u>	<u>(27,474,833)</u>
<u>8,874,880</u>	<u>5,965,263</u>	<u>25,140,091</u>
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MESA, ARIZONA
EXHIBIT C-7
NON-MAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2006

	<u>Fire</u>	<u>Storm Sewer</u>	<u>Streets</u>	<u>Parks</u>
ASSETS				
Cash and Cash Equivalents	\$ 2,011,712	\$ 2,410,622	\$ 11,779,589	\$ 43,533
Total Assets	<u>\$ 2,011,712</u>	<u>\$ 2,410,622</u>	<u>\$ 11,779,589</u>	<u>\$ 43,533</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 37,750	\$ 2,063,900	\$ 1,889,257	\$ -
Total Liabilities	<u>37,750</u>	<u>2,063,900</u>	<u>1,889,257</u>	<u>-</u>
Fund Balances:				
Reserved For Encumbrances	121,215	-	819,111	-
Unreserved	<u>1,852,747</u>	<u>346,722</u>	<u>9,071,221</u>	<u>43,533</u>
Total Fund Balances	<u>1,973,962</u>	<u>346,722</u>	<u>9,890,332</u>	<u>43,533</u>
Total Liabilities and Fund Balances	<u>\$ 2,011,712</u>	<u>\$ 2,410,622</u>	<u>\$ 11,779,589</u>	<u>\$ 43,533</u>

EXHIBIT C-7
(Continued)

<u>Law Enforcement</u>	<u>Library</u>	<u>Service Center</u>	<u>Special Assessment</u>	<u>Capital Leases</u>	<u>Total</u>
\$ 3,634,621	\$ 1,639,152	\$ 88,251	\$ -	\$ 4,467,450	\$ 26,074,930
<u>\$ 3,634,621</u>	<u>\$ 1,639,152</u>	<u>\$ 88,251</u>	<u>\$ -</u>	<u>\$ 4,467,450</u>	<u>\$ 26,074,930</u>
<u>\$ 208,740</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,199,647</u>
<u>208,740</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,199,647</u>
2,228,257	33,925	61,355	-	-	3,263,863
<u>1,197,624</u>	<u>1,605,227</u>	<u>26,896</u>	<u>-</u>	<u>4,467,450</u>	<u>18,611,420</u>
<u>3,425,881</u>	<u>1,639,152</u>	<u>88,251</u>	<u>-</u>	<u>4,467,450</u>	<u>21,875,283</u>
<u>\$ 3,634,621</u>	<u>\$ 1,639,152</u>	<u>\$ 88,251</u>	<u>\$ -</u>	<u>\$ 4,467,450</u>	<u>\$ 26,074,930</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, 2006

	<u>Fire</u>	<u>Storm Sewer</u>	<u>Streets</u>	<u>Parks</u>
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 242,094	\$ -
Investment Income	10,670	9,199	20,421	44,889
Miscellaneous	-	-	649,697	467,064
Total Revenues	<u>10,670</u>	<u>9,199</u>	<u>912,212</u>	<u>511,953</u>
Expenditures:				
Capital Outlay	<u>3,384,463</u>	<u>6,923,904</u>	<u>9,336,273</u>	<u>2,300,104</u>
Total Expenditures	<u>3,384,463</u>	<u>6,923,904</u>	<u>9,336,273</u>	<u>2,300,104</u>
Deficiency of Revenues Under Expenditures	<u>(3,373,793)</u>	<u>(6,914,705)</u>	<u>(8,424,061)</u>	<u>(1,788,151)</u>
Other Financing Sources (Uses):				
Transfers Out	-	-	-	-
Face Amount of Bonds Issued	1,885,000	3,775,000	11,675,000	-
Premium on Issuance of Bonds	11,058	22,151	158,262	-
Proceeds From Obligations of Capital Leases	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>1,896,058</u>	<u>3,797,151</u>	<u>11,833,262</u>	<u>-</u>
Net Change in Fund Balances	(1,477,735)	(3,117,554)	3,409,201	(1,788,151)
Fund Balances - Beginning	<u>3,451,697</u>	<u>3,464,276</u>	<u>6,481,131</u>	<u>1,831,684</u>
Fund Balances - Ending	<u>\$ 1,973,962</u>	<u>\$ 346,722</u>	<u>\$ 9,890,332</u>	<u>\$ 43,533</u>

EXHIBIT C-8

(Continued)

<u>Law Enforcement</u>	<u>Library</u>	<u>Service Center</u>	<u>Special Assessment</u>	<u>Capital Leases</u>	<u>Total</u>
\$ 27,092	\$ -	\$ -	\$ -	\$ -	\$ 269,186
-	-	8,463	-	-	93,642
-	-	-	-	-	1,116,761
<u>27,092</u>	<u>-</u>	<u>8,463</u>	<u>-</u>	<u>-</u>	<u>1,479,589</u>
<u>3,996,200</u>	<u>230,211</u>	<u>630,979</u>	<u>5,025,000</u>	<u>5,297,087</u>	<u>37,124,221</u>
<u>3,996,200</u>	<u>230,211</u>	<u>630,979</u>	<u>5,025,000</u>	<u>5,297,087</u>	<u>37,124,221</u>
<u>(3,969,108)</u>	<u>(230,211)</u>	<u>(622,516)</u>	<u>(5,025,000)</u>	<u>(5,297,087)</u>	<u>(35,644,632)</u>
-	-	-	-	(320,771)	(320,771)
4,050,000	-	-	5,025,000	-	26,410,000
23,763	-	-	-	-	215,234
-	-	-	-	6,401,832	6,401,832
<u>4,073,763</u>	<u>-</u>	<u>-</u>	<u>5,025,000</u>	<u>6,081,061</u>	<u>32,706,295</u>
104,655	(230,211)	(622,516)	-	783,974	(2,938,337)
<u>3,321,226</u>	<u>1,869,363</u>	<u>710,767</u>	<u>-</u>	<u>3,683,476</u>	<u>24,813,620</u>
<u>\$ 3,425,881</u>	<u>\$ 1,639,152</u>	<u>\$ 88,251</u>	<u>\$ -</u>	<u>\$ 4,467,450</u>	<u>\$ 21,875,283</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, 2006

	<u>Warehouse, Maintenance and Services</u>	<u>Property and Public Liability Self Insurance</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 99	\$ 5,793,163
Investments	-	4,984,725
Accounts Receivable	-	-
Accrued Interest Receivable	-	105,487
Due From Other Governments	33,190	-
Inventory	4,014,473	-
Prepaid Costs	26,775	502,275
	<u>4,074,537</u>	<u>11,385,650</u>
Total Current Assets		
Capital Assets:		
Buildings	1,798,468	-
Other Improvements	4,599,291	-
Machinery and Equipment	975,164	-
Construction in Progress	11,341	-
	<u>7,384,264</u>	<u>-</u>
Less Accumulated Depreciation	(3,618,072)	-
Net Capital Assets	<u>3,766,192</u>	<u>-</u>
Total Assets	<u>7,840,729</u>	<u>11,385,650</u>
LIABILITIES AND FUND EQUITY		
Current Liabilities:		
Accounts Payable	584,273	-
Other Accrued Expenses:		
Estimated Liability For Claims:		
Incurred-Not Reported	-	3,400,000
Incurred and Pending	-	3,700,000
Due To Other Funds	421,700	-
Current Portion of Capital Leases	6,353	-
	<u>1,012,326</u>	<u>7,100,000</u>
Total Current Liabilities		
Long-Term Liabilities		
Capital Leases	13,266	-
	<u>13,266</u>	<u>-</u>
Total Long-Term Liabilities		
Total Liabilities	<u>1,025,592</u>	<u>7,100,000</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	3,746,573	-
Unrestricted	3,068,564	4,285,650
Total Net Assets	<u>\$ 6,815,137</u>	<u>\$ 4,285,650</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>
\$ 6,382,573	\$ 9,144,027	\$ 21,319,862
-	4,926,550	9,911,275
64,530	9,661	74,191
36,447	63,481	205,415
-	-	33,190
-	-	4,014,473
-	223	529,273
<u>6,483,550</u>	<u>14,143,942</u>	<u>36,087,679</u>
-	-	1,798,468
-	-	4,599,291
-	-	975,164
-	-	11,341
-	-	7,384,264
-	-	(3,618,072)
-	-	3,766,192
<u>6,483,550</u>	<u>14,143,942</u>	<u>39,853,871</u>
-	392,023	976,296
2,600	3,602,161	7,004,761
4,925,211	-	8,625,211
-	-	421,700
-	-	6,353
<u>4,927,811</u>	<u>3,994,184</u>	<u>17,034,321</u>
-	-	13,266
-	-	13,266
<u>4,927,811</u>	<u>3,994,184</u>	<u>17,047,587</u>
-	-	3,746,573
1,555,739	10,149,758	19,059,711
<u>\$ 1,555,739</u>	<u>\$ 10,149,758</u>	<u>\$ 22,806,284</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, 2006

	<u>Warehouse, Maintenance and Services</u>	<u>Property and Public Liability Self Insurance</u>
Operating Revenues:		
Charges For Services:		
Material and Supply	\$ 1,045,494	\$ -
Printing and Graphics	1,098,440	-
Fleet Support Services	16,037,563	-
Self-Insurance Contributions:		
Employee	-	-
City	-	4,108,000
State Retirement System	-	-
Other	-	-
Total Operating Revenues	<u>18,181,497</u>	<u>4,108,000</u>
Operating Expenses:		
Material and Supply	1,050,928	-
Printing and Graphics	1,100,838	-
Fleet Support Services	16,069,881	-
Administrative Costs	-	708,760
Claims Incurred	-	1,637,110
Premiums to Insurance Carriers	-	1,445,051
Total Operating Expenses	<u>18,221,647</u>	<u>3,790,921</u>
Operating Income (Loss) Before Depreciation	(40,150)	317,079
Depreciation	<u>(293,277)</u>	-
Operating Income (Loss)	<u>(333,427)</u>	<u>317,079</u>
Other Nonoperating Income (Expense):		
Investment Income	-	514,244
Miscellaneous	1,717	-
Interest Expense	(706)	-
Gain on Disposal of Fixed Assets	753	-
Total Other Income (Expense)	<u>1,764</u>	<u>514,244</u>
Net Income (Loss) Before Transfers	(331,663)	831,323
Transfers In	<u>218,123</u>	-
Change in Net Assets	(113,540)	831,323
Total Net Assets - Beginning	<u>6,928,677</u>	<u>3,454,327</u>
Total Net Assets - Ending	<u>\$ 6,815,137</u>	<u>\$ 4,285,650</u>

EXHIBIT C-10
(Continued)

