

2007



City of Mesa, Arizona  
**Comprehensive  
Annual Financial Report**  
*For the Fiscal Year Ended June 30, 2007*

**Keno Hawker**  
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

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City Manager

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**Bryan Raines**  
Deputy City Manager

**Jack Friedline**  
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**Kari Kent**  
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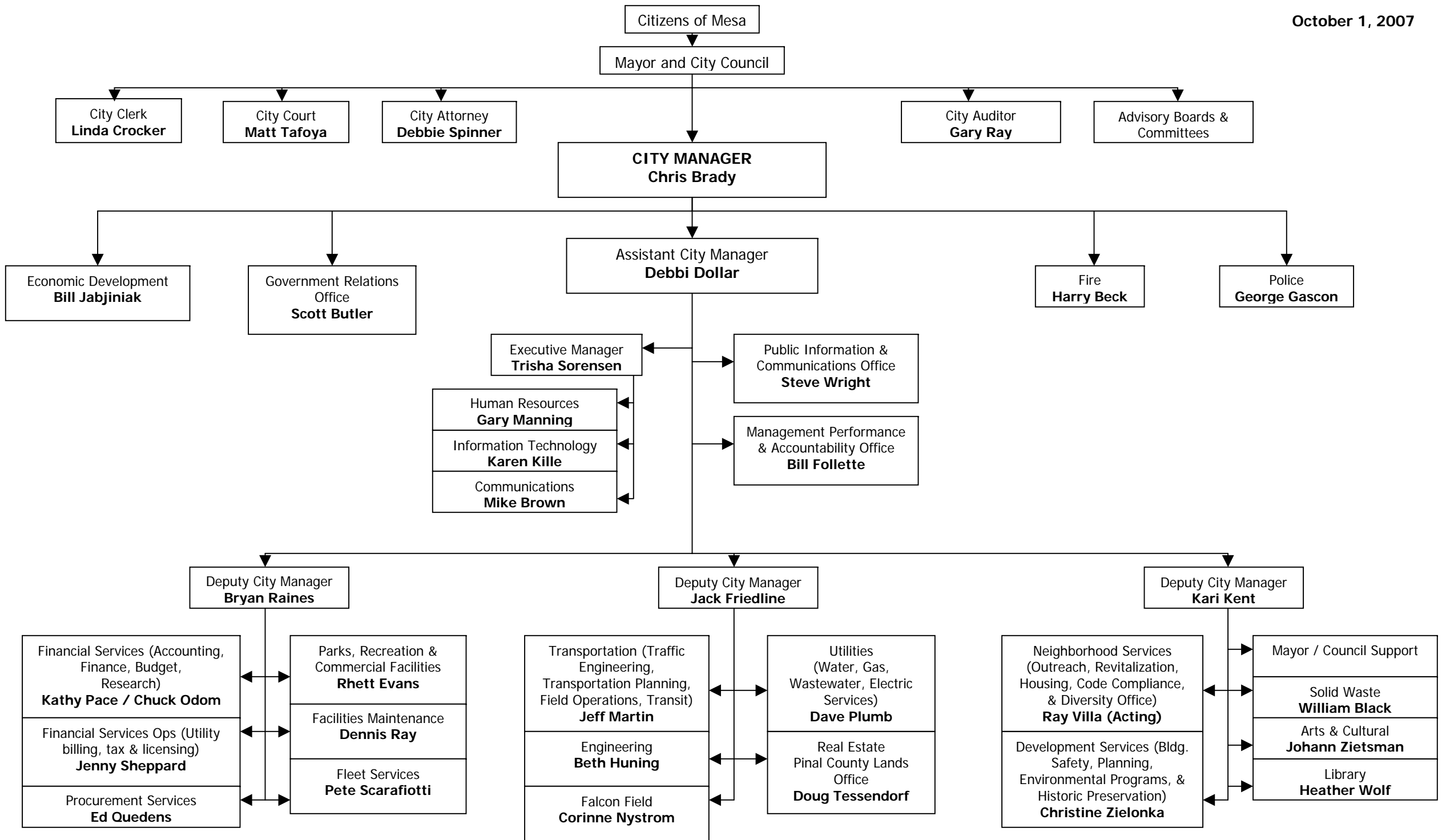
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**City of Mesa, Arizona**

# **Comprehensive Annual Financial Report**

**For the Fiscal Year Ended June 30, 2007**





2007



# Introductory Section

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October 31, 2007

**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, 2007 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, 2007, 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, 2007, 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.

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Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the City**

The City was founded in 1878 and incorporated July 15, 1883 with an approximate population of 300 and an area of one square mile. Today, the City's estimated population is over 460,000 within an area of approximately 133 square miles. The City is the 38<sup>th</sup> largest city in the United States as well as the third largest in the State of Arizona and is located 16 miles east of Phoenix, the State Capitol. The City operates under a charter form of government with citizens electing a Mayor and six Councilmembers to set policy for the City. City Councilmembers are elected from districts and serve terms of four years, with three members being elected every two years. The Mayor is elected at-large every four years. The Mayor and Council are elected on a non-partisan basis, and the Vice Mayor is selected by the City Council.

The Mayor and City Council are responsible for appointing the City Manager, City Attorney, City Auditor, City Clerk and the Presiding City Magistrate. The City Manager has full responsibility for carrying out City Council policies and administering City operations and is responsible for the hiring of City employees. Additionally, City employees are hired under merit system procedures as specified in the City Charter. A staff of 3,851 full-time City employees working within thirty different City departments undertakes the various functions of Mesa's city government and its operations.

The City provides a full range of municipal services, including police and fire protection, parks and recreation, library, transportation, health and certain social services and general administration; and, the City owns and operates an enterprise whose activities include operations of electric, gas, water, wastewater, solid waste, airport, golf courses, a convention center and district cooling.

The Financial Statements include the funds for the City and its blended component unit, the 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.

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

### **Factors Affecting Financial Condition**

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

### **Local Economy**

The City's economic growth in retail sales slowed during this past year and construction has lagged as compared to recent years. During fiscal year 2006-07, the City issued 1,213 new residential building permits, a decrease of 91 permits issued during the previous fiscal year. The corresponding dollar valuation associated with these permits decreased from \$333.6 million in fiscal year 2005-06 to \$294.0 million in fiscal year 2006-07.

Effective July 1, 2006, the City's sale tax rate increased to 1.75% from 1.50%. This was the result of automatic adjustments to the Quality-of-Life component and voter approval of an overall rate increase in March 2006. In the end, the component changes to the City's sales tax revenues were as follows: Allocation to the General Fund increased from 1.0% to 1.2%. Allocation to the Quality-of-Life fund decreased from 0.50% to 0.25%. And a new component, allocation to the Streets fund for maintenance and construction is now set at 0.30%.

The dedication of 0.30% funding for the City's streets program to restore and maintain the condition of the City's street infrastructure generated \$23.2 million during the first fiscal year.

Revenues subject to City sales tax increased when compared to the previous fiscal year and controlling for the new rate reflected growth of 6.1 percent. Sales generated from construction activity increased by 32.9 percent as compared to the prior year. Previously, taxable sales from construction activity increased by 20.1 percent from fiscal 2004-05 to 2005-06. Retail sales decreased by .8 percent during this past fiscal year as compared to a 15.2 percent increase during the prior year, also when controlled for the new rate. Overall, at the new rate of 1.75% for eleven months of the fiscal year, the City realized an increase of \$26.9 million or 21.1% over the previous 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.

(Continued)

- 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.
- Educational institutions and related employment centers including the Mesa Public Schools, the East Valley Institute of Technology, Mesa Community College, Arizona State University Polytechnic, and satellite campuses of various higher education institutions.
- Available locations for future economic development within the City, such as Phoenix-Mesa 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 revenue bond debt to help meet the challenges of providing services to a growing community. During fiscal year 2006-07, the City completed a refunding that provided savings in future debt service payments of approximately \$4,900,000.

Effective July 1, 2006, City's sales tax rate increased 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 total of \$23.2 million was generated from this tax during the first year.

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

- The Riverview retail project continues to develop with the opening of Arizona's first Bass Pro Shop, a variety of large and mid-sized retailers and several new restaurants. The next few years will see the opening of additional retailers, three major auto dealers, a hotel and nearly 500,000 sq.ft. of "Class A" office space.
- Scheduled to open in December 2008, Mesa's portion of the initial 20 mile segment of the regional light rail line continues construction along Main Street in west Mesa. In this phase the project connects the cities of Mesa, Tempe and Phoenix and several redevelopment projects along the corridor have already been initiated.
- Fiscal year 2006/2007 marked the start of adjusted City service levels that were the result of the March 2006 elections. At the beginning of the fiscal year the City made \$15 million in reductions to previously ongoing services. Now in place for a full year, the

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City's fiscal stability has improved as we work towards the targeted goals established in the financial forecast anticipating a relatively stable economy.

### **Long-term Financial Planning**

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

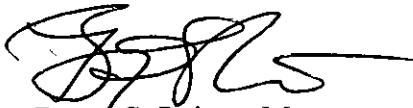
### **Awards and Acknowledgements**

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, 2006. This was the twenty-fifth 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  
Deputy City Manager

# 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, 2006

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.



President

Executive Director

2007



## 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, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mesa, Arizona, as of June 30, 2007, 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 31, 2007 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 31, 2007

## 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, 2007. 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 \$103 million in fiscal year 2007.
- Total net assets of the City are \$1.79 billion, of which \$437 million are unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. However, \$278 million of the unrestricted net assets are invested in joint ventures for fiscal year 2007.
- As of the end of fiscal year 2007, the City's governmental funds reported a combined ending fund balance of \$182.3 million, a \$44.3 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 \$57 million, or 16.4% of total General Fund expenditures, compared to \$28 million, or 8.5% of total General Fund expenditures the previous year.
- The City issued \$15.9 million in general obligation debt during the current fiscal year for new storm sewer and law enforcement improvement projects.
- The City issued \$10.7 million in new street and highway user revenue debt. These were issued for street improvement projects.
- The City issued \$192.8 million in utility system revenue debt during the current fiscal year. \$65.5 million was issued for new gas, water, and wastewater improvements and \$127.3 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, 2007 and as of and for the year ended June 30, 2006.