<u>Workers'</u> <u>Compensation</u> <u>Self Insurance</u>	<u>Employee</u> <u>Benefits Self</u> <u>Insurance</u>	<u>Total</u>
\$ -	\$ -	\$ 1,045,494
-	-	1,098,440
-	-	16,037,563
-	9,858,626	9,858,626
3,771,904	26,469,981	34,349,885
-	2,347,021	2,347,021
-	202,394	202,394
<u>3,771,904</u>	<u>38,878,022</u>	<u>64,939,423</u>
-	-	1,050,928
-	-	1,100,838
-	-	16,069,881
752,275	4,724,684	6,185,719
1,464,746	34,468,002	37,569,858
1,151,765	370,612	2,967,428
<u>3,368,786</u>	<u>39,563,298</u>	<u>64,944,652</u>
403,118	(685,276)	(5,229)
-	-	(293,277)
<u>403,118</u>	<u>(685,276)</u>	<u>(298,506)</u>
321,502	501,233	1,336,979
-	-	1,717
-	-	(706)
-	-	753
<u>321,502</u>	<u>501,233</u>	<u>1,338,743</u>
724,620	(184,043)	1,040,237
<u>427,000</u>	<u>612,000</u>	<u>1,257,123</u>
1,151,620	427,957	2,297,360
404,119	9,721,801	20,508,924
<u>\$ 1,555,739</u>	<u>\$ 10,149,758</u>	<u>\$ 22,806,284</u>

CITY OF MESA, ARIZONA
EXHIBIT C-11
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Warehouse, Maintenance and Services
Cash Flows From Operating Activities:	
Cash Received From Users	\$ 18,164,766
Cash Payments To Suppliers	(11,597,943)
Cash Payments to Employees	(6,650,137)
	<u>(83,314)</u>
Net Cash Provided By (Used For) Operating Activities	
Cash Flows From Noncapital Financing Activities:	
Transfers In From Other Funds	218,123
	<u>218,123</u>
Net Cash Provided By Noncapital Financing Activities	
Cash Flows From Capital and Related Financing Activities:	
Acquisition and Construction of Capital Assets	(129,552)
Proceeds from Sale of Capital Assets	1,717
Principal Paid on Lease Maturities	(6,172)
Interest Paid on Lease	(706)
	<u>(134,713)</u>
Net Cash Used For Capital and Related Financing Activities	
Cash Flows From Investing Activities:	
Purchase of Investment Securities	-
Interest Received On Investments	-
	<u>-</u>
Net Cash Provided By (Used For) Investing Activities	
Net Increase (Decrease) in Cash and Cash Equivalents	96
Cash and Cash Equivalents at Beginning of Year	<u>3</u>
Cash and Cash Equivalents at End of Year	\$ <u><u>99</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Operating Income (Loss)	\$ <u>(333,427)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Depreciation	293,277
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	(16,731)
(Increase) in Inventory	(88,933)
(Increase) Decrease in Prepaid Costs	(15,680)
(Decrease) in Accounts Payable	(42,720)
Increase (Decrease) in Other Accrued Expenses	-
Increase in Due to Other Funds	120,900
	<u>250,113</u>
Total Adjustments	
Net Cash Provided By (Used For) Operating Activities	\$ <u><u>(83,314)</u></u>
Noncash Transactions Affecting Financial Position:	
Gain on Disposal of Capital Assets	753
Decrease in Fair Value of Investments	-

EXHIBIT C-11
(Continued)

<u>Property and Public Liability Self Insurance</u>	<u>Workers' Compensation Self Insurance</u>	<u>Employee Benefits Self Insurance</u>	<u>Total</u>
\$ 4,108,000	\$ 3,788,340	\$ 39,005,762	\$ 65,066,868
(2,849,819)	(4,131,286)	(38,617,214)	(57,196,262)
<u>(681,798)</u>	<u>(239,103)</u>	<u>(1,327,291)</u>	<u>(8,898,329)</u>
576,383	(582,049)	(938,743)	(1,027,723)
-	427,000	612,000	1,257,123
-	427,000	612,000	1,257,123
-	-	-	(129,552)
-	-	-	1,717
-	-	-	(6,172)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(706)</u>
-	-	-	(134,713)
(4,998,872)	-	-	(4,998,872)
<u>465,259</u>	<u>311,068</u>	<u>581,834</u>	<u>1,358,161</u>
<u>(4,533,613)</u>	<u>311,068</u>	<u>581,834</u>	<u>(3,640,711)</u>
(3,957,230)	156,019	255,091	(3,546,024)
<u>9,750,393</u>	<u>6,226,554</u>	<u>8,888,936</u>	<u>24,865,886</u>
<u>\$ 5,793,163</u>	<u>\$ 6,382,573</u>	<u>\$ 9,144,027</u>	<u>\$ 21,319,862</u>
\$ 317,079	\$ 403,118	\$ (685,276)	\$ (298,506)
-	-	-	293,277
-	16,436	127,740	127,445
-	-	-	(88,933)
(37,778)	-	324	(53,134)
(2,918)	(103)	(216,232)	(261,973)
300,000	(1,001,500)	(165,299)	(866,799)
<u>-</u>	<u>-</u>	<u>-</u>	<u>120,900</u>
<u>259,304</u>	<u>(985,167)</u>	<u>(253,467)</u>	<u>(729,217)</u>
<u>\$ 576,383</u>	<u>\$ (582,049)</u>	<u>\$ (938,743)</u>	<u>\$ (1,027,723)</u>
-	-	-	753
14,147	-	76,625	90,772

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, 2006

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
PAYROLL AGENCY FUND				
Assets:				
Cash and Cash Equivalents	\$ 15,710,361	\$ 529,291,850	\$ 531,701,284	\$ 13,300,927
Due From Other Funds	<u>-</u>	<u>14,966,442</u>	<u>14,966,442</u>	<u>-</u>
Total Assets	<u>\$ 15,710,361</u>	<u>\$ 544,258,292</u>	<u>\$ 546,667,726</u>	<u>\$ 13,300,927</u>
Liabilities:				
Accrued Payroll Payable	<u>\$ 15,710,361</u>	<u>\$ 305,833,218</u>	<u>\$ 308,242,652</u>	<u>\$ 13,300,927</u>
Total Liabilities	<u>\$ 15,710,361</u>	<u>\$ 305,833,218</u>	<u>\$ 308,242,652</u>	<u>\$ 13,300,927</u>



Supplemental Information



CITY OF MESA
Great People, Quality Service!

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, 2006

	<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	\$ 1,365,000	\$ 1,361,170	\$ 1,232,318	\$ 128,852
Executive	1,723,000	1,714,252	444,214	1,270,038
Williams Gateway	2,957,000	4,478,868	4,478,868	-
Town Center Development	5,180,000	7,565,932	7,565,932	-
Judicial	10,475,000	10,301,259	8,051,900	2,249,359
Legal	4,716,000	4,625,747	4,402,551	223,196
Building Maintenance	1,407,000	1,442,206	1,442,206	-
City Clerk	1,337,000	1,275,821	1,183,173	92,648
Economic Development	1,582,000	1,775,598	1,775,598	-
Engineering	4,452,000	4,219,558	3,578,627	640,931
Financial Services	4,273,000	4,765,667	4,765,667	-
E-Streets & Cable TV Licensing	1,048,000	1,046,067	998,912	47,155
General Services	3,365,164	4,086,792	4,086,792	-
Planning	4,634,000	4,631,690	4,012,364	619,326
Capital Improvement	1,827,000	1,826,519	1,759,786	66,733
Total General Government	<u>50,341,164</u>	<u>55,117,146</u>	<u>49,778,908</u>	<u>5,338,238</u>
Less: Capital Outlay Expenditures	6,975,942	9,522,303	8,678,034	844,269
Debt Service Expenditures	361,913	361,913	352,061	9,852
Total Current Expenditures	<u>43,003,309</u>	<u>45,232,930</u>	<u>40,748,813</u>	<u>4,484,117</u>
Public Safety:				
Law Enforcement	139,869,000	139,710,004	131,891,823	7,818,181
Fire Prevention	61,080,000	61,184,896	56,498,937	4,685,959
Building Safety	11,902,000	11,632,705	10,521,714	1,110,991
Code Compliance	2,210,000	2,071,629	1,798,597	273,032
Environmental Management	2,218,000	2,279,269	841,841	1,437,428
Total Public Safety	<u>217,279,000</u>	<u>216,878,503</u>	<u>201,552,912</u>	<u>15,325,591</u>
Less: Capital Outlay Expenditures	10,989,797	10,979,499	6,742,230	4,237,269
Debt Service Expenditures	3,350,869	3,350,869	2,198,907	1,151,962
Total Current Expenditures	<u>\$ 202,938,334</u>	<u>\$ 202,548,135</u>	<u>\$ 192,611,775</u>	<u>\$ 9,936,360</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, 2006

	<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	\$ 32,306,000	\$ 31,623,491	\$ 21,466,228	\$ 10,157,263
Cultural	14,682,000	14,643,991	11,406,028	3,237,963
Aquatics	2,830,000	3,376,627	3,376,627	-
Library	13,876,002	13,349,168	11,590,879	1,758,289
Community Aid	2,452,000	2,977,227	2,977,227	-
Museum	3,045,000	2,948,564	2,501,946	446,618
Museum for Youth	1,758,000	1,752,516	1,681,220	71,296
Neighborhood & Human Services	3,659,000	3,652,564	3,096,314	556,250
Total Cultural-Recreational	<u>74,608,002</u>	<u>74,324,148</u>	<u>58,096,469</u>	<u>16,227,679</u>
Less: Capital Outlay Expenditures	7,322,911	7,843,458	(249,974)	8,093,432
Debt Service Expenditures	<u>1,512,181</u>	<u>1,512,181</u>	<u>1,573,318</u>	<u>(61,137)</u>
Total Current Expenditures	<u>65,772,910</u>	<u>64,968,509</u>	<u>56,773,125</u>	<u>8,195,384</u>
Community Environment:				
Cemetery	1,044,000	1,040,594	1,003,025	37,569
Community Development	7,889,000	7,888,569	6,051,946	1,836,623
Streets	9,029,756	9,537,983	5,944,076	3,593,907
Storm Sewer	3,413,828	3,402,130	3,369,682	32,448
Mass Transit	8,042,805	24,689,372	24,689,372	-
Miscellaneous Services	<u>662,000</u>	<u>3,172,422</u>	<u>3,172,422</u>	<u>-</u>
Total Community Environment	<u>30,081,389</u>	<u>49,731,070</u>	<u>44,230,523</u>	<u>5,500,547</u>
Less: Capital Outlay Expenditures	17,227,852	34,429,339	30,081,122	4,348,217
Debt Service Expenditures	<u>1,438,224</u>	<u>1,438,224</u>	<u>1,568,864</u>	<u>(130,640)</u>
Total Current Expenditures	<u>11,415,313</u>	<u>13,863,507</u>	<u>12,580,537</u>	<u>1,282,970</u>
Contingencies	<u>37,621,000</u>	<u>13,879,688</u>	<u>-</u>	<u>13,879,688</u>
Total General Fund Expenditures	<u><u>\$ 409,930,555</u></u>	<u><u>\$ 409,930,555</u></u>	<u><u>\$ 353,658,812</u></u>	<u><u>\$ 56,271,743</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, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budget Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
General Government:				
Capital:				
Town Center Development	\$ -	\$ 15	\$ 15	\$ -
Community Environment:				
Streets	48,589,244	49,712,287	40,499,043	9,213,244
Storm Sewer	475,172	743,256	743,256	-
Total Community Environment	<u>49,064,416</u>	<u>50,455,543</u>	<u>41,242,299</u>	<u>9,213,244</u>
Less: Capital Outlay Expenditures	4,923,005	5,686,186	5,144,114	542,072
Debt Service Expenditures	<u>6,087,318</u>	<u>6,087,318</u>	<u>5,965,263</u>	<u>122,055</u>
Total Current Expenditures	<u>38,054,093</u>	<u>38,682,039</u>	<u>30,132,922</u>	<u>8,549,117</u>
Contingencies	<u>3,527,000</u>	<u>2,135,858</u>	<u>-</u>	<u>2,135,858</u>
Total Highway User Revenue Fund Expenditures	<u>\$ 52,591,416</u>	<u>\$ 52,591,416</u>	<u>\$ 41,242,314</u>	<u>\$ 11,349,102</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, 2006

	<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	\$ 4,411,000	\$ 4,411,000	\$ 2,876,958	\$ (1,534,042)
Investment Income	-	-	8,911	8,911
Miscellaneous	640,000	640,000	938,687	298,687
Total Revenues	<u>5,051,000</u>	<u>5,051,000</u>	<u>3,824,556</u>	<u>(1,226,444)</u>
Expenditures:				
Current:				
Community Environment	8,172,014	8,159,851	8,032,944	126,907
Capital Outlay	2,201,181	2,201,181	334,625	1,866,556
Contingencies	-	12,163	-	12,163
Total Expenditures	<u>10,373,195</u>	<u>10,373,195</u>	<u>8,367,569</u>	<u>2,005,626</u>
Deficiency of Revenues Under Expenditures	(5,322,195)	(5,322,195)	(4,543,013)	779,182
Other Financing Sources:				
Transfers In	<u>5,319,000</u>	<u>5,319,000</u>	<u>4,530,000</u>	<u>(789,000)</u>
Net Change in Fund Balance	(3,195)	(3,195)	(13,013)	(9,818)
Fund Balance - Beginning	<u>3,241</u>	<u>3,241</u>	<u>14,582</u>	<u>11,341</u>
Fund Balance - Ending	<u>\$ 46</u>	<u>\$ 46</u>	<u>\$ 1,569</u>	<u>\$ 1,523</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, 2006

	<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	\$ 11,750,000	\$ 11,750,000	\$ 11,116,431	\$ (633,569)
Charges For Services	483,000	483,000	522,367	39,367
Investment Income	8,000	8,000	43,823	35,823
Miscellaneous	<u>72,000</u>	<u>72,000</u>	<u>54,565</u>	<u>(17,435)</u>
Total Revenues	<u>12,313,000</u>	<u>12,313,000</u>	<u>11,737,186</u>	<u>(575,814)</u>
Expenditures:				
Current:				
Community Environment	12,774,760	12,774,760	11,619,332	1,155,428
Capital Outlay	<u>8,240</u>	<u>8,240</u>	<u>4,879</u>	<u>3,361</u>
Total Expenditures	<u>12,783,000</u>	<u>12,783,000</u>	<u>11,624,211</u>	<u>1,158,789</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(470,000)	(470,000)	112,975	582,975
Other Financing Sources:				
Transfers In	<u>470,000</u>	<u>470,000</u>	<u>1,224,000</u>	<u>754,000</u>
Net Change in Fund Balance	-	-	1,336,975	1,336,975
Fund Balance - Beginning	<u>520</u>	<u>520</u>	<u>181,067</u>	<u>180,547</u>
Fund Balance - Ending	<u>\$ 520</u>	<u>\$ 520</u>	<u>\$ 1,518,042</u>	<u>\$ 1,517,522</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, 2006

	<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	\$ 93,000	\$ 93,000	\$ 109,875	\$ 16,875
Investment Income	<u>100,000</u>	<u>100,000</u>	<u>282,097</u>	<u>182,097</u>
Total Revenues	<u>193,000</u>	<u>193,000</u>	<u>391,972</u>	<u>198,972</u>
Expenditures:				
Current:				
Community Environment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over Expenditures	193,000	193,000	391,972	198,972
Other Financing Sources:				
Transfers In	<u>150,000</u>	<u>150,000</u>	<u>155,000</u>	<u>5,000</u>
Net Change in Fund Balances	343,000	343,000	546,972	203,972
Fund Balance - Beginning	<u>5,829,619</u>	<u>5,829,619</u>	<u>5,857,816</u>	<u>28,197</u>
Fund Balance - Ending	<u><u>\$ 6,172,619</u></u>	<u><u>\$ 6,172,619</u></u>	<u><u>\$ 6,404,788</u></u>	<u><u>\$ 232,169</u></u>

Budget Basis

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

\$ 546,972

Basis Difference

Unrealized Loss on Investment

(14,922)

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 Special Revenue Funds Exhibit C-4

\$ 532,050

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, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget - Positive (Negative)</u>
PUBLIC ART FUND				
Revenues:				
Investment Income	\$ 1,000	\$ 1,000	\$ 22,315	\$ 21,315
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>22,315</u>	<u>21,315</u>
Expenditures:				
Current:				
Cultural-Recreational	-	-	87	(87)
Capital Outlay	<u>472,000</u>	<u>472,000</u>	<u>54,403</u>	<u>417,597</u>
Total Expenditures	<u>472,000</u>	<u>472,000</u>	<u>54,490</u>	<u>417,510</u>
Net Change in Fund Balances	(471,000)	(471,000)	(32,175)	438,825
Fund Balance - Beginning	<u>473,471</u>	<u>473,471</u>	<u>396,971</u>	<u>(76,500)</u>
Fund Balance - Ending	<u>\$ 2,471</u>	<u>\$ 2,471</u>	<u>\$ 364,796</u>	<u>\$ 362,325</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, 2006

	<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 and Permits	\$ 6,172,000	\$ 6,172,000	\$ 7,125,581	\$ 953,581
Investment Income	67,000	67,000	282,128	215,128
Total Revenues	<u>6,239,000</u>	<u>6,239,000</u>	<u>7,407,709</u>	<u>1,168,709</u>
Expenditures:				
Capital Outlay	225,000	246,119	246,119	-
Contingencies	6,955,000	6,311,122	-	6,311,122
Debt Service:				
Principal Retirement	496,596	496,596	496,596	-
Interest on Notes and Bonds	3,798,402	4,421,161	3,965,266	455,895
Total Expenditures	<u>11,474,998</u>	<u>11,474,998</u>	<u>4,707,981</u>	<u>6,767,017</u>
Net Change in Fund Balance	(5,235,998)	(5,235,998)	2,699,728	7,935,726
Fund Balance - Beginning	<u>4,949,602</u>	<u>4,949,602</u>	<u>4,517,968</u>	<u>(431,634)</u>
Fund Balance - Ending	<u>\$ (286,396)</u>	<u>\$ (286,396)</u>	<u>\$ 7,217,696</u>	<u>\$ 7,504,092</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, 2006

	<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	\$ 572,000	\$ 572,000	\$ 388,243	\$ (183,757)
Investment Income	-	-	6,464	6,464
Total Revenues	<u>572,000</u>	<u>572,000</u>	<u>394,707</u>	<u>(177,293)</u>
Expenditures:				
Debt Service:	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	572,000	572,000	394,707	(177,293)
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u><u>\$ 572,000</u></u>	<u><u>\$ 572,000</u></u>	<u><u>\$ 394,707</u></u>	<u><u>\$ (177,293)</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, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget - Positive (Negative)</u>
MESA ARTS CENTER RESTORATION FUND				
Revenues:				
Charges For Services	\$ -	\$ -	\$ 210,845	\$ 210,845
Investment Income	-	-	434	434
Total Revenues	<u>-</u>	<u>-</u>	<u>211,279</u>	<u>211,279</u>
Expenditures:				
Current:				
Cultural-Recreational	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	211,279	211,279
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 211,279</u></u>	<u><u>\$ 211,279</u></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, 2006

	<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	\$ 6,172,000	\$ 6,172,000	\$ 7,125,581	\$ 953,581
Intergovernmental	16,161,000	16,161,000	13,993,389	(2,167,611)
Charges for Services	576,000	576,000	843,087	267,087
Fines and Forfeitures	572,000	572,000	388,243	(183,757)
Investment Income	176,000	176,000	646,172	470,172
Miscellaneous	712,000	712,000	993,252	281,252
Total Revenues	<u>24,369,000</u>	<u>24,369,000</u>	<u>23,989,724</u>	<u>(379,276)</u>
Expenditures:				
Current:				
Cultural-Recreational	-	-	87	(87)
Community Environment	20,946,774	20,934,611	19,652,276	1,282,335
Capital Outlay	2,906,421	2,927,540	640,026	2,287,514
Contingencies	6,955,000	6,323,285	-	6,323,285
Principal Retirement	496,596	496,596	496,596	-
Interest on Notes and Bonds	3,798,402	4,421,161	3,965,266	455,895
Total Expenditures	<u>35,103,193</u>	<u>35,103,193</u>	<u>24,754,251</u>	<u>10,348,942</u>
Deficiency of Revenues				
Under Expenditures	(10,734,193)	(10,734,193)	(764,527)	9,969,666
Other Financing Sources:				
Transfers In	5,939,000	5,939,000	5,909,000	(30,000)
Net Change in Fund Balances	<u>(4,795,193)</u>	<u>(4,795,193)</u>	<u>5,144,473</u>	<u>9,939,666</u>
Fund Balances - Beginning	11,256,453	11,256,453	10,968,404	(288,049)
Fund Balances - Ending	<u>\$ 6,461,260</u>	<u>\$ 6,461,260</u>	<u>\$ 16,112,877</u>	<u>\$ 9,651,617</u>

Budget Basis

Actual amounts (budgetary basis) "Net Change in Fund Balance" from the budgetary comparison schedule \$ 5,144,473

Basis Difference

Unrealized Loss on Investment - Cemetery Fund (14,922)

GAAP Basis

Actual amount (GAAP basis) "Net Change in Fund Balance" as reported on the Statement of Revenues, Expenditures and Change in Fund Balances - Non-Major Special Revenue Funds Exhibit C-4 \$ 5,129,551