### **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, 2007 and 2006.

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

|                             | Governmental        |                   | Business-type     |                   | Total               |                     | Change            |             |
|-----------------------------|---------------------|-------------------|-------------------|-------------------|---------------------|---------------------|-------------------|-------------|
|                             | Activities          |                   | Activities        |                   | Primary Government  |                     | Dollars           | Percent     |
|                             | 2007                | 2006              | 2007              | 2006              | 2007                | 2006                |                   |             |
| Cash and Other Assets       | \$ 316,524          | \$ 257,506        | \$ 452,587        | \$ 417,990        | \$ 769,111          | \$ 675,496          | \$ 93,615         | 13.86 %     |
| Capital Assets              | 1,190,689           | 1,150,094         | 1,105,007         | 1,063,476         | 2,295,696           | 2,213,570           | 82,126            | 3.71        |
| <b>Total Assets</b>         | <b>1,507,213</b>    | <b>1,407,600</b>  | <b>1,557,594</b>  | <b>1,481,466</b>  | <b>3,064,807</b>    | <b>2,889,066</b>    | <b>175,741</b>    | <b>6.08</b> |
| Non-current Liabilities,    |                     |                   |                   |                   |                     |                     |                   |             |
| Outstanding                 | 429,257             | 398,568           | 741,168           | 674,861           | 1,170,425           | 1,073,429           | 96,996            | 9.04        |
| Other Liabilities           | 62,709              | 73,036            | 44,797            | 58,733            | 107,506             | 131,769             | (24,263)          | (18.41)     |
| <b>Total Liabilities</b>    | <b>491,966</b>      | <b>471,604</b>    | <b>785,965</b>    | <b>733,594</b>    | <b>1,277,931</b>    | <b>1,205,198</b>    | <b>72,733</b>     | <b>6.03</b> |
| Net Assets:                 |                     |                   |                   |                   |                     |                     |                   |             |
| Invested in Capital Assets, |                     |                   |                   |                   |                     |                     |                   |             |
| Net of Related Debt         | 791,592             | 765,875           | 366,498           | 390,100           | 1,158,090           | 1,155,975           | 2,115             | 0.18        |
| Restricted                  | 95,107              | 84,386            | 96,756            | 89,384            | 191,863             | 173,770             | 18,093            | 10.41       |
| Unrestricted                | 128,548             | 85,735            | 308,375           | 268,388           | 436,923             | 354,123             | 82,800            | 23.38       |
| <b>Total Net Assets</b>     | <b>\$ 1,015,247</b> | <b>\$ 935,996</b> | <b>\$ 771,629</b> | <b>\$ 747,872</b> | <b>\$ 1,786,876</b> | <b>\$ 1,683,868</b> | <b>\$ 103,008</b> | <b>6.12</b> |

In the case of the City, the combined net assets (governmental activities and business-type activities) exceeded liabilities by \$1.79 billion at the close of the most recent year.

The net assets increased \$103 million (6.1%) in fiscal year 2007. The governmental activities increased \$79.2 million, an 8.5% increase, while the business-type activities increased \$23.8 million, a 3.2% increase.

The largest portion of net assets (65%) 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.

\$191.9 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 \$436.9 million may be used to meet the City's ongoing obligations to citizens and creditors. However, \$278.2 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, 2007 and 2006.

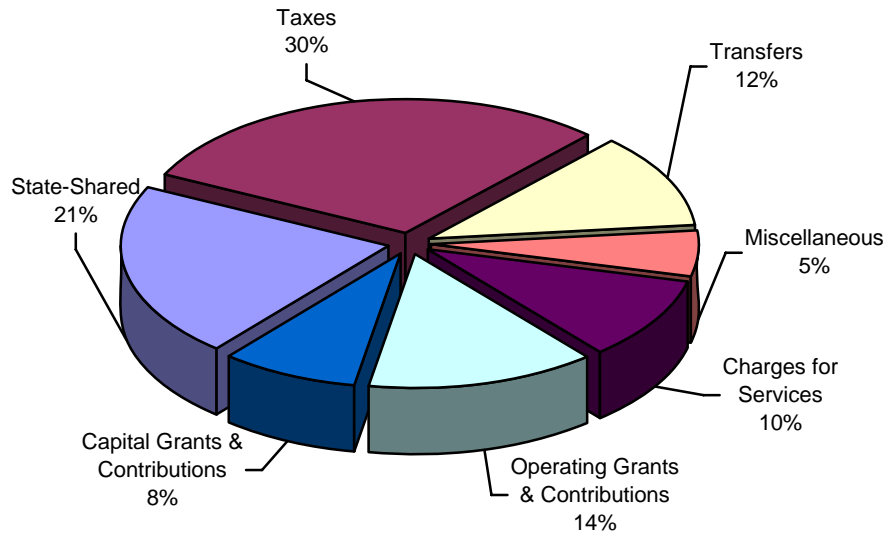
**Changes in Net Assets**  
(In thousands of dollars)

|   | Governmental        |                   | Business-type     |                   | Total Primary       |                     | Change            |               |
|---|---------------------|-------------------|-------------------|-------------------|---------------------|---------------------|-------------------|---------------|
|   | Activities          |                   | Activities        |                   | Government          |                     | Dollars           | Percent       |
|   | 2007                | 2006              | 2007              | 2006              | 2007                | 2006                |                   |               |
| <b>REVENUES</b>   |                     |                   |                   |                   |                     |                     |                   |               |
| Program Revenues:   |                     |                   |                   |                   |                     |                     |                   |               |
| Charges for Services  | \$ 52,877           | \$ 50,126         | \$ 280,418        | \$ 265,608        | \$ 333,295          | \$ 315,734          | \$ 17,561         | 5.56 %        |
| Operating Grants & Contributions                                    | 74,498              | 68,784            | 147               | 141               | 74,645              | 68,925              | 5,720             | 8.30          |
| Capital Grants & Contributions                                      | 44,858              | 16,777            | 20,724            | 27,692            | 65,582              | 44,469              | 21,113            | 47.48         |
| General Revenues:   |                     |                   |                   |                   |                     |                     |                   |               |
| Sales Taxes   | 155,817             | 128,373           |                   |                   | 155,817             | 128,373             | 27,444            | 21.38         |
| Occupancy Taxes   | 2,389               | 2,189             |                   |                   | 2,389               | 2,189               | 200               | 9.14          |
| Unrestricted State-Shared Contributions                             | 113,049             | 103,849           |                   |                   | 113,049             | 103,849             | 9,200             | 8.86          |
| Unrestricted Investment Income                                      | 14,038              | 12,206            |                   |                   | 14,038              | 12,206              | 1,832             | 15.01         |
| Miscellaneous   | 7,825               | 5,431             | 8,125             | 4,819             | 15,950              | 10,250              | 5,700             | 55.61         |
|   | 7,054               | 10,052            | 429               | 554               | 7,483               | 10,606              | (3,123)           | (29.45)       |
| <b>Total Revenues</b>   | <b>472,405</b>      | <b>397,787</b>    | <b>309,843</b>    | <b>298,814</b>    | <b>782,248</b>      | <b>696,601</b>      | <b>85,647</b>     | <b>12.29</b>  |
| <b>EXPENSES</b>   |                     |                   |                   |                   |                     |                     |                   |               |
| Governmental Activities:  |                     |                   |                   |                   |                     |                     |                   |               |
| General Government  | 48,201              | 44,568            |                   |                   | 48,201              | 44,568              | 3,633             | 8.15 %        |
| Public Safety   | 232,100             | 212,011           |                   |                   | 232,100             | 212,011             | 20,089            | 9.48          |
| Cultural-Recreational   | 64,592              | 65,389            |                   |                   | 64,592              | 65,389              | (797)             | (1.22)        |
| Community Environment   | 91,664              | 97,613            |                   |                   | 91,664              | 97,613              | (5,949)           | (6.09)        |
| Interest on Long-term Debt  | 18,037              | 16,061            |                   |                   | 18,037              | 16,061              | 1,976             | 12.30         |
| Business-type Activities:   |                     |                   |                   |                   |                     |                     |                   |               |
| Electric  |                     |                   | 26,281            | 26,817            | 26,281              | 26,817              | (536)             | (2.00)        |
| Gas   |                     |                   | 37,826            | 38,744            | 37,826              | 38,744              | (918)             | (2.37)        |
| Water   |                     |                   | 59,964            | 54,111            | 59,964              | 54,111              | 5,853             | 10.82         |
| Wastewater  |                     |                   | 60,603            | 67,181            | 60,603              | 67,181              | (6,578)           | (9.79)        |
| Solid Waste   |                     |                   | 27,891            | 25,070            | 27,891              | 25,070              | 2,821             | 11.25         |
| Airport   |                     |                   | 2,721             | 4,194             | 2,721               | 4,194               | (1,473)           | (35.12)       |
| Golf Course   |                     |                   | 2,602             | 2,524             | 2,602               | 2,524               | 78                | 3.09          |
| Convention Center   |                     |                   | 5,667             | 4,822             | 5,667               | 4,822               | 845               | 17.52         |
| District Cooling  |                     |                   | 1,091             | 67                | 1,091               | 67                  | 1,024             | 1,528.36      |
| <b>Total Expenses</b>   | <b>454,594</b>      | <b>435,642</b>    | <b>224,646</b>    | <b>223,530</b>    | <b>679,240</b>      | <b>659,172</b>      | <b>20,068</b>     | <b>3.04</b>   |
| Increase (decrease) in Net Assets Before Special Item and Transfers | 17,811              | (37,855)          | 85,197            | 75,284            | 103,008             | 37,429              | 65,579            | 175.21        |
| Transfers   | 61,440              | 72,902            | (61,440)          | (72,902)          | -                   | -                   | -                 | -             |
| <b>Change in Net Assets</b>   | <b>79,251</b>       | <b>35,047</b>     | <b>23,757</b>     | <b>2,382</b>      | <b>103,008</b>      | <b>37,429</b>       | <b>65,579</b>     | <b>175.21</b> |
| Net Assets-Beginning  | 935,996             | 900,949           | 747,872           | 745,490           | 1,683,868           | 1,646,439           | 37,429            | 2.27          |
| <b>Net Assets-Ending</b>  | <b>\$ 1,015,247</b> | <b>\$ 935,996</b> | <b>\$ 771,629</b> | <b>\$ 747,872</b> | <b>\$ 1,786,876</b> | <b>\$ 1,683,868</b> | <b>\$ 103,008</b> | <b>6.12</b>   |

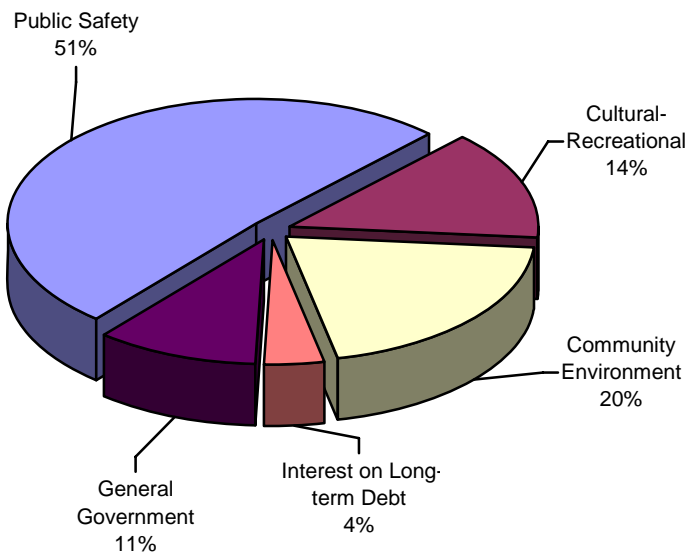
**Governmental Activities**

As presented in the following two graphs, the largest funding sources, including transfers, for the governmental activities are taxes (30%) and state-shared revenues (21%). The largest users of resources for the governmental activities are Public Safety (51%), Community Environment (20%), Cultural-Recreational (14%), and General Government (11%).

Revenues by Source Including Transfers – Governmental Activities  
For the Fiscal Year Ended June 30, 2007

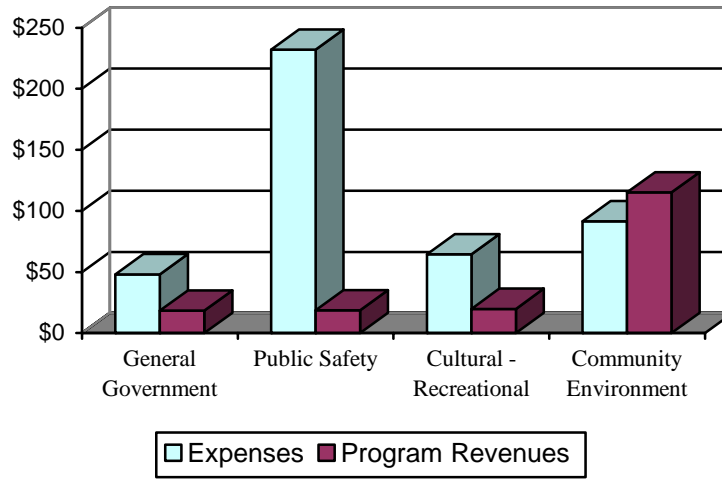


Functional Expenses – Governmental Activities  
For the Fiscal Year Ended June 30, 2007



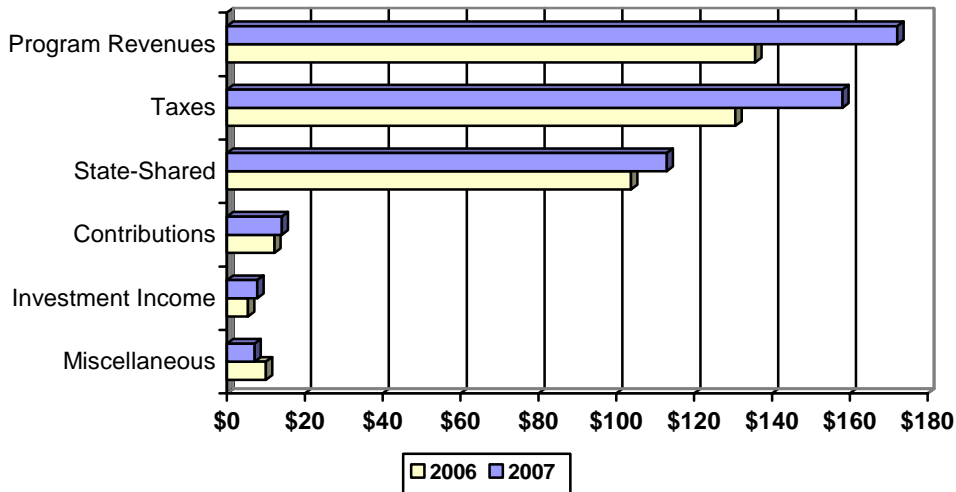
The following graph shows the functional revenues and expenses of the governmental activities to demonstrate the extent to which the governmental functions produce direct revenues to offset the program costs. It should be noted that this is not intended to represent the full cost allocation to these functions. General revenues of the City, including a \$67 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, 2007**  
*(In millions of dollars)*



Governmental activities increased the net assets of the City by \$79.2 million accounting for an 8.5% increase in the City’s net assets. Governmental activities accounted for 61% of the total revenues and 67% of the total expenses of the City in fiscal year 2007. This compares to 57% of total revenues and 66% of the total expenses in fiscal year 2006.

**Governmental Activities Revenues**  
**For Fiscal Years 2007 and 2006**  
*(In millions of dollars)*



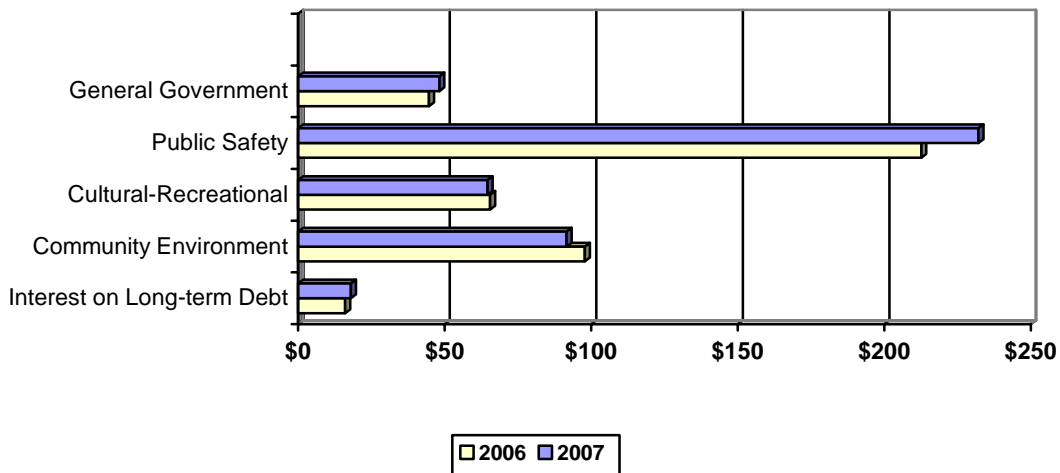
The graph above compares governmental activities revenues from fiscal year 2007 to fiscal year 2006. Total governmental activities revenues increased \$74.6 million from \$397.8 million to \$472.4 million. Key factors in this change includes:

- The program revenues (charges for services, grants and contributions that are clearly identifiable to an operating activity) of the governmental activities increased \$36.5 million over the previous year. There was a \$31.7 million increase in the amount of

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

- Sales taxes increased by \$27.4 million over the previous year primarily as a result of the City implementing a new voter-approved increase in sales taxes. This new sales tax is restricted to fund transportation programs..
- Unrestricted state-shared revenues increased by \$9.2 million over the previous year reflecting the continued growth in the state economy.

**Governmental Activities Functional Expenses**  
**For Fiscal Years 2007 and 2006**  
*(In millions of dollars)*



The graph above compares governmental activities expenses from fiscal year 2007 to fiscal year 2006. Total governmental expenses increased by \$19 million (4.3%) from \$435.6 million to \$454.6 million. Key factors in this change include:

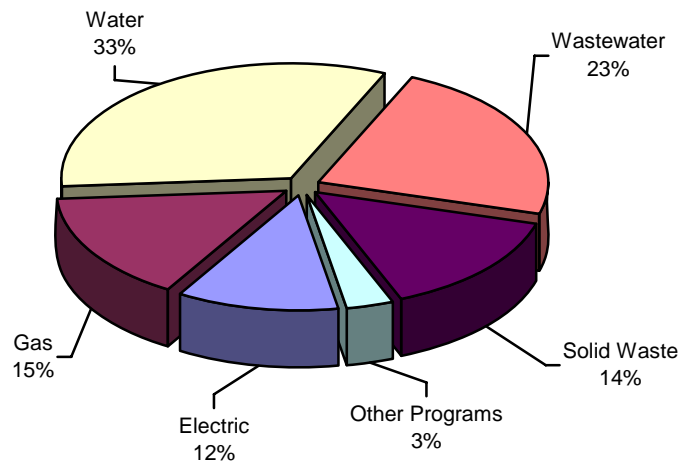
General Government expense increased as a result of the hiring of additional personnel due to the City lifting the hiring freeze that was in effect for the last several fiscal years.