CITY OF MESA, ARIZONA

EXHIBIT D-4

NON-MAJOR SPECIAL REVENUE FUNDS

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<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	\$ 10,373,195	\$ 10,361,032	\$ 8,367,569	\$ 1,993,463
Total Community Environment	<u>10,373,195</u>	<u>10,361,032</u>	<u>8,367,569</u>	<u>1,993,463</u>
Less: Capital Outlay Expenditures	<u>2,201,181</u>	<u>2,201,181</u>	<u>334,625</u>	<u>1,866,556</u>
Total Current Expenditures	<u>8,172,014</u>	<u>8,159,851</u>	<u>8,032,944</u>	<u>126,907</u>
Contingencies	<u>-</u>	<u>12,163</u>	<u>-</u>	<u>12,163</u>
Total Local Transportation Assistance Fund Expenditures	<u><u>\$ 10,373,195</u></u>	<u><u>\$ 10,373,195</u></u>	<u><u>\$ 8,367,569</u></u>	<u><u>\$ 2,005,626</u></u>
MESA HOUSING AUTHORITY				
Community Environment				
Mesa Housing Authority	\$ 12,783,000	\$ 12,783,000	\$ 11,624,211	\$ 1,158,789
Total Community Environment	<u>12,783,000</u>	<u>12,783,000</u>	<u>11,624,211</u>	<u>1,158,789</u>
Less: Capital Outlay Expenditures	<u>8,240</u>	<u>8,240</u>	<u>4,879</u>	<u>3,361</u>
Total Current Expenditures	<u>12,774,760</u>	<u>12,774,760</u>	<u>11,619,332</u>	<u>1,155,428</u>
Contingencies	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Mesa Housing Authority Fund Expenditures	<u><u>\$ 12,783,000</u></u>	<u><u>\$ 12,783,000</u></u>	<u><u>\$ 11,624,211</u></u>	<u><u>\$ 1,158,789</u></u>
CEMETERY FUND				
Community Environment:				
Cemetery	\$ -	\$ -	\$ -	\$ -
Total Cemetery Fund Expenditures	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF MESA, ARIZONA
EXHIBIT D-4 (Continued)
NON-MAJOR SPECIAL REVENUE FUNDS
SCHEDULES OF EXPENDITURES BY PROGRAM - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<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	\$ 472,000	\$ 472,000	\$ 54,490	\$ 417,510
Total Cultural-Recreational	<u>472,000</u>	<u>472,000</u>	<u>54,490</u>	<u>417,510</u>
Less: Capital Outlay Expenditures	<u>472,000</u>	<u>472,000</u>	<u>54,403</u>	<u>417,597</u>
Total Current Expenditures	<u>-</u>	<u>-</u>	<u>87</u>	<u>(87)</u>
Total Public Art Fund Expenditures	<u>\$ 472,000</u>	<u>\$ 472,000</u>	<u>\$ 54,490</u>	<u>\$ 417,510</u>
DEVELOPMENT IMPACT FEES FUND				
Public Safety:				
Debt Service:				
Law Enforcement	\$ 1,107,000	\$ 1,641,765	\$ 1,641,765	\$ -
Fire Prevention	734,000	821,994	821,994	-
Total Public Safety	<u>1,841,000</u>	<u>2,463,759</u>	<u>2,463,759</u>	<u>-</u>
Cultural-Recreational:				
Capital Outlay:				
Parks & Recreation	225,000	246,119	246,119	-
Debt Service:				
Library	490,998	490,998	460,402	30,596
Parks & Recreation	1,544,000	1,544,000	1,398,338	145,662
Total Cultural-Recreational	<u>2,259,998</u>	<u>2,281,117</u>	<u>2,104,859</u>	<u>176,258</u>
Community Environment:				
Debt Service:				
Storm Sewer	419,000	419,000	139,363	279,637
Total Community Environment	<u>419,000</u>	<u>419,000</u>	<u>139,363</u>	<u>279,637</u>
Contingencies	<u>6,955,000</u>	<u>6,311,122</u>	<u>-</u>	<u>6,311,122</u>
Total Development Impact Fees Fund Expenditures	<u>\$ 11,474,998</u>	<u>\$ 11,474,998</u>	<u>\$ 4,707,981</u>	<u>\$ 6,767,017</u>

CITY OF MESA, ARIZONA
EXHIBIT D-4 (Continued)
 NON-MAJOR SPECIAL REVENUE FUNDS
 SCHEDULES OF EXPENDITURES BY PROGRAM - BUDGET AND ACTUAL (BUDGET BASIS)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<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:				
Mesa Arts Center Restoration	-	-	-	-
Total Cultural-Recreational	-	-	-	-
Contingencies	-	-	-	-
Total Mesa Arts Center Restoration Fund Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MESA, ARIZONA
EXHIBIT D-4 (Concluded)
NON-MAJOR SPECIAL REVENUE FUNDS
SCHEDULES OF EXPENDITURES BY PROGRAM - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
RECAP				
Public Safety	\$ 1,841,000	\$ 2,463,759	\$ 2,463,759	\$ -
Cultural-Recreational	2,731,998	2,753,117	2,159,349	593,768
Community Environment	23,575,195	23,563,032	20,131,143	3,431,889
Contingencies	6,955,000	6,323,285	-	6,323,285
Total Nonmajor Special Revenue				
Funds Expenditures	<u>\$ 35,103,193</u>	<u>\$ 35,103,193</u>	<u>\$ 24,754,251</u>	<u>\$ 10,348,942</u>

CITY OF MESA, ARIZONA

EXHIBIT D-5

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
 NON-MAJOR CAPITAL PROJECT FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
CAPITAL PROJECTS FUNDS				
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 681,278	681,278
Investment Income	-	-	174,323	174,323
Sale of Capital Assets	-	-	874,703	874,703
Miscellaneous	-	-	2,750,450	2,750,450
Total Revenues	<u>-</u>	<u>-</u>	<u>4,480,754</u>	<u>4,480,754</u>
Expenditures:				
Capital Outlay	<u>168,853,000</u>	<u>168,853,000</u>	<u>161,076,353</u>	<u>7,776,647</u>
Total Expenditures	<u>168,853,000</u>	<u>168,853,000</u>	<u>161,076,353</u>	<u>7,776,647</u>
Deficiency of Revenues Under Expenditures	<u>(168,853,000)</u>	<u>(168,853,000)</u>	<u>(156,595,599)</u>	<u>12,257,401</u>
Other Financing Sources:				
Face Amount of Bonds Issued	105,150,000	105,150,000	126,785,000	21,635,000
Premium on Issuance of Bonds	-	-	1,391,089	1,391,089
Transfers In	<u>5,323,000</u>	<u>5,323,000</u>	<u>5,220,200</u>	<u>(102,800)</u>
Net Change in Fund Balances	(58,380,000)	(58,380,000)	(23,199,310)	35,180,690
Fund Balances-Beginning	<u>83,467,314</u>	<u>83,467,314</u>	<u>110,232,061</u>	<u>26,764,747</u>
Fund Balances-Ending	<u>\$ 25,087,314</u>	<u>\$ 25,087,314</u>	<u>\$ 87,032,751</u>	<u>\$ 61,945,437</u>

Budget Basis

Actual amounts (budgetary basis) "Net Change in Fund Balances" from the budgetary comparison schedule \$ (23,199,310)

Perspective Differences:

Proprietary Capital Project Funds 19,476,999

Entity Differences:

Non-Budgeted Capital Leases 783,974

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 \$ (2,938,337)

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, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
Revenues:				
Electric	\$ 33,144,000	\$ 33,144,000	\$ 36,268,295	\$ 3,124,295
Gas	36,931,000	36,931,000	44,373,285	7,442,285
Water	90,026,000	90,026,000	94,887,080	4,861,080
Wastewater	67,063,000	67,063,000	55,883,426	(11,179,574)
Solid Waste	38,278,000	38,278,000	39,445,937	1,167,937
Airport	12,331,000	12,331,000	7,367,274	(4,963,726)
Golf Course	2,403,000	2,403,000	2,528,308	125,308
Convention Center	2,931,000	2,931,000	3,729,199	798,199
District Cooling	-	-	54,678	54,678
Less: Bad Debt Expense	<u>(1,100,000)</u>	<u>(1,100,000)</u>	<u>(1,361,021)</u>	<u>(261,021)</u>
Total Revenues	<u>282,007,000</u>	<u>282,007,000</u>	<u>283,176,461</u>	<u>1,169,461</u>
Expenses:				
Electric	28,213,000	28,071,900	26,886,122	1,185,778
Gas	30,497,000	38,331,621	38,331,621	-
Water	46,880,000	47,492,037	47,492,037	-
Wastewater	52,740,000	49,546,286	36,303,593	13,242,693
Solid Waste	27,058,000	26,905,572	25,825,542	1,080,030
Airport	7,254,000	7,248,517	2,508,934	4,739,583
Golf Course	2,370,000	2,377,676	2,335,424	42,252
Convention Center	4,385,000	4,578,264	4,578,264	-
District Cooling	-	3,157,127	3,157,127	-
Contingencies	<u>8,312,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>207,709,000</u>	<u>207,709,000</u>	<u>187,418,664</u>	<u>20,290,336</u>
Income Before Transfers	74,298,000	74,298,000	95,757,797	21,459,797
Other Operating Uses:				
Transfers Out	<u>(75,592,000)</u>	<u>(75,592,000)</u>	<u>(75,176,600)</u>	<u>415,400</u>
Change in Net Assets	(1,294,000)	(1,294,000)	20,581,197	21,875,197
Unappropriated Net Assets - Beginning	7,661,058	7,661,058	8,009,919	348,861
(Increase) in Restricted Net Assets	<u>(6,367,058)</u>	<u>(6,367,058)</u>	<u>(6,640,242)</u>	<u>(273,184)</u>
Unappropriated Net Assets - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,950,874</u>	<u>\$ 21,950,874</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, 2006

Budget Basis

Actual Amounts (Budgetary Basis)
 "Change in Net Assets" from Exhibit D-6 \$ 20,581,197

Basis Differences:

Compensated Absences (254,957)
 Capitalized Interest 2,300,560
 Contractual Commitments 1,754,696
 Utility Revenue Accrual 695,705
 Decrease of Fair Market Value of Investments (16,308)

Perspective Differences:

Grants and Contributions 19,487,388
 Transfer of Capital Assets from Governmental Activities 2,268,795
 Income - Replacement and Extension Funds 80,681
 Premium on Bonds Sold 558,816

Timing Differences:

Water Rights 1,710,998
 Capital Expenditures 11,605,956
 Depreciation - Amortization (54,801,979)
 Investment in Joint Ventures (6,772,672)
 Non-Cash Loss on Disposal of Capital Assets (6,509,848)
 Bond Principal and Reserves 5,560,494
 Amortization of Bond Premiums 1,602,257
 Deferred Amounts on Refundings (1,369,974)
 Accretion of Certificates of Supplemental Interest 11,770
 Deferred Revenue (5,009)

Entity Differences:

Municipal Development Corp. 3,913,182

GAAP Basis

Actual Amount (GAAP Basis)
 "Change in Net Assets" from Exhibit A-8 \$ 2,401,748

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, 2006

	<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				
Revenues:				
Charges For Services:				
Materials and Supply	\$ 1,139,528	\$ 1,139,528	\$ 1,045,494	\$ (94,034)
Printing and Graphics	1,511,687	1,511,687	1,098,440	(413,247)
Fleet Support Services	<u>16,032,297</u>	<u>16,032,297</u>	<u>16,039,280</u>	<u>6,983</u>
Total Revenues	<u>18,683,512</u>	<u>18,683,512</u>	<u>18,183,214</u>	<u>(500,298)</u>
Expenses:				
Materials and Supply	1,141,528	1,137,657	956,029	181,628
Printing and Graphics	1,512,523	1,511,744	1,098,497	413,247
Fleet Support Services	16,302,297	16,340,960	16,346,226	(5,266)
Contingencies	<u>61,000</u>	<u>26,987</u>	<u>-</u>	<u>26,987</u>
Total Expenses	<u>19,017,348</u>	<u>19,017,348</u>	<u>18,400,752</u>	<u>616,596</u>
Loss Before Transfers	(333,836)	(333,836)	(217,538)	116,298
Transfers In	<u>334,000</u>	<u>334,000</u>	<u>218,000</u>	<u>(116,000)</u>
Change in Net Assets	164	164	462	298
Unappropriated Net Assets - Beginning	<u>492</u>	<u>492</u>	<u>4,052</u>	<u>3,560</u>
Unappropriated Net Assets - Ending	<u>\$ 656</u>	<u>\$ 656</u>	<u>\$ 4,514</u>	<u>\$ 3,858</u>

CITY OF MESA, ARIZONA

EXHIBIT D-9

INTERNAL SERVICE FUNDS (MANAGEMENT BUDGETED ONLY)

SELF-INSURANCE FUNDS

SCHEDULE OF REVENUES, EXPENSES AND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<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	\$ 150,000	\$ 150,000	\$ 528,391	\$ 378,391
Contributions	4,108,000	4,108,000	4,108,000	-
Miscellaneous	1,000	1,000	8,623	7,623
Total Revenues	<u>4,259,000</u>	<u>4,259,000</u>	<u>4,645,014</u>	<u>386,014</u>
Expenses:				
Administrative and Other Fees	2,169,000	2,169,000	2,153,811	15,189
Claims Incurred	<u>2,250,000</u>	<u>2,250,000</u>	<u>1,345,733</u>	<u>904,267</u>
Total Expenses	<u>4,419,000</u>	<u>4,419,000</u>	<u>3,499,544</u>	<u>919,456</u>
Change in Net Assets	(160,000)	(160,000)	1,145,470	1,305,470
Unappropriated Net Assets - Beginning	<u>10,036,470</u>	<u>10,036,470</u>	<u>10,254,328</u>	<u>217,858</u>
Unappropriated Net Assets - Ending	<u>\$ 9,876,470</u>	<u>\$ 9,876,470</u>	<u>\$ 11,399,798</u>	<u>\$ 1,523,328</u>

CITY OF MESA, ARIZONA
EXHIBIT D-9 (Continued)
INTERNAL SERVICE FUNDS (MANAGEMENT BUDGETED ONLY)
SELF-INSURANCE FUNDS
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET TO ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<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	\$ 125,000	\$ 125,000	\$ 321,502	\$ 196,502
Contributions	4,152,000	4,152,000	3,771,904	(380,096)
Miscellaneous	70,000	70,000	260,750	190,750
Total Revenues	<u>4,347,000</u>	<u>4,347,000</u>	<u>4,354,156</u>	<u>7,156</u>
Expenses:				
Administrative and Other Fees	4,291,000	4,291,000	1,904,040	2,386,960
Claims Incurred	-	-	2,726,995	(2,726,995)
Total Expenses	<u>4,291,000</u>	<u>4,291,000</u>	<u>4,631,035</u>	<u>(340,035)</u>
Income (Loss) Before Transfers	56,000	56,000	(276,879)	(332,879)
Transfers In	-	-	427,000	427,000
Change in Net Assets	56,000	56,000	150,121	94,121
Unappropriated Net Assets - Beginning	<u>5,596,042</u>	<u>5,596,042</u>	<u>6,333,429</u>	<u>737,387</u>
Unappropriated Net Assets - Ending	<u>\$ 5,652,042</u>	<u>\$ 5,652,042</u>	<u>\$ 6,483,550</u>	<u>\$ 831,508</u>

CITY OF MESA, ARIZONA
EXHIBIT D-9 (Continued)
INTERNAL SERVICE FUNDS (MANAGEMENT BUDGETED ONLY)
SELF-INSURANCE FUNDS
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET TO ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
EMPLOYEE BENEFITS FUND				
Revenues:				
Investment Income	\$ 288,000	\$ 288,000	\$ 577,858	\$ 289,858
Contributions	38,825,000	38,825,000	38,675,628	(149,372)
Miscellaneous	<u>382,000</u>	<u>382,000</u>	<u>575,013</u>	<u>193,013</u>
Total Revenues	<u>39,495,000</u>	<u>39,495,000</u>	<u>39,828,499</u>	<u>333,499</u>
Expenses:				
Administrative and Other Fees	4,975,000	4,975,000	5,095,296	(120,296)
Claims Incurred	<u>33,531,000</u>	<u>33,531,000</u>	<u>35,005,919</u>	<u>(1,474,919)</u>
Total Expenses	<u>38,506,000</u>	<u>38,506,000</u>	<u>40,101,215</u>	<u>(1,595,215)</u>
Income (Loss) Before Transfers	989,000	989,000	(272,716)	(1,261,716)
Transfers In	<u>-</u>	<u>-</u>	<u>612,000</u>	<u>612,000</u>
Change in Net Assets	989,000	989,000	339,284	(649,716)
Unappropriated Net Assets - Beginning	<u>13,772,420</u>	<u>13,772,420</u>	<u>13,486,061</u>	<u>(286,359)</u>
Unappropriated Net Assets - Ending	<u>\$ 14,761,420</u>	<u>\$ 14,761,420</u>	<u>\$ 13,825,345</u>	<u>\$ (936,075)</u>

CITY OF MESA, ARIZONA
EXHIBIT D-9 (Concluded)
INTERNAL SERVICE FUNDS (MANAGEMENT BUDGETED ONLY)
SELF-INSURANCE FUNDS
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET TO ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR JUNE 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
RECAP				
Revenues:				
Investment Income	\$ 563,000	\$ 563,000	\$ 1,427,751	\$ 864,751
Contributions	47,085,000	47,085,000	46,555,532	(529,468)
Miscellaneous	<u>453,000</u>	<u>453,000</u>	<u>844,386</u>	<u>391,386</u>
Total Revenues	<u>48,101,000</u>	<u>48,101,000</u>	<u>48,827,669</u>	<u>726,669</u>
Expenses:				
Administrative and Other Fees	11,435,000	11,435,000	9,153,147	2,281,853
Claims Incurred	<u>35,781,000</u>	<u>35,781,000</u>	<u>39,078,647</u>	<u>(3,297,647)</u>
Total Expenses	<u>47,216,000</u>	<u>47,216,000</u>	<u>48,231,794</u>	<u>(1,015,794)</u>
Income Before Transfers	885,000	885,000	595,875	(289,125)
Transfers In	<u>-</u>	<u>-</u>	<u>1,039,000</u>	<u>1,039,000</u>
Change in Net Assets	885,000	885,000	1,634,875	749,875
Unappropriated Net Assets - Beginning	<u>29,404,932</u>	<u>29,404,932</u>	<u>30,073,818</u>	<u>668,886</u>
Unappropriated Net Assets - Ending	<u><u>\$ 30,289,932</u></u>	<u><u>\$ 30,289,932</u></u>	<u><u>\$ 31,708,693</u></u>	<u><u>\$ 1,418,761</u></u>

CITY OF MESA, ARIZONA
EXHIBIT D-10
INTERNAL SERVICE FUND
RECONCILIATION OF BUDGET TO GAAP
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Budget Basis

Actual Amounts (Budgetary Basis)		
"Change in Net Assets" from Exhibit D-8	\$	462

Basis Differences:

Compensated Absences		(40,733)
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Timing Differences:

Capital Expenditures		130,321
Depreciation - Amortization		(293,277)
Gain on Disposal of Capital Assets		753
Inventory Increase		88,934

Entity Differences:

Non-Budgeted Self-Insurance Funds		<u>2,410,900</u>
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GAAP Basis

Actual Amount (GAAP Basis)		
"Change in Net Assets" from Exhibit A-8	\$	<u><u>2,297,360</u></u>

CITY OF MESA, ARIZONA

EXHIBIT D-11

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE BY SOURCE

JUNE 30, 2006

GOVERNMENTAL FUNDS CAPITAL ASSETS

Land	\$ 220,560,227
Buildings	297,390,525
Other Improvements	102,945,138
Machinery and Equipment	151,738,377
Infrastructure	661,758,407
Construction in Progress	<u>85,397,918</u>
Total Governmental Funds Capital Assets	\$ <u><u>1,519,790,592</u></u>

INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS

Investment in Property Acquired Prior to July 1, 1978:	
Source Indeterminable	\$ <u>3,142,637</u>
Investment in Property Acquired After June 30, 1978 From:	
General Obligation Bonds	500,614,584
Highway User Revenue Bonds	20,010,058
Federal Revenue Sharing	2,404,992
Federal Aid	32,645,566
General Revenue	453,590,384
Contributions From Developers	392,171,261
Contributions From Property Owners	11,499,654
Contributions From Lessees	2,875,787
Contributions From Other Gov't	31,007,575
Contributions - Indeterminant Funding	<u>69,828,094</u>
Total	<u>1,516,647,955</u>
Total Investment in Governmental Funds Capital Assets	\$ <u><u>1,519,790,592</u></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



CITY OF MESA
Great People, Quality Service!