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

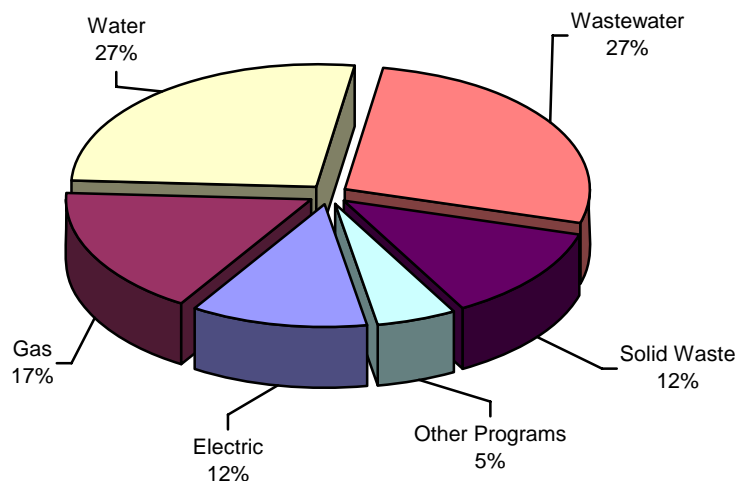
## Business-type Activities

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



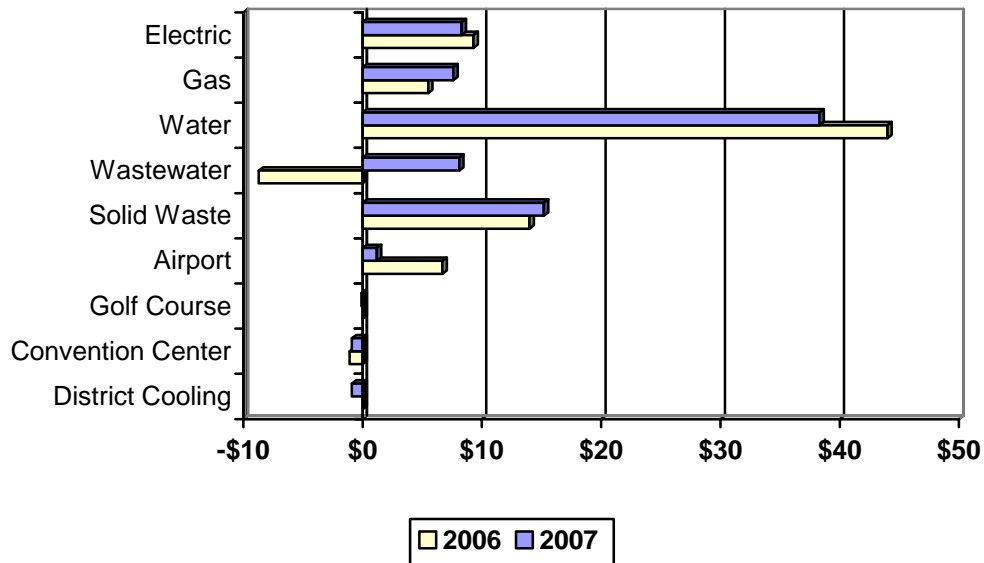
Functional Expenses – Business-type Activities



Business-type activities increased the City's net assets by \$23.8 million accounting for 23.1% of the total increase in the City's net assets. Total business-type activities program and general revenues increased by \$11 million (3.7%) from \$298.8 million to \$309.8 million, while the business-type activities total expenses increased by \$1.1 million (0.5%) from \$223.5 million to \$224.6 million. Business-type activities accounted for 39% of the total revenues and 33% of the total expenses of the City in fiscal year 2007. This compares to 43% of total revenues and 34% of the expenses in fiscal year 2006.

The graph on the following page compares the business-type activities increase (decrease) in net assets before transfers from fiscal year 2007 to fiscal year 2006.

Business-type Activities  
 Increase (Decrease) in Net Assets Before Transfers  
 For Fiscal Years 2007 and 2006  
*(In millions of dollars)*



Total business-type activities revenues increased by \$11 million (3.7%) while the business-type activities total expenses increased by \$1.1 million (0.5%) 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 \$2.7 million decrease in net assets.

Charges for services increased by \$14.8 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 \$2.3 million in interest expense for utility revenue bonds and higher commodity purchases for the electric and gas utilities. In the wastewater program, there was a decrease in depreciation expense as a result of a change in the useful life of some of the components on three large wastewater reclamation facilities, which occurred in the previous fiscal year.

- Capital contributions decreased by \$3.5 million (11.7%) from the previous year, however, they continue to be a major revenue source for the business-type activities. The decrease from the previous year can be attributed to fewer water and wastewater lines contributed by developers.
- The transfer to the General Fund decreased by \$8 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 \$182.3 million, a \$44.3 million increase from the previous year. \$99.3 million of this total amount is in unreserved fund balance, available for spending in the coming year. The remainder of fund balance (\$83 million) is reserved to indicate it is not available for new spending as it is already committed. These fund balance reservations include \$18.5 million committed to liquidate contracts and purchase orders of the prior fiscal year, \$46.7 million reserved for Quality of Life Projects, \$17.5 million reserved for Transportation programs and the remaining \$0.3 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 \$134.2 million, while unreserved fund balance was \$57 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 2007, unreserved fund balance represents 16.4% of total General Fund expenditures of \$348.4 million, while total fund balance represents 38.5% of the same amount. For 2006, unreserved fund balance was 8.5% of total General Fund expenditures of \$330.4 million, while total fund balance was 27% of the same amount.

The fund balance of the City's General Fund increased by \$45 million during the current fiscal year. Total revenues of \$345.6 million were \$36.6 million more than the previous year, while total expenditures of \$348.4 were \$18 million more than the previous year. Sales taxes collected were \$27.4 million more than the previous year primarily as a result of the City implementing a new voter-approved sales tax dedicated for transportation programs.

The increase in General Fund expenditures was caused by several factors. The increase of \$19 million in Public Safety expenditures resulted primarily from the hiring of additional public safety personnel and the increased cost to provide these services. An additional \$4.2 million was spent on capital-related expenditures.

The transfer in of \$67 million from the Enterprise Fund was reduced by \$20.5 million in transfers out to other funds, compared with a transfer in from the Enterprise Fund of \$75 million that was reduced by \$21.5 million in transfers out to other funds in the previous year.

The Highway User Revenue Fund that accounts for the capital and maintenance costs for the City's streets, received an additional \$2.4 million in state-shared revenue and had an increase of \$2 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 \$0.3 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 \$23.8 million in fiscal year 2007 from \$748 million to \$771.8 million. The unrestricted net assets of the Enterprise Fund amounted to \$308.4 million. However, \$245.5 million of the unrestricted net assets are invested in joint ventures. Other factors concerning the finances of the Enterprise Fund have already been addressed in the discussion on the City's business-type activities.

### **Budgetary Highlights**

The City's annual budget is the legally adopted expenditure control document of the City. Budgetary comparison schedules are required for the General Fund and major special revenue funds and may be found on pages 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 108-130.

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 \$973.3 million occurred during fiscal year 2007. Contingency allocations were made at fiscal year-end to cover programs in the General Fund of \$2.9 million.

General Fund revenues of \$343.9 million, on a budgetary basis, were less than budgeted revenues of \$346.2 million by \$2.3 million while expenditures of \$363.2 million were only 79.8% of budgeted expenditures. The shortfall in revenues is primarily due to lower Federal grant revenue received than was budgeted. Reduced expenditures resulted from a delay in capital spending in addition to unspent contingencies.

### **Capital Asset and Debt Administration**

**Capital Assets** – The City's investment in capital assets for its governmental and business-type activities amounts to \$2.3 billion (net of accumulated depreciation/amortization) as of June 30, 2007. 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, 2007 and 2006.

**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     |
|                          | 2007                | 2006                | 2007                | 2006                | 2007                | 2006                |                  |             |
| Land                     | \$ 243,466          | \$ 220,560          | \$ 50,330           | \$ 50,285           | \$ 293,796          | \$ 270,845          | \$ 22,951        | 8.47 %      |
| Water Rights             |                     |                     | 13,608              | 12,611              | 13,608              | 12,611              | 997              | 7.91        |
| Buildings                | 242,099             | 248,279             | 53,202              | 55,637              | 295,301             | 303,916             | (8,615)          | (2.83)      |
| Other Improvements       | 73,758              | 71,283              | 758,779             | 754,650             | 832,537             | 825,933             | 6,604            | 0.80        |
| Machinery & Equipment    | 59,775              | 65,406              | 35,809              | 30,402              | 95,584              | 95,808              | (224)            | (0.23)      |
| Infrastructure           | 479,971             | 459,157             |                     |                     | 479,971             | 459,157             | 20,814           | 4.53        |
| Excess of Cost over      |                     |                     |                     |                     |                     |                     |                  |             |
| Net Assets Acquired      |                     |                     | 4,429               | 4,847               | 4,429               | 4,847               | (418)            | (8.62)      |
| Construction-in-Progress | 91,620              | 85,409              | 188,850             | 155,044             | 280,470             | 240,453             | 40,017           | 16.64       |
| <b>Total</b>             | <b>\$ 1,190,689</b> | <b>\$ 1,150,094</b> | <b>\$ 1,105,007</b> | <b>\$ 1,063,476</b> | <b>\$ 2,295,696</b> | <b>\$ 2,213,570</b> | <b>\$ 82,126</b> | <b>3.71</b> |

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

- The City completed the expansion of the Central Arizona Water Project Treatment Plant with \$3.6 million spent during fiscal year 2007. 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 \$6 million spent during fiscal year 2007. 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.
- The City began construction of the South Central Arizona Project Water Treatment Plant with \$5.6 million spent during fiscal year 2007. The \$87.7 million facility will serve the growing southeast area of the City. The plant will have an initial capacity of 24 million gallons a day with the ability to expand to 48 million gallons a day.
- The City began construction on a new Police Technical Services Building with \$2.7 million spent during fiscal year 2007. The \$21.8 million project includes larger facilities for the crime laboratory.
- The City began construction of a new City Court building with \$1.3 million spent during fiscal year 2007. The \$36.8 million facility will have more courtrooms, office space for judges, juror facilities and records storage.