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.	130
Revenue Capacity These schedules contain information to help readers assess the City's most significant local revenue source, the sales tax.	142
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.	145
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.	153
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.	155

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 FIVE FISCAL YEARS

(accrual basis of accounting)

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
GOVERNMENTAL ACTIVITIES				
Invested in Capital Assets, Net of Related Debt	\$ 624,647,011	\$ 692,576,782	\$ 781,518,870	\$ 769,923,509
Restricted	96,006,282	85,299,383	61,749,912	68,486,614
Unrestricted	<u>80,266,214</u>	<u>53,068,738</u>	<u>43,964,946</u>	<u>62,539,346</u>
Total Governmental Activities Net Assets	<u>\$ 800,919,507</u>	<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	\$ 406,180,825	\$ 477,877,715	\$ 451,550,515	\$ 424,820,602
Restricted	36,822,813	44,402,649	62,692,972	101,565,804
Unrestricted	<u>174,986,829</u>	<u>182,390,271</u>	<u>218,266,775</u>	<u>219,103,522</u>
Total Business-type Activities	<u>\$ 617,990,467</u>	<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	\$ 1,030,827,836	\$ 1,170,454,497	\$ 1,233,069,385	\$ 1,194,744,111
Restricted	132,829,095	129,702,032	124,442,884	170,052,418
Unrestricted	<u>255,253,043</u>	<u>235,459,009</u>	<u>262,231,721</u>	<u>281,642,868</u>
Total Primary Government	<u>\$ 1,418,909,974</u>	<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>	
\$	765,874,830
	84,386,395
	<u>85,734,791</u>
\$	<u><u>935,996,016</u></u>
\$	390,100,160
	89,383,126
	<u>268,388,224</u>
\$	<u><u>747,871,510</u></u>
\$	1,155,974,990
	173,769,521
	<u>354,123,015</u>
\$	<u><u>1,683,867,526</u></u>

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

EXPENSES	2001-02	2002-03	2003-04	2004-05
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 41,768,977	\$ 48,918,830	\$ 44,012,723	\$ 48,722,316
Public Safety	164,866,979	169,665,871	181,856,295	204,366,091
Cultural-Recreational	49,917,805	52,778,367	53,201,350	62,870,201
Community Environment	75,331,481	55,886,591	72,984,342	86,363,321
Interest in Long-term Debt	13,482,328	13,891,122	14,490,474	15,503,667
Total Governmental Activities Expenses	345,367,570	341,140,781	366,545,184	417,825,596
BUSINESS-TYPE ACTIVITIES:				
Electric	21,586,810	21,809,560	24,390,551	27,118,590
Gas	20,215,585	22,433,015	25,990,497	33,829,631
Water	49,031,606	46,247,340	49,542,568	54,247,920
Wastewater	30,394,738	36,177,157	39,673,430	47,799,248
Solid Waste	21,430,944	21,737,238	21,826,949	23,863,908
Airport	2,018,408	1,940,735	2,087,395	2,119,795
Golf Course	2,275,182	2,296,550	2,781,273	2,966,147
Convention Center.	3,026,657	3,013,443	4,224,151	4,260,510
District Cooling	-	-	-	-
Total Business-type Activities Expenses	149,979,930	155,655,038	170,516,814	196,205,749
Total Primary Government Expenses	\$ 495,347,500	\$ 496,795,819	\$ 537,061,998	\$ 614,031,345

TABLE II
(Continued)

<u>2005-06</u>
44,568,148
212,010,952
65,389,229
97,613,466
<u>16,061,123</u>
<u>435,642,918</u>
26,817,051
38,743,370
54,110,525
67,180,688
25,070,150
4,194,272
2,524,364
4,822,347
<u>67,274</u>
<u>223,530,041</u>
<u>\$ 659,172,959</u>

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

PROGRAM REVENUES	2001-02	2002-03	2003-04	2004-05
GOVERNMENTAL ACTIVITIES:				
Charges for services:				
Licenses and Permits	\$ 17,441,330	\$ 15,436,013	\$ 19,819,170	\$ 18,817,521
Charges for Services	9,492,864	9,639,690	11,152,669	13,047,596
Fines and Forfeitures	7,881,541	8,421,178	8,536,253	9,247,469
Other activities	210,368	(113,419)	52,970	116,882
Operating Grants and Contributions	53,382,255	53,256,253	60,346,450	60,813,367
Capital Grants and Contributions	<u>4,817,702</u>	<u>25,473,077</u>	<u>48,400,338</u>	<u>25,513,149</u>
Total Governmental Activities Program Revenues	<u>93,226,060</u>	<u>112,112,792</u>	<u>148,307,850</u>	<u>127,555,984</u>
BUSINESS-TYPE ACTIVITIES:				
Charges for services:				
Electric	29,166,639	27,839,896	33,694,077	30,983,581
Gas	26,502,312	25,113,857	29,941,402	35,131,012
Water	74,645,436	74,769,709	80,036,607	79,724,508
Wastewater	39,933,937	41,656,214	43,643,144	46,024,679
Solid Waste	29,605,827	31,833,958	34,460,114	36,638,993
Airport	1,789,167	1,845,693	1,873,185	1,941,001
Golf Course	2,364,190	2,325,121	2,298,163	2,327,788
Convention Center.	1,381,874	1,422,276	2,686,799	2,570,569
Convention Center.	-	-	-	-
Operating Grants and Contributions	28,161	320,639	248,295	275,024
Capital Grants and Contributions	<u>25,071,546</u>	<u>94,629,677</u>	<u>35,374,484</u>	<u>15,585,679</u>
Total Business-type Activities Program Revenues	<u>230,489,089</u>	<u>301,757,040</u>	<u>264,256,270</u>	<u>251,202,834</u>
Total Primary Government Program Revenues	<u>\$ 323,715,149</u>	<u>\$ 413,869,832</u>	<u>\$ 412,564,120</u>	<u>\$ 378,758,818</u>
NET (EXPENSE)/REVENUE				
Governmental Activities	(252,141,510)	\$ (229,027,989)	\$ (218,237,334)	\$ (290,269,612)
Business-type Activities	<u>80,509,159</u>	<u>146,102,002</u>	<u>93,739,456</u>	<u>54,997,085</u>
Total Primary Government Net Expense	<u>\$ (171,632,351)</u>	<u>\$ (82,925,987)</u>	<u>\$ (124,497,878)</u>	<u>\$ (235,272,527)</u>

TABLE II
(Continued)

<u>2005-06</u>	
\$	23,145,062
	17,649,718
	9,049,107
	282,129
	68,784,384
	<u>16,777,436</u>
	<u>135,687,836</u>
	36,112,821
	44,088,814
	88,497,653
	49,618,163
	38,898,904
	2,086,753
	2,522,464
	3,727,573
	54,678
	141,207
	<u>27,692,246</u>
	<u>293,441,276</u>
\$	<u><u>429,129,112</u></u>
\$	(299,955,082)
	<u>69,911,235</u>
\$	<u><u>(230,043,847)</u></u>

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

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

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
GOVERNMENTAL ACTIVITIES:				
Sales and Occupancy Taxes	\$ 102,917,491	\$ 99,658,438	\$ 106,417,064	\$ 114,385,923
Unrestricted State Shared Revenues	89,144,692	89,146,593	85,469,452	90,867,567
Contributions Not Restricted to Specific Programs	5,031,780	5,363,401	8,202,920	10,725,969
Unrestricted Investment Income	4,594,757	2,499,434	1,202,348	1,905,411
Loss on Investment in Local Government				
Investment Pool	-	(4,442,638)	-	-
Miscellaneous	5,903,080	7,109,157	5,461,757	9,740,646
Transfers	<u>96,961,247</u>	<u>59,719,000</u>	<u>67,772,618</u>	<u>76,359,837</u>
Total Governmental Activities	<u>304,553,047</u>	<u>259,053,385</u>	<u>274,526,159</u>	<u>303,985,353</u>
BUSINESS-TYPE ACTIVITIES:				
Unrestricted Investment Income	1,857,942	1,230,644	947,498	1,579,215
Loss on Investment in Local Government				
Investment Pool	-	(1,733,725)	-	-
Miscellaneous	277,039	800,247	925,291	84,910
Special Item - Gain on Sale of Land	-	-	-	32,678,293
Transfers	<u>(96,961,247)</u>	<u>(59,719,000)</u>	<u>(67,772,618)</u>	<u>(76,359,837)</u>
Total Business-type Activities	<u>(94,826,266)</u>	<u>(59,421,834)</u>	<u>(65,899,829)</u>	<u>(42,017,419)</u>
Total Primary Government	<u>\$ 209,726,781</u>	<u>\$ 199,631,551</u>	<u>\$ 208,626,330</u>	<u>\$ 261,967,934</u>
Change in Net Assets				
Governmental Activities	52,411,537	\$ 30,025,396	\$ 56,288,825	\$ 13,715,741
Business-type Activities	<u>(14,317,107)</u>	<u>86,680,168</u>	<u>27,839,627</u>	<u>12,979,666</u>
Total Primary Government	<u>\$ 38,094,430</u>	<u>\$ 116,705,564</u>	<u>\$ 84,128,452</u>	<u>\$ 26,695,407</u>

TABLE II
(Concluded)

<u>2005-06</u>	
\$	130,561,985
	103,848,818
	12,205,647
	5,430,860
	-
	10,052,208
	<u>72,902,111</u>
	<u>335,001,629</u>
	4,818,652
	-
	553,806
	-
	<u>(72,902,111)</u>
	<u>(67,529,653)</u>
\$	<u><u>267,471,976</u></u>
\$	35,046,547
	<u>2,381,582</u>
\$	<u><u>37,428,129</u></u>

CITY OF MESA, ARIZONA

TABLE III

FUND BALANCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>
GENERAL FUND				
Reserved (1)	\$ 6,290,338	\$ 11,015,538	\$ 30,597,742	\$ 40,729,716
Unreserved	<u>23,912,443</u>	<u>17,226,599</u>	<u>30,031,145</u>	<u>31,854,206</u>
Total General Fund	<u>\$ 30,202,781</u>	<u>\$ 28,242,137</u>	<u>\$ 60,628,887</u>	<u>\$ 72,583,922</u>
ALL OTHER GOVERNMENTAL FUNDS				
Reserved	\$ 15,539,739	\$ 12,705,195	\$ 20,331,310	\$ 8,821,348
Unreserved, Reported in:				
Special Revenue Funds	8,044,775	12,227,418	8,235,021	11,516,626
Capital Project Funds	<u>23,241,938</u>	<u>46,489,706</u>	<u>17,985,480</u>	<u>13,210,539</u>
Total All Other Governmental Funds	<u>\$ 46,826,452</u>	<u>\$ 71,422,319</u>	<u>\$ 46,551,811</u>	<u>\$ 33,548,513</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.