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

**Debt Administration** - At the end of the current fiscal year, the City had total bonded debt outstanding of \$1.079 billion. Of this amount, \$222 million comprises debt backed by the full faith and credit of the City and \$857 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 \$1.114 billion at June 30, 2007. \$400 million of this total was in governmental activities and \$714 million was in business-type activities. The City's outstanding long-term debt (considering new borrowings, debt retirements and refunding) increased \$85.4 million. New borrowings during the fiscal year included \$15.9 million in general obligation bonds, \$10.7 million in street and highway user revenue bonds and \$65.5 million in utility system revenue bonds.

The following schedule shows the outstanding long-term debt of the City as of June 30, 2007 and 2006.

**Outstanding Long-term Debt**  
(In thousands of dollars)

|                                   | Governmental Activities |                   | Business-type Activities |                   | Total               |                     | Change           |             |
|-----------------------------------|-------------------------|-------------------|--------------------------|-------------------|---------------------|---------------------|------------------|-------------|
|                                   | 2007                    | 2006              | 2007                     | 2006              | 2007                | 2006                | Dollars          | Percent     |
| General Obligation Bonds          | \$ 218,958              | \$ 203,016        | \$ 3,318                 | \$ 3,321          | \$ 222,276          | \$ 206,337          | \$ 15,939        | 7.72 %      |
| Utility System Revenue Bonds      |                         |                   | 702,739                  | 641,686           | 702,739             | 641,686             | 61,053           | 9.51        |
| Highway User Revenue Fund Bonds   | 138,950                 | 128,048           |                          |                   | 138,950             | 128,048             | 10,902           | 8.51        |
| Municipal Development Corp. Bonds | 9,970                   | 9,970             | 5,100                    | 9,600             | 15,070              | 19,570              | (4,500)          | (22.99)     |
| Special Assessment Bonds          |                         |                   |                          |                   |                     |                     |                  |             |
| with Governmental Commitment      | 8,798                   | 5,049             |                          |                   | 8,798               | 5,049               | 3,749            | 74          |
| Capital Leases                    | 22,941                  | 23,176            | 2,818                    | 4,198             | 25,759              | 27,374              | (1,615)          | (5.90)      |
| Notes Payable                     |                         |                   | 589                      | 760               | 589                 | 760                 | (171)            | (22.50)     |
| <b>Total</b>                      | <b>\$ 399,617</b>       | <b>\$ 369,259</b> | <b>\$ 714,564</b>        | <b>\$ 659,565</b> | <b>\$ 1,114,181</b> | <b>\$ 1,028,824</b> | <b>\$ 85,357</b> | <b>8.30</b> |

During the current fiscal year, the City refinanced \$124.4 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 |
|--------------------------------------|--------------------------------------|----------------------|
| \$127.3 Utility System Revenue Bonds | \$124.4 Utility System Revenue Bonds | \$4.9                |

The City's current bond ratings are as follows:

|                               | Standard and Poor's<br>Corporation | Moody's Investors<br>Service |
|-------------------------------|------------------------------------|------------------------------|
| 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, public safety, law enforcement, fire and emergency services facilities and streets and transportation facilities.

The total debt margin available July 1, 2007 is:

|                 |                      |
|-----------------|----------------------|
| 6% Bonds        | \$224,418,273        |
| 20% Bonds       | <u>618,953,829</u>   |
| Total Available | <u>\$843,372,102</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 2.9% compares favorably to the state unemployment rate of 3.7% and the national average rate of 4.6%.
- New residential building permits decreased 7% 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 approximately 20% compared to the previous year, continuing a 4-year trend of increases in the number of commercial building permits issued.

In June 2007, the City Council approved a \$1.165 billion budget, which is approximately a 20% increase from the prior year’s budget. The fiscal year 2007 – 08 budget includes \$1.014 billion for operations and \$151 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.

2007



# Basic Financial Statements

CITY OF MESA, ARIZONA  
**EXHIBIT A-1**  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

|   | <b>Primary Government</b>          |                                     |                         |
|---|------------------------------------|-------------------------------------|-------------------------|
|   | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>            |
| <b>ASSETS</b>                                   |                                    |                                     |                         |
| Cash and Cash Equivalents                       | \$ 152,396,564                     | \$ 44,043,178                       | \$ 196,439,742          |
| Investments                                     | 47,626,389                         | 15,711,730                          | 63,338,119              |
| Receivables:                                    |                                    |                                     |                         |
| Accounts and Miscellaneous (Net of Allowances)  | 24,352,067                         | 27,265,433                          | 51,617,500              |
| Accrued Interest                                | 1,429,627                          | 1,253,912                           | 2,683,539               |
| Due From Other Governments                      | 25,979,113                         | 642,346                             | 26,621,459              |
| Internal Balances                               | 184,871                            | (184,871)                           | -                       |
| Inventory                                       | 4,397,945                          | -                                   | 4,397,945               |
| Prepaid Costs                                   | 831,245                            | 112,629                             | 943,874                 |
| Deposits  | 1,222,136                          | 15,077,177                          | 16,299,313              |
| Restricted Assets:                              |                                    |                                     |                         |
| Cash and Cash Equivalents                       | 11,505,094                         | 86,431,246                          | 97,936,340              |
| Investments                                     | -                                  | 9,990,468                           | 9,990,468               |
| Accounts Receivable                             | 12,339,664                         | -                                   | 12,339,664              |
| Customer Deposits                               | -                                  | 3,548,008                           | 3,548,008               |
| Unamortized Bond Issue Costs                    | 1,527,680                          | 3,227,571                           | 4,755,251               |
| Investment in Joint Ventures                    | 32,732,215                         | 245,468,246                         | 278,200,461             |
| Capital Assets:                                 |                                    |                                     |                         |
| Non-Depreciable                                 | 335,085,655                        | 252,787,503                         | 587,873,158             |
| Depreciable, Net                                | 855,603,126                        | 852,219,418                         | 1,707,822,544           |
| <b>Total Assets</b>                             | <b>1,507,213,391</b>               | <b>1,557,593,994</b>                | <b>3,064,807,385</b>    |
| <b>LIABILITIES</b>                              |                                    |                                     |                         |
| Warrants Outstanding                            | 5,791,366                          | -                                   | 5,791,366               |
| Accounts Payable                                | 17,969,002                         | 9,475,110                           | 27,444,112              |
| Other Accrued Expenses                          | 14,537,365                         | -                                   | 14,537,365              |
| Customer and Defendant Deposits                 | 8,090,562                          | -                                   | 8,090,562               |
| Compensated Absences                            | 1,039,333                          | -                                   | 1,039,333               |
| Liabilities Payable From Restricted Assets      | 15,281,287                         | 35,321,886                          | 50,603,173              |
| Noncurrent Liabilities:                         |                                    |                                     |                         |
| Due Within One Year                             | 30,277,765                         | 16,555,607                          | 46,833,372              |
| Due in More Than One Year                       | 398,979,829                        | 724,612,224                         | 1,123,592,053           |
| <b>Total Liabilities</b>                        | <b>491,966,509</b>                 | <b>785,964,827</b>                  | <b>1,277,931,336</b>    |
| <b>NET ASSETS</b>                               |                                    |                                     |                         |
| Invested in Capital Assets, Net of Related Debt | 791,591,633                        | 366,497,841                         | 1,158,089,474           |
| Restricted For:                                 |                                    |                                     |                         |
| Quality of Life Projects                        | 46,735,437                         | -                                   | 46,735,437              |
| Convention Center                               | -                                  | 93,934                              | 93,934                  |
| Airport   | -                                  | 4,403,090                           | 4,403,090               |
| Golf Courses                                    | -                                  | 26,529                              | 26,529                  |
| Capital Projects                                | 21,592,231                         | 58,610,628                          | 80,202,859              |
| Debt Service                                    | -                                  | 26,997,780                          | 26,997,780              |
| Bond Indentures                                 | -                                  | 6,624,363                           | 6,624,363               |
| Grant Programs                                  | 1,373,918                          | -                                   | 1,373,918               |
| Transportation Programs                         | 25,405,450                         | -                                   | 25,405,450              |
| Water, Wastewater & Solid Waste Improvements    | -                                  | 62                                  | 62                      |
| Unrestricted                                    | 128,548,213                        | 308,374,940                         | 436,923,153             |
| <b>Total Net Assets</b>                         | <b>\$ 1,015,246,882</b>            | <b>\$ 771,629,167</b>               | <b>\$ 1,786,876,049</b> |

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, 2007

|                                       | <b>Program Revenues</b> |                             |   |   |
|---------------------------------------|-------------------------|-----------------------------|---|---|
|                                       | <b>Expenses</b>         | <b>Charges for Services</b> | <b>Operating Grants and Contributions</b> | <b>Capital Grants and Contributions</b> |
| <b>Functions/Programs</b>             |                         |                             |   |   |
| <b>Primary Government:</b>            |                         |                             |   |   |
| Governmental Activities:              |                         |                             |   |   |
| General Government                    | \$ 48,200,767           | \$ 17,622,519               | \$ 824,747                                | \$ -                                    |
| Public Safety                         | 232,099,968             | 14,486,944                  | 4,204,394                                 | 85,960                                  |
| Cultural-Recreational                 | 64,591,583              | 17,651,857                  | 2,287,652                                 | -                                       |
| Community Environment                 | 91,664,096              | 3,115,368                   | 67,181,465                                | 44,772,262                              |
| Interest on Long-Term Debt            | 18,037,348              | -                           | -   | -                                       |
| <b>Total Government Activities</b>    | <b>454,593,762</b>      | <b>52,876,688</b>           | <b>74,498,258</b>                         | <b>44,858,222</b>                       |
| Business-type Activities:             |                         |                             |   |   |
| Electric                              | 26,280,947              | 34,518,898                  | -   | 50,000                                  |
| Gas                                   | 37,825,634              | 45,250,476                  | 5,009                                     | 127,641                                 |
| Water                                 | 59,964,524              | 92,007,207                  | 66,619                                    | 6,198,782                               |
| Wastewater                            | 60,603,399              | 55,398,349                  | 56,000                                    | 13,243,503                              |
| Solid Waste                           | 27,891,495              | 42,894,663                  | 18,986                                    | 139,780                                 |
| Airport                               | 2,720,953               | 2,953,825                   | -   | 964,535                                 |
| Golf Course                           | 2,601,521               | 2,456,596                   | -   | -                                       |
| Convention Center                     | 5,666,507               | 4,745,578                   | -   | -                                       |
| District Cooling                      | 1,090,931               | 192,972                     | -   | -                                       |
| <b>Total Business-type Activities</b> | <b>224,645,911</b>      | <b>280,418,564</b>          | <b>146,614</b>                            | <b>20,724,241</b>                       |
| <b>Total Primary Government</b>       | <b>\$ 679,239,673</b>   | <b>\$ 333,295,252</b>       | <b>\$ 74,644,872</b>                      | <b>\$ 65,582,463</b>                    |

General Revenues:  
Sales Taxes  
Occupancy Taxes  
Unrestricted State Shared Revenue  
Contributions Not Restricted to Specific Programs  
Unrestricted Investment Income  
Miscellaneous  
Transfers In (Out)

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

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

**EXHIBIT A-2 (Continued)**

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

**Primary Government**

| <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>            |
|------------------------------------|-------------------------------------|-------------------------|
| \$ (29,753,501)                    | \$ -                                | \$ (29,753,501)         |
| (213,322,670)                      | -                                   | (213,322,670)           |
| (44,652,074)                       | -                                   | (44,652,074)            |
| 23,404,999                         | -                                   | 23,404,999              |
| (18,037,348)                       | -                                   | (18,037,348)            |
| <u>(282,360,594)</u>               | <u>-</u>                            | <u>(282,360,594)</u>    |
| -                                  | 8,287,951                           | 8,287,951               |
| -                                  | 7,557,492                           | 7,557,492               |
| -                                  | 38,308,084                          | 38,308,084              |
| -                                  | 8,094,453                           | 8,094,453               |
| -                                  | 15,161,934                          | 15,161,934              |
| -                                  | 1,197,407                           | 1,197,407               |
| -                                  | (144,925)                           | (144,925)               |
| -                                  | (920,929)                           | (920,929)               |
| -                                  | (897,959)                           | (897,959)               |
| -                                  | <u>76,643,508</u>                   | <u>76,643,508</u>       |
| <u>(282,360,594)</u>               | <u>76,643,508</u>                   | <u>(205,717,086)</u>    |
| 155,817,051                        | -                                   | 155,817,051             |
| 2,389,528                          | -                                   | 2,389,528               |
| 113,048,782                        | -                                   | 113,048,782             |
| 14,037,707                         | -                                   | 14,037,707              |
| 7,824,612                          | 8,125,127                           | 15,949,739              |
| 7,053,840                          | 428,962                             | 7,482,802               |
| 61,439,940                         | (61,439,940)                        | -                       |
| <u>361,611,460</u>                 | <u>(52,885,851)</u>                 | <u>308,725,609</u>      |
| 79,250,866                         | 23,757,657                          | 103,008,523             |
| <u>935,996,016</u>                 | <u>747,871,510</u>                  | <u>1,683,867,526</u>    |
| <u>\$ 1,015,246,882</u>            | <u>\$ 771,629,167</u>               | <u>\$ 1,786,876,049</u> |

CITY OF MESA, ARIZONA  
**EXHIBIT A-3**  
 GOVERNMENTAL FUNDS  
 BALANCE SHEET  
 JUNE 30, 2007

|  | <u>General Fund</u>          | <u>Highway User<br/>Revenue Fund</u> | <u>Non-major<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|------------------------------|--------------------------------------|---|---|
| <b>ASSETS</b>                              |                              |                                      |   |   |
| Cash and Cash Equivalents                  | \$ 75,790,189                | \$ 4,753,715                         | \$ 38,534,971                               | \$ 119,078,875                          |
| Investments                                | 39,631,349                   | -                                    | 2,998,140                                   | 42,629,489                              |
| Accounts Receivable (Net of Allowances)    | 23,709,185                   | -                                    | 109,047                                     | 23,818,232                              |
| Accrued Interest Receivable                | 1,024,244                    | 63,362                               | 130,389                                     | 1,217,995                               |
| Due From Other Governments                 | 19,850,104                   | 4,008,695                            | 2,086,355                                   | 25,945,154                              |
| Due From Other Funds                       | 248,200                      | -                                    | -   | 248,200                                 |
| Prepaid Costs                              | 304,942                      | -                                    | 1,935                                       | 306,877                                 |
| Deposits                                   | 1,222,136                    | -                                    | -   | 1,222,136                               |
| Restricted Assets:                         |                              |                                      |   |   |
| Cash and Cash Equivalents                  | 91,652                       | -                                    | 11,413,442                                  | 11,505,094                              |
| Accounts Receivable                        | 3,684,929                    | -                                    | 8,654,735                                   | 12,339,664                              |
| <b>Total Assets</b>                        | <b><u>\$ 165,556,930</u></b> | <b><u>\$ 8,825,772</u></b>           | <b><u>\$ 63,929,014</u></b>                 | <b><u>\$ 238,311,716</u></b>            |
| <b>LIABILITIES AND FUND BALANCES</b>       |                              |                                      |   |   |
| Liabilities:                               |                              |                                      |   |   |
| Warrants Outstanding                       | \$ 5,791,366                 | \$ -                                 | \$ -  | \$ 5,791,366                            |
| Accounts Payable                           | 12,682,767                   | 946,721                              | 3,192,851                                   | 16,822,339                              |
| Due To Other Funds                         | -                            | -                                    | 248,200                                     | 248,200                                 |
| Customer and Defendant Deposits            | 8,057,500                    | -                                    | 33,062                                      | 8,090,562                               |
| Compensated Absences                       | 1,039,333                    | -                                    | -   | 1,039,333                               |
| Payable From Restricted Assets:            |                              |                                      |   |   |
| Accounts Payable                           | -                            | -                                    | 3,107                                       | 3,107                                   |
| Accrued Lease Interest Payable             | -                            | -                                    | 121,421                                     | 121,421                                 |
| Accrued Bond Interest Payable              | -                            | -                                    | 8,850,975                                   | 8,850,975                               |
| Deferred Revenue                           | 3,779,404                    | -                                    | 8,840,393                                   | 12,619,797                              |
| Matured General Obligation Bonds Payable   | -                            | -                                    | 659,706                                     | 659,706                                 |
| Matured Highway User Revenue Bonds Payable | -                            | -                                    | 165,000                                     | 165,000                                 |
| Matured Capital Leases Payable             | -                            | -                                    | 1,613,233                                   | 1,613,233                               |
| <b>Total Liabilities</b>                   | <b><u>31,350,370</u></b>     | <b><u>946,721</u></b>                | <b><u>23,727,948</u></b>                    | <b><u>56,025,039</u></b>                |
| Fund Balances                              |                              |                                      |   |   |
| Reserved For Encumbrances                  | 12,613,797                   | 1,624,171                            | 4,259,212                                   | 18,497,180                              |
| Reserved For Prepaid Costs                 | 304,942                      | -                                    | 1,717                                       | 306,659                                 |
| Reserved For Quality of Life Projects      | 46,735,437                   | -                                    | -   | 46,735,437                              |
| Reserved For Transportation Programs       | 17,522,861                   | -                                    | -   | 17,522,861                              |
| Reserved For Debt Service                  | -                            | -                                    | -   | -                                       |
| Unreserved, reported in:                   |                              |                                      |   |   |
| General Fund                               | 57,029,523                   | -                                    | -   | 57,029,523                              |
| Special Revenue Funds                      | -                            | 6,254,880                            | 18,372,347                                  | 24,627,227                              |
| Capital Project Funds                      | -                            | -                                    | 17,567,790                                  | 17,567,790                              |
| <b>Total Fund Balances</b>                 | <b><u>134,206,560</u></b>    | <b><u>7,879,051</u></b>              | <b><u>40,201,066</u></b>                    | <b><u>182,286,677</u></b>               |
| <b>Total Liabilities and Fund Balances</b> | <b><u>\$ 165,556,930</u></b> | <b><u>\$ 8,825,772</u></b>           | <b><u>\$ 63,929,014</u></b>                 | <b><u>\$ 238,311,716</u></b>            |