TABLE III
(Continued)

<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
\$ 61,847,049	\$ 69,785,175	\$ 53,697,322	\$ 30,195,115	\$ 37,871,632	\$ 61,257,305
<u>22,182,897</u>	<u>24,532,385</u>	<u>11,253,612</u>	<u>25,844,445</u>	<u>19,310,081</u>	<u>27,993,782</u>
<u>\$ 84,029,946</u>	<u>\$ 94,317,560</u>	<u>\$ 64,950,934</u>	<u>\$ 56,039,560</u>	<u>\$ 57,181,713</u>	<u>\$ 89,251,087</u>
\$ 14,731,211	\$ 20,241,119	\$ 14,555,545	\$ 8,542,839	\$ 10,335,341	\$ 8,391,978
11,958,553	12,119,328	9,211,016	20,215,242	23,498,926	21,745,990
<u>24,492,954</u>	<u>8,559,611</u>	<u>23,676,985</u>	<u>13,773,686</u>	<u>15,681,069</u>	<u>18,611,420</u>
<u>\$ 51,182,718</u>	<u>\$ 40,920,058</u>	<u>\$ 47,443,546</u>	<u>\$ 42,531,767</u>	<u>\$ 49,515,336</u>	<u>\$ 48,749,388</u>

CITY OF MESA, ARIZONA

TABLE IV

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>
REVENUES				
Sales and Occupancy Taxes (1)	\$ 61,810,562	\$ 66,820,037	\$ 99,542,323	\$ 106,822,964
Special Assessments	534,632	480,308	629,955	538,211
Licenses and Permits	7,492,655	9,306,079	17,048,064	20,966,327
Intergovernmental	102,217,991	109,060,868	127,228,891	132,679,952
Charges for Services	6,599,174	7,215,861	9,433,129	9,260,179
Contributions	135,000	260,000	-	-
Fines and Forfeitures	5,622,973	6,556,442	6,778,743	6,645,488
Investment Income	3,463,631	4,682,417	4,589,751	4,913,109
Loss on Investment in Local Government Investment Pool	-	-	-	-
Miscellaneous	<u>3,005,781</u>	<u>3,950,907</u>	<u>4,733,523</u>	<u>4,466,611</u>
Total Revenues	<u>190,882,399</u>	<u>208,332,919</u>	<u>269,984,379</u>	<u>286,292,841</u>
EXPENDITURES				
General Government	20,948,080	22,390,947	25,950,817	30,495,284
Public Safety	95,641,021	104,010,364	114,122,259	131,414,608
Cultural-Recreational	27,909,485	29,700,695	36,916,715	41,572,154
Community Environment	36,440,078	33,640,993	38,232,446	41,483,266
Debt Service				
Principal	10,018,340	14,184,141	17,979,311	20,438,129
Interest	8,280,527	9,728,343	10,690,969	11,265,739
Issuance Cost on Refunding Bonds	-	-	-	-
Service Charges	78,879	88,632	77,786	83,531
Capital Outlay	<u>67,774,537</u>	<u>57,670,762</u>	<u>69,037,834</u>	<u>94,405,447</u>
Total Expenditures	<u>267,090,947</u>	<u>271,414,877</u>	<u>313,008,137</u>	<u>371,158,158</u>
Excess of Revenues Over (Under) Expenditures	(76,208,548)	(63,081,958)	(43,023,758)	(84,865,317)
OTHER FINANCING SOURCES (USES)				
Transfers In	56,271,287	63,376,277	68,679,296	84,683,534
Transfers Out	(19,159,344)	(27,769,015)	(28,899,296)	(36,205,817)
Face Amount of Bonds Issued	24,000,000	49,000,000	-	19,436,976
Premium on Issuance of Bonds	39,865	19,930	-	5,076
Proceeds from Obligations of Capital Leases	9,250,100	2,260,000	10,760,000	15,862,000
Proceeds From Refunding Issue	-	18,233,179	-	-
Payment to Refunded Bond Escrow Agent	-	(19,402,650)	-	-
Total Other Financing Sources (Uses)	<u>70,401,908</u>	<u>85,717,721</u>	<u>50,540,000</u>	<u>83,781,769</u>
Net Change in Fund Balances	<u>\$ (5,806,640)</u>	<u>\$ 22,635,763</u>	<u>\$ 7,516,242</u>	<u>\$ (1,083,548)</u>
Debt Service as a percentage of Noncapital Expenditures	9.22%	11.23%	11.78%	11.49%

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

TABLE IV
(Continued)

	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
\$	104,210,560	\$ 102,917,491	\$ 99,658,438	\$ 106,417,064	\$ 114,385,923	\$ 130,561,985
	547,069	68,388	67,313	57,567	4,770	4,770
	18,530,634	17,441,330	15,436,013	19,819,170	18,817,521	23,145,062
	139,131,708	144,899,946	157,187,256	149,036,481	153,369,074	178,553,235
	9,122,804	9,492,864	9,639,690	11,152,669	13,047,596	17,649,718
	-	-	-	-	-	-
	8,087,106	7,881,541	8,421,178	8,536,253	9,247,469	9,049,107
	7,805,680	3,823,765	1,999,483	885,188	1,353,224	4,376,010
	-	-	(3,588,706)	-	-	-
	<u>3,193,930</u>	<u>5,702,529</u>	<u>6,204,205</u>	<u>5,268,925</u>	<u>9,562,131</u>	<u>9,632,863</u>
	<u>290,629,491</u>	<u>292,227,854</u>	<u>295,024,870</u>	<u>301,173,317</u>	<u>319,787,708</u>	<u>372,972,750</u>
	32,158,977	34,413,634	35,314,279	36,328,122	38,364,301	36,730,857
	143,663,306	152,211,510	160,151,434	166,576,022	182,224,448	190,761,508
	43,370,223	45,139,625	46,940,164	47,366,458	54,761,753	56,187,938
	43,641,860	48,793,335	48,643,271	51,520,603	56,953,311	60,079,827
	13,240,354	20,844,687	20,548,390	7,145,591	7,692,222	8,857,085
	20,861,188	13,482,328	13,551,752	14,081,131	15,369,204	16,181,484
	-	-	-	-	-	234,487
	91,344	98,891	74,345	62,131	61,994	55,510
	<u>77,341,312</u>	<u>90,516,208</u>	<u>106,255,818</u>	<u>81,823,895</u>	<u>62,392,135</u>	<u>79,316,975</u>
	<u>374,368,564</u>	<u>405,500,218</u>	<u>431,479,453</u>	<u>404,903,953</u>	<u>417,819,368</u>	<u>448,405,671</u>
	(83,739,073)	(113,272,364)	(136,454,583)	(103,730,636)	(98,031,660)	(75,432,921)
	94,442,234	98,319,124	100,545,246	98,213,698	104,642,640	106,253,593
	(40,154,867)	(38,779,124)	(40,765,246)	(27,993,698)	(28,065,640)	(32,339,810)
	56,500,000	51,175,000	49,370,000	9,585,000	21,930,000	26,410,000
	10,935	134,318	145,133	-	640,258	2,003,565
	2,021,000	2,448,000	4,899,000	9,322,015	6,746,097	6,401,832
	-	26,333,383	84,292,722	139,441,539	26,420,341	25,482,000
	-	(26,333,383)	(84,875,410)	(138,661,071)	(26,156,314)	(27,474,833)
	<u>112,819,302</u>	<u>113,297,318</u>	<u>113,611,445</u>	<u>89,907,483</u>	<u>106,157,382</u>	<u>106,736,347</u>
\$	<u><u>29,080,229</u></u>	<u><u>24,954</u></u>	<u><u>(22,843,138)</u></u>	<u><u>(13,823,153)</u></u>	<u><u>8,125,722</u></u>	<u><u>31,303,426</u></u>
	11.51%	10.93%	10.51%	6.59%	6.51%	6.86%

CITY OF MESA, ARIZONA

TABLE V

SALES TAX COLLECTIONS BY CATEGORY
LAST TEN FISCAL YEARS

	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99 (1)</u>	<u>1999-00</u>
Utilities	\$ 3,361,187	\$ 3,492,699	\$ 4,908,964	\$ 5,574,568
Communications	1,530,784	1,619,009	2,653,827	3,183,299
Publishing	875,183	944,552	1,436,222	1,557,735
Printing & Advertising	266,264	245,017	357,307	436,325
Contracting	5,117,234	6,224,145	10,200,913	13,689,928
Retail Sales	36,067,510	38,136,207	56,918,308	61,660,617
Restaurants & Bars	3,578,964	3,834,538	5,684,141	6,285,311
Amusements	569,304	579,102	830,079	935,980
Rentals	6,860,373	7,329,256	10,647,265	12,321,151
Miscellaneous	<u>63,796</u>	<u>60,320</u>	<u>83,039</u>	<u>97,415</u>
Total	\$ <u>58,290,599</u>	\$ <u>62,464,845</u>	\$ <u>93,720,065</u>	\$ <u>105,742,329</u>
City Direct Tax Rate	1.00%	1.00%	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>2000-01 (2)</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
\$ 5,916,601	\$ 6,047,445	\$ 5,944,304	\$ 6,788,354	\$ 6,684,347	\$ 7,491,583
3,563,562	3,808,334	3,594,253	3,177,271	3,237,738	2,821,422
1,570,300	1,609,643	1,539,171	1,475,730	1,562,510	1,780,973
409,531	422,190	386,315	379,795	366,884	451,078
14,362,291	14,284,864	11,394,732	12,503,261	12,060,057	14,488,208
55,352,161	54,992,777	54,402,661	58,816,516	64,192,569	73,948,348
6,749,667	7,098,190	7,214,909	7,779,460	8,473,895	9,358,043
1,023,797	1,015,778	979,895	1,033,107	1,070,053	1,202,663
13,302,978	13,284,453	13,395,745	13,451,358	14,363,881	15,685,871
80,415	89,483	113,829	100,623	117,957	329,452
<u>\$ 102,331,303</u>	<u>\$ 102,653,157</u>	<u>\$ 98,965,814</u>	<u>\$ 105,505,475</u>	<u>\$ 112,129,891</u>	<u>\$ 127,557,641</u>
1.50%	1.50%	1.50%	1.50%	1.50%	1.50%

CITY OF MESA, ARIZONA

TABLE VI

DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS

	City Direct Rate	Maricopa County	State of Arizona
1996-97	1.00	0.75	5.00
1997-98	1.00	0.50	5.00
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

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	
1997	\$ 144,089,584	\$ 26,910,000	\$ -	\$ 2,553,000	\$ 9,872,481	\$ 173,555,000
1998	166,038,690	26,145,000	19,000,000	2,003,000	9,901,068	216,730,000
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

(1) Information on personal income and population is presented on Table XII.
Personal income information not available for years 1997 - 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)
\$ 124,385,734	\$ 31,000,000	\$ 1,937,236	\$ -	\$ 514,303,035	N/A %	\$ 1,459
97,970,847	29,700,000	1,833,305	-	569,321,910	N/A	1,539
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

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		
1997	\$ 1,302,942,539	\$ 259,385,000	\$ 16,065,000	\$ 243,320,000	18.67 %	\$ 690.14
1998	1,470,814,456	254,990,000	28,795,000	226,195,000	15.38	611.28
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

(1) General Obligation debt has been supported through non-property tax revenues since the 1944-45 fiscal year. The City of Mesa 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, 2006