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, 2007

|   |                         |
|---|-------------------------|
| Fund Balances - total governmental funds  | \$ 182,286,677          |
| 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.                                    | 1,185,846,063           |
| Other assets used in governmental activities are not financial resources and therefore not reported in the governmental funds.                                      | 34,259,895              |
| Long-term liabilities, including bonds payable are not due and payable in the current period and therefore not reported in the governmental funds.                  | (428,278,531)           |
| 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. | 8,751,952               |
| Internal service funds are used by management to charge the costs of certain activities to individual funds.  | <u>32,380,826</u>       |
| Net assets of the governmental activities - statement of net assets   | <u>\$ 1,015,246,882</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, 2007

|  | <u>General Fund</u>   | <u>Highway User<br/>Revenue Fund</u> | <u>Non-major<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-----------------------|--------------------------------------|---|---|
| Revenues:  |                       |                                      |   |   |
| Sales Taxes  | \$ 155,817,051        | \$ -                                 | \$ -  | \$ 155,817,051                          |
| Occupancy Taxes  | 2,389,528             | -                                    | -   | 2,389,528                               |
| Special Assessments  | -                     | -                                    | 416,906                                     | 416,906                                 |
| Licenses and Permits   | 14,288,518            | -                                    | 5,839,156                                   | 20,127,674                              |
| Intergovernmental  | 135,220,364           | 39,980,272                           | 15,624,988                                  | 190,825,624                             |
| Charges For Services   | 18,795,441            | 58,354                               | 3,185,260                                   | 22,039,055                              |
| Fines and Forfeitures  | 9,685,812             | 70,847                               | 519,941                                     | 10,276,600                              |
| Investment Income  | 4,596,310             | 469,493                              | 1,397,308                                   | 6,463,111                               |
| Miscellaneous  | 4,816,072             | 395,957                              | 1,153,596                                   | 6,365,625                               |
| <b>Total Revenues</b>  | <b>345,609,096</b>    | <b>40,974,923</b>                    | <b>28,137,155</b>                           | <b>414,721,174</b>                      |
| Expenditures:  |                       |                                      |   |   |
| Current:   |                       |                                      |   |   |
| General Government   | 40,661,807            | -                                    | -   | 40,661,807                              |
| Public Safety  | 209,769,102           | -                                    | 772,867                                     | 210,541,969                             |
| Cultural-Recreational  | 54,699,422            | -                                    | 11,912                                      | 54,711,334                              |
| Community Environment  | 11,104,285            | 34,829,422                           | 19,380,553                                  | 65,314,260                              |
| Debt Service:  |                       |                                      |   |   |
| Principal Retirement   | -                     | -                                    | 8,357,577                                   | 8,357,577                               |
| Interest on Bonds  | -                     | -                                    | 17,236,984                                  | 17,236,984                              |
| Interest on Leases   | -                     | -                                    | 913,726                                     | 913,726                                 |
| Service Charges  | -                     | -                                    | 56,768                                      | 56,768                                  |
| Capital Outlay   | 32,185,129            | 2,475,813                            | 42,813,653                                  | 77,474,595                              |
| <b>Total Expenditures</b>                                    | <b>348,419,745</b>    | <b>37,305,235</b>                    | <b>89,544,040</b>                           | <b>475,269,020</b>                      |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (2,810,649)           | 3,669,688                            | (61,406,885)                                | (60,547,846)                            |
| Other Financing Sources (Uses):                              |                       |                                      |   |   |
| Transfers In   | 68,252,134            | -                                    | 31,648,671                                  | 99,900,805                              |
| Transfers Out  | (20,486,012)          | (6,566,787)                          | (6,180,434)                                 | (33,233,233)                            |
| Face Amount of Bonds Issued                                  | -                     | -                                    | 30,681,840                                  | 30,681,840                              |
| Premium on Issuance of Bonds                                 | -                     | -                                    | 573,254                                     | 573,254                                 |
| Proceeds From Obligations of<br>Capital Leases               | -                     | -                                    | 6,911,382                                   | 6,911,382                               |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>47,766,122</b>     | <b>(6,566,787)</b>                   | <b>63,634,713</b>                           | <b>104,834,048</b>                      |
| <b>Net Change in Fund Balances</b>                           | <b>44,955,473</b>     | <b>(2,897,099)</b>                   | <b>2,227,828</b>                            | <b>44,286,202</b>                       |
| Fund Balances - Beginning                                    | 89,251,087            | 10,776,150                           | 37,973,238                                  | 138,000,475                             |
| <b>Fund Balances - Ending</b>                                | <b>\$ 134,206,560</b> | <b>\$ 7,879,051</b>                  | <b>\$ 40,201,066</b>                        | <b>\$ 182,286,677</b>                   |

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, 2007

|  |                      |
|--|----------------------|
| Net change in fund balances - total governmental funds   | \$ 44,286,202        |
| Amounts reported for governmental activities in the statement of activities<br>are different because (also see Note 2 to the basic financial statements):  |                      |
| Revenues in the statement of activities that do not provide current financial<br>resources are not reported in the governmental funds.   | 3,583,809            |
| Some expenses reported in the statement of activities do not require the use of current<br>financial resources and, therefore, are not reported as expenditures in governmental funds.   | (686,116)            |
| Governmental funds report capital outlays as expenditures. However, in the statement<br>of activities, the costs of those assets is allocated over their estimated useful lives<br>and reported as depreciation expense. This is the amount by which capital outlays<br>(\$77,474,595) exceeded depreciation (\$51,871,713) in the current period. | 25,602,882           |
| The net effect of miscellaneous transactions involving capital assets (e.g., donations,<br>transfers and disposals) is to increase net assets.   | 26,338,174           |
| The issuance of long-term debt (e.g., bonds and capital leases) provides current financial<br>resources to governmental funds, while the repayment of principal of long-term debt<br>consumes financial resources of governmental funds. Neither transaction has any<br>effect on net assets.  | (29,235,645)         |
| Governmental funds report the effect of bond issuance costs, premiums and deferred<br>amounts related to refunding when the new debt is first issued, whereas these amounts are<br>deferred and amortized in the statement of activities.  | (35,632)             |
| Internal service funds are used by management to charge the costs of certain activities<br>to individual funds. The net revenue (expense) of certain internal service funds is reported<br>with governmental activities.   | <u>9,397,192</u>     |
| Change in net assets of the governmental activities - statement of activities  | <u>\$ 79,250,866</u> |

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, 2007

|  | <u>Business-type<br/>Activities</u> | <u>Governmental<br/>Activities -<br/>Internal Service<br/>Funds</u> |
|--|-------------------------------------|---|
|  | <u>Enterprise Fund</u>              |   |
| <b>ASSETS</b>  |                                     |   |
| Current Assets:  |                                     |   |
| Cash and Cash Equivalents                              | \$ 44,043,178                       | \$ 33,317,689   |
| Investments  | 15,711,730                          | 4,996,900   |
| Accounts Receivable (Net of Allowances of \$1,800,700) | 27,265,433                          | 132,223   |
| Accrued Premiums Receivable                            | -                                   | 401,612   |
| Accrued Interest Receivable                            | 1,253,912                           | 211,632   |
| Due From Other Governments                             | 642,346                             | 33,959  |
| Inventory  | -                                   | 4,397,945   |
| Prepaid Costs  | 112,629                             | 524,368   |
| Deposits   | 15,077,177                          | -   |
| Restricted Assets:                                     |                                     |   |
| Cash and Cash Equivalents                              | 17,072,368                          | -   |
| Investments  | 9,990,468                           | -   |
| Customer Deposits                                      | 3,548,008                           | -   |
| <b>Total Current Assets</b>                            | <b>134,717,249</b>                  | <b>44,016,328</b>   |
| Noncurrent Assets:                                     |                                     |   |
| Restricted Assets:                                     |                                     |   |
| Impact & Development Fees:                             |                                     |   |
| Cash and Cash Equivalents                              | 62                                  | -   |
| Bond Replacement, Extensions and Reserves:             |                                     |   |
| Cash and Cash Equivalents                              | 6,766,117                           | -   |
| Capital Projects:                                      |                                     |   |
| Cash and Cash Equivalents                              | 62,592,699                          | -   |
| Unamortized Bond Issue Costs                           | 3,227,571                           | -   |
| <b>Total Restricted Assets</b>                         | <b>72,586,449</b>                   | <b>-</b>  |
| Capital Assets:  |                                     |   |
| Land   | 50,330,305                          | -   |
| Water Rights   | 13,607,668                          | -   |
| Buildings  | 76,128,461                          | 2,014,156   |
| Other Improvements                                     | 1,064,073,025                       | 4,940,078   |
| Machinery and Equipment                                | 91,894,909                          | 1,845,919   |
| Construction in Progress                               | 188,849,530                         | 90,395  |
| Excess of Cost Over Net Assets Acquired                | 12,522,509                          | -   |
| Less Accumulated Depreciation and Amortization         | (392,399,486)                       | (4,047,830)   |
| <b>Total Capital Assets, Net</b>                       | <b>1,105,006,921</b>                | <b>4,842,718</b>  |
| Investment in Joint Ventures                           | 245,468,246                         | -   |
| <b>Total Noncurrent Assets</b>                         | <b>1,423,061,616</b>                | <b>4,842,718</b>  |
| <b>Total Assets</b>                                    | <b>\$ 1,557,778,865</b>             | <b>\$ 48,859,046</b>  |

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, 2007

|   | <u>Business-type<br/>Activities</u> | <u>Governmental<br/>Activities -<br/>Internal Service<br/>Funds</u> |
|---|-------------------------------------|---|
|   | <u>Enterprise Fund</u>              |   |
| <b>LIABILITIES</b>  |                                     |   |
| Current Liabilities-Payable From Current Assets:  |                                     |   |
| Accounts Payable  | \$ 9,475,110                        | \$ 1,146,663  |
| Other Accrued Expenses  | -                                   | 14,537,365  |
| Current Liabilities-Payable From Restricted Assets:   |                                     |   |
| Bond Replacement, Extensions and Reserves-Accounts Payable  | 141,755                             | -   |
| Capital Projects-Accounts Payable   | 3,982,071                           | -   |
| Accrued Notes Interest Payable  | 5,969                               | -   |
| Accrued Capital Lease Interest Payable  | 35,754                              | -   |
| Accrued Bond Interest Payable   | 16,840,449                          | -   |
| Deferred Revenue  | 2,795                               | -   |
| Matured Bonds Payable   | 340,294                             | -   |
| Matured Leases Payable  | 434,323                             | -   |
| Customer Deposits and Prepayments   | 13,538,476                          | -   |
| Current Portion of Long-term Liabilities:   |                                     |   |
| Current Portion of Revenue Bonds Payable  | 9,210,000                           | -   |
| Current Portion of General Obligation Bonds Payable   | 318                                 | -   |
| Current Portion of Municipal Development Bonds Payable  | 5,100,000                           | -   |
| Current Portion of Notes Payable  | 157,898                             | -   |
| Current Portion of Leases Payable   | 1,328,216                           | 6,539   |
| Current Portion of Compensated Absences   | 759,175                             | 100,692   |
| Total Current Liabilities   | <u>61,352,603</u>                   | <u>15,791,259</u>   |
| Long-Term Liabilities:  |                                     |   |
| Revenue Bonds Payable, Net of Deferred Amounts on Refundings  | 693,528,778                         | -   |
| General Obligation Bonds Payable  | 3,317,842                           | -   |
| Notes Payable   | 431,564                             | -   |
| Capital Leases  | 1,490,067                           | 6,727   |
| Unamortized Bond Premium  | 21,968,187                          | -   |
| Compensated Absences  | 3,875,786                           | 865,105   |
| Total Long-Term Liabilities   | <u>724,612,224</u>                  | <u>871,832</u>  |
| Total Liabilities   | <u>785,964,827</u>                  | <u>16,663,091</u>   |
| <b>NET ASSETS</b>   |                                     |   |
| Invested In Capital Assets, Net of Related Debt   | 366,497,841                         | 4,829,452   |
| Restricted For:   |                                     |   |
| Convention Center   | 93,934                              | -   |
| Airport   | 4,403,090                           | -   |
| Golf Courses  | 26,529                              | -   |
| Capital Projects  | 58,610,628                          | -   |
| Debt Service  | 26,997,780                          | -   |
| Bond Indentures   | 6,624,363                           | -   |
| Water, Wastewater & Solid Waste Improvements  | 62                                  | -   |
| Unrestricted  | 308,559,811                         | 27,366,503  |
| Total Net Assets  | <u>\$ 771,814,038</u>               | <u>\$ 32,195,955</u>  |
| Adjustment to reflect the consolidation of the internal service funds related to the enterprise fund. | (184,871)                           |   |
| Total net assets of the business-type activities  | <u>\$ 771,629,167</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, 2007