<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-	8.81	-0-
Maricopa County Community College District	399,805,000	8.82	35,262,801
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	230,900,000	85.58	197,604,220
Gilbert Unified School District	63,035,000	26.43	16,660,151
Queen Creek Unified School District No. 95	27,175,000	22.09	6,002,958
Higley Elementary School District No. 60	17,600,000	2.28	401,280
Tempe Union High School District No. 213	153,980,000	0.27	415,746
Tempe Elementary School District No. 3	74,400,000	0.64	476,160
East Valley Institute of Technology District No. 401	-0-	19.95	-0-
Other Debt:			
Maricopa County	87,040,000	8.81	<u>7,668,224</u>
Subtotal, overlapping debt			264,491,540
City direct debt			<u>\$ 380,996,440</u>
Total Direct and Overlapping Debt			<u><u>\$ 645,487,980</u></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 2005/06 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>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>
6% Limitation				
Legal Debt Limitation Equal to 6% of Assessed Valuation	\$ 78,176,552	\$ 88,248,869	\$ 92,490,203	\$ 103,610,929
Total Net Debt Applicable to 6% Limit	<u>58,580,900</u>	<u>61,644,000</u>	<u>61,304,000</u>	<u>64,340,000</u>
Margin Available for Future General Obligation Bond Issues for 6% Bonds	<u>\$ 19,595,652</u>	<u>\$ 26,604,869</u>	<u>\$ 31,186,203</u>	<u>\$ 39,270,929</u>
Total Net Debt Applicable to the 6% Limit as a Percentage of the 6% Legal Debt Limitation	74.93%	69.85%	66.28%	62.10%
20% Limitation				
Legal Debt Limitation Equal to 20% of Assessed Valuation	\$ 260,588,508	\$ 294,162,897	\$ 308,300,675	\$ 345,369,763
Total Net Debt Applicable to 20% Limit	<u>184,739,100</u>	<u>164,551,000</u>	<u>132,801,000</u>	<u>134,650,000</u>
Margin Available for Future General Obligation Bond Issues for 20% Bonds	<u>\$ 75,849,408</u>	<u>\$ 129,611,897</u>	<u>\$ 175,499,675</u>	<u>\$ 210,719,763</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of the 20% Legal Debt Limitation	70.89%	55.94%	43.08%	38.99%
Total Margin Available	<u>\$ 95,445,060</u>	<u>\$ 156,216,766</u>	<u>\$ 206,685,878</u>	<u>\$ 249,990,692</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 2005-06

Secondary Assessed Value		\$	2,921,998,915
		<u>6% Bonds (1)</u>	<u>20% Bonds (2)</u>
Legal Debt Limitation	\$	175,319,935	\$ 584,399,783
Debt Applicable to Limit:			
General Obligation Bonds		116,020,000	95,750,000
Less: Cash With Fiscal Agents		<u>(620,000)</u>	<u>-</u>
Total Net Debt Applicable to Limit		<u>115,400,000</u>	<u>95,750,000</u>
Margin Available for Future General Obligation Bond Issues	\$	<u><u>59,919,935</u></u>	\$ <u><u>488,649,783</u></u>
Total Margin Available			\$ <u><u>548,569,718</u></u>

<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
\$ 115,194,950	\$ 128,578,840	\$ 136,334,693	\$ 147,832,694	\$ 158,889,797	\$ 175,319,935
<u>86,180,000</u>	<u>88,245,000</u>	<u>102,910,000</u>	<u>102,715,000</u>	<u>110,085,000</u>	<u>115,400,000</u>
<u><u>\$ 29,014,950</u></u>	<u><u>\$ 40,333,840</u></u>	<u><u>\$ 33,424,693</u></u>	<u><u>\$ 45,117,694</u></u>	<u><u>\$ 48,804,797</u></u>	<u><u>\$ 59,919,935</u></u>
74.81%	68.63%	75.48%	69.48%	69.28%	65.82%
\$ 383,983,165	\$ 428,596,133	\$ 454,448,977	\$ 492,775,647	\$ 529,632,657	\$ 584,399,783
<u>132,545,000</u>	<u>116,135,000</u>	<u>98,635,000</u>	<u>88,220,000</u>	<u>91,975,000</u>	<u>95,750,000</u>
<u><u>\$ 251,438,165</u></u>	<u><u>\$ 312,461,133</u></u>	<u><u>\$ 355,813,977</u></u>	<u><u>\$ 404,555,647</u></u>	<u><u>\$ 437,657,657</u></u>	<u><u>\$ 488,649,783</u></u>
34.52%	27.10%	21.70%	17.90%	17.37%	16.38%
<u><u>\$ 280,453,115</u></u>	<u><u>\$ 352,794,973</u></u>	<u><u>\$ 389,238,670</u></u>	<u><u>\$ 449,673,341</u></u>	<u><u>\$ 486,462,454</u></u>	<u><u>\$ 548,569,718</u></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		
1996-97	\$ 147,680,234	\$ 96,282,922	\$ 51,397,312	\$ 12,425,000	\$ 5,657,908	2.84	
1997-98	154,012,079	99,285,794	54,726,285	-	9,666,397	5.66	
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	

Highway User Revenue Fund Revenue Bonds					
	Highway User Tax Revenue	Debt Service		Coverage Ratio	
		Principal	Interest		
1996-97	\$ 26,663,448	\$ -	\$ -	N/A (2)	
1997-98	25,392,547	-	734,288	34.58	
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	

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

(2) Highway User Revenue Bonds were not issued until fiscal year 1997-98

(3) Excise tax revenues include all unrestricted general revenues of the General Fund

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	
\$	751,825	\$ 550,000	\$ 230,079	0.96
	648,657	550,000	184,990	0.88
	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

Municipal Development Corporation Bonds				
	Excise Tax Revenues (3)	Debt Service		Coverage Ratio
		Principal	Interest	
\$	150,930,431	\$ 735,000	\$ 154,054	169.77
	167,747,956	780,000	131,165	184.10
	219,682,621	810,000	115,955	237.25
	232,648,996	845,000	99,755	246.25
	236,278,011	875,000	82,010	246.89
	225,607,051	910,000	126,832	217.59
	219,148,344	1,755,000	910,270	82.22
	231,081,883	3,900,000	796,250	49.21
	249,345,362	3,400,000	625,250	61.95
	287,351,110	3,900,000	479,250	65.62

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>
1997	352,566	\$ N/A	\$ N/A	N/A	69,109	2.5 %
1998	370,037	N/A	N/A	N/A	69,228	2.1
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

Note: Personal Income and Median age information is not available for Fiscal Years 1997 - 1999 & 2001.

Sources:

- (1) City of Mesa Development Services Estimate
- (2) 2000-2004 Census Bureau (estimate), 2005-2006 Claritas (estimate)
- (3) 2000-2004 Census Bureau, 2005-2006 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 SIX YEARS AGO

Employer	2006			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	4,700	3	2.44	4,100	4	2.21
City of Mesa	3,742	4	1.94	4,480	3	2.41
Wal-Mart	2,280	5	1.18	1,775	6	0.96
Maricopa County Government (2)	1,300	6	0.67	N/A		0.00
Bashas'	1,000	7	0.52	860	9	0.46
Empire Southwest Machinery	1,000	7	0.52	1,000	8	0.54
The Kroger Company	1,000	7	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	32,372		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 FIVE 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

CITY OF MESA, ARIZONA

TABLE XVOPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	1996-97	1997-98	1998-99	1999-00
Police				
Major Crimes	26,341	27,381	23,626	30,083
Traffic Accidents	13,847	14,134	14,955	12,419
Fire				
Fires	1,501	1,202	1,354	1,374
Rescue or Emergency	24,491	29,214	30,464	33,016
False Alarms	1,251	1,621	1,865	2,173
Hazardous Conditions				
Other Calls	5,142	6,116	6,695	7,980
Libraries				
Number of Registered Borrowers	134,819	133,141	132,630	131,049
Total Attendance	1,397,136	1,335,932	1,083,883	1,059,912
Access to Electronic Resources		116,103	160,726	679,770
Electric Connections	15,542	15,629	15,680	15,949
Gas Connections	27,172	29,681	32,038	34,429
Water				
Connections	101,909	106,445	111,674	116,829
Average Daily Consumption (mgd)*	87.1	85.4	87.6	90.4
Peak Daily Consumption (mg)**	117.96	121.21	126.39	122.82
Wastewater				
Connections	84,974	88,546	93,114	98,683
Average Daily Sewage Treatment (mgd)*	37.2	36.8	37.7	38.7
Solid Waste				
Customers Served	85,972	92,979	108,509	121,830
Refuse Collected (tons)	204,805	213,994	233,200	227,141
Recyclables Collected (tons)	21,033	26,931	26,700	30,380
Green Waste Collected (tons)			8,600	11,658
Falcon Field				
Average Number of Aircraft Based	815	854	865	893
Aircraft Operations (annual)	204,353	213,684	245,606	270,844

* mgd - millions of gallons per day

** mg - millions of gallons

TABLE XV
(Continued)

<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
16,362	32,956	29,379	27,933	25,853	24,904
16,432	16,572	9,593	9,562	10,121	9,205
1,271	1,459	1,451	1,332	1,386	1,605
34,405	37,928	37,339	39,489	41,689	43,073
2,213	2,067	2,073	1,999	2,021	2,595
778	1,199	557	653	591	676
7,172	206	7,229	7,439	7,738	7,820
144,773	199,563	184,647	200,461	193,722	233,836
1,054,039	1,187,052	1,202,947	1,183,794	1,208,594	1,195,075
1,977,527	3,392,101	1,027,157	1,365,863	1,835,867	2,307,051
15,901	15,911	15,797	17,945	15,652	15,806
36,485	38,629	40,328	42,241	45,435	48,622
121,656	124,742	127,140	129,477	131,141	133,105
87.5	91.9	93.5	105.3	93.6	94.5
127.14	132.32	141.01	132.15	137.95	131.28
130,699	107,532	110,537	112,497	114,500	116,282
41.7	42.1	38.7	39.3	38.9	41.8
129,339	135,517	140,190	109,960	114,112	113,146
241,921	244,999	245,286	254,688	248,255	261,369
31,783	32,924	36,282	34,141	36,264	32,869
13,706	13,713	15,373	16,384	16,983	17,500
904	902	930	934	922	924
270,731	251,702	290,902	277,088	255,069	271,295

CITY OF MESA, ARIZONA

TABLE XVI

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	1996-97	1997-98	1998-99	1999-00
Police Stations				
Stations	4	4	4	4
Vehicular Patrol Units	272	282	243	287
Fire Stations	15	15	15	15
Libraries	3	3	3	3
Parks and Recreation				
Developed Parks (acres)	1,066	1,066	1,077	1,082
Undeveloped Acres	1,292	1,292	1,175	1,887
Swimming Pools	11	11	12	13
Recreation Facilities	6	6	6	6
Community Environment				
Streets (miles)				
Paved	937	960	1,008	1,037
Unpaved	12	12	12	12
Storm Sewers (miles)	205	213	225	230
Gas Mains (miles)	752	802	834	880
Water				
Mains (miles)	1,551	1,605	1,674	1,707
Storage Capacity (millions of gallons)	97	97	97	97
Wastewater				
Mains (miles)	1,112	1,149	1,209	1,625
Treatment Capacity (millions of gallons per day)	42	42	42	42
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>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
4	4	4	4	4	4
255	270	421	306	321	285
15	17	17	17	17	19
3	3	3	3	3	3
1,089	1,158	1,202	1,198	1,149	1,184
1,971	1,947	1,932	1,228	1,230	1,251
13	13	13	13	12	12
6	7	6	6	6	6
1,070	1,094	1,132	1,152	1,160	1,162
12	12	12	12	12	12
238	252	271	290	296	298
909	929	954	998	1,037	1,121
1,758	1,809	1,924	1,978	2,004	2,022
97	97	97	97	97	117
1,311	1,356	1,454	1,496	1,512	1,522
56	56	56	56	56	56
				69	78
2	2	2	2	2	2