|   | <u>Business-type<br/>Activities</u> | <u>Governmental<br/>Activities -<br/>Internal Service<br/>Funds</u> |
|---|-------------------------------------|---|
|   | <u>Enterprise Fund</u>              |   |
| Operating Revenues:   |                                     |   |
| Electric Sales Pledged as Security for Revenue Bonds            | \$ 34,518,898                       | \$ -  |
| Gas Sales Pledged as Security for Revenue Bonds                 | 45,250,476                          | -   |
| Water Sales Pledged as Security for Revenue Bonds               | 92,007,207                          | -   |
| Wastewater Charges Pledged as Security for Revenue Bonds        | 55,398,349                          | -   |
| Solid Waste Charges Pledged as Security for Revenue Bonds       | 42,894,663                          | -   |
| Airport Fees  | 2,953,825                           | -   |
| Golf Course Fees  | 2,456,596                           | -   |
| Convention Center Fees  | 4,745,578                           | -   |
| District Cooling Charges  | 192,972                             | -   |
| Charges For Services  | -                                   | 19,013,520  |
| Self-Insurance Contributions                                    | -                                   | 53,327,689  |
| Other   | -                                   | 36,145  |
|   | <u>280,418,564</u>                  | <u>72,377,354</u>   |
| Total Operating Revenues  |                                     |   |
| Operating Expenses:   |                                     |   |
| Electric  | 22,791,513                          | -   |
| Gas   | 34,474,868                          | -   |
| Water   | 30,374,210                          | -   |
| Wastewater  | 21,664,505                          | -   |
| Solid Waste   | 26,290,110                          | -   |
| Airport   | 1,507,743                           | -   |
| Golf Course   | 2,299,788                           | -   |
| Convention Center   | 5,384,020                           | -   |
| District Cooling  | 216,740                             | -   |
| Warehouse, Maintenance & Services                               | -                                   | 19,028,369  |
| Self-Insurance  | -                                   | 47,216,226  |
|   | <u>145,003,497</u>                  | <u>66,244,595</u>   |
| Total Operating Expenses  |                                     |   |
| Operating Income (Loss) Before Depreciation<br>and Amortization | 135,415,067                         | 6,132,759   |
| Depreciation and Amortization                                   | <u>(42,911,298)</u>                 | <u>(429,758)</u>  |
| Operating Income (Loss)   | <u>92,503,769</u>                   | <u>5,703,001</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, 2007

|  | <u>Business-type<br/>Activities</u> | <u>Governmental<br/>Activities -<br/>Internal Service<br/>Funds</u> |
|--|-------------------------------------|---|
|  | <u>Enterprise Fund</u>              |   |
| Nonoperating Revenues (Expenses):  |                                     |   |
| Investment Income Pledged as Security for Revenue Bonds  | 8,032,463                           | -   |
| Investment Income Unpledged  | 92,664                              | 1,794,860   |
| Intergovernmental  | 146,614                             | -   |
| Miscellaneous Pledged as Security for Revenue Bonds  | 428,962                             | -   |
| Miscellaneous Unpledged  | -                                   | 715   |
| Interest Expense:  |                                     |   |
| Revenue Bonds  | (25,275,613)                        | -   |
| General Obligation Bonds   | (124,723)                           | -   |
| Municipal Development Corporation Bonds  | (312,488)                           | -   |
| Notes Payable  | (38,970)                            | -   |
| Capital Leases   | (162,260)                           | (525)   |
| Amortization of Bond Issuance and Administrative Costs   | (306,346)                           | -   |
| Loss on Disposal of Capital Assets   | (458,471)                           | 20  |
| Equity Interest in Joint Ventures  | <u>(10,044,724)</u>                 | <u>-</u>  |
| Total Nonoperating Revenues (Expenses)   | <u>(28,022,892)</u>                 | <u>1,795,070</u>  |
| Income before Transfers and Capital Contributions  | 64,480,877                          | 7,498,071   |
| Capital Contributions  | 26,458,873                          | 1,384,600   |
| Transfers In   | 98,391                              | 507,000   |
| Transfers Out  | <u>(67,272,963)</u>                 | <u>-</u>  |
| Change in Net Assets   | 23,765,178                          | 9,389,671   |
| Total Net Assets - Beginning   | <u>748,048,860</u>                  | <u>22,806,284</u>   |
| Total Net Assets - Ending  | <u>\$ 771,814,038</u>               | <u>\$ 32,195,955</u>  |
| Adjustment to reflect consolidation of internal service funds<br>related to the enterprise fund. | <u>(7,521)</u>                      |   |
| Change in net assets of the business-type activities   | <u>\$ 23,757,657</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, 2007

|   | <u>Business-type<br/>Activities</u> | <u>Governmental<br/>Activities</u> |
|---|-------------------------------------|------------------------------------|
|   | <u>Enterprise Fund</u>              | <u>Internal Service<br/>Funds</u>  |
| Cash Flows From Operating Activities:                           |                                     |                                    |
| Cash Received From Customers                                    | \$ 273,437,318                      | \$ -                               |
| Cash Received From Users  | 6,010,128                           | 71,916,941                         |
| Cash Payments to Suppliers                                      | (100,068,165)                       | (59,229,161)                       |
| Cash Payments to Employees                                      | (40,041,401)                        | (7,772,144)                        |
| Net Cash Provided By Operating Activities                       | <u>139,337,880</u>                  | <u>4,915,636</u>                   |
| Cash Flows From Noncapital Financing Activities:                |                                     |                                    |
| Deferred Revenue  | (5,009)                             | -                                  |
| Intergovernmental   | 146,614                             | -                                  |
| Transfers In From Other Funds                                   | 98,391                              | 507,000                            |
| Transfers Out to Other Funds                                    | (67,272,963)                        | -                                  |
| Net Cash Provided By (Used For) Noncapital Financing Activities | <u>(67,032,967)</u>                 | <u>507,000</u>                     |
| Cash Flows From Capital and Related Financing Activities:       |                                     |                                    |
| Proceeds From Bond Sales  | 202,009,441                         | -                                  |
| Payment to Refunded Bond Escrow Agent                           | (134,487,222)                       | -                                  |
| Acquisition and Construction of Capital Assets                  | (67,775,679)                        | (121,665)                          |
| Investment in Joint Ventures                                    | (20,332,729)                        | -                                  |
| Proceeds From Sale of Capital Assets                            | 1,227,814                           | 715                                |
| Principal Paid on Bonds, Leases and Notes Maturities            | (21,627,536)                        | (6,352)                            |
| Interest Paid on Bonds, Leases and Notes                        | (26,456,833)                        | (525)                              |
| Bond Issuance and Administrative Expenses                       | (4,664)                             | -                                  |
| Capital Contributed by Other Governments                        | 992,847                             | -                                  |
| Capital Contributed by Subdividers                              | 7,437,449                           | -                                  |
| Net Cash Used For Capital and Related Financing Activities      | <u>(59,017,112)</u>                 | <u>(127,827)</u>                   |
| Cash Flows From Investing Activities:                           |                                     |                                    |
| Purchase of Investment Securities                               | (35,074,840)                        | (5,000,000)                        |
| Proceeds from Sale and Maturities of Investment Securities      | 30,537,797                          | 10,000,000                         |
| Interest Received on Investments                                | 7,544,637                           | 1,703,018                          |
| Net Cash Provided By Investing Activities                       | <u>3,007,594</u>                    | <u>6,703,018</u>                   |
| Net Increase in Cash and Cash Equivalents                       | 16,295,395                          | 11,997,827                         |
| Cash and Cash Equivalents at Beginning of Year                  | <u>114,179,029</u>                  | <u>21,319,862</u>                  |
| Cash and Cash Equivalents at End of Year                        | <u>\$ 130,474,424</u>               | <u>\$ 33,317,689</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, 2007

|  | <u>Business-type<br/>Activities</u> | <u>Governmental<br/>Activities -<br/>Internal Service<br/>Funds</u> |
|--|-------------------------------------|---|
|  | <u>Enterprise Fund</u>              |   |
| Reconciliation of Operating Income to Net Cash<br>Provided By Operating Activities:        |                                     |   |
| Operating Income   | \$ 92,503,769                       | \$ 5,703,001  |
| Adjustments to Reconcile Operating Income<br>to Net Cash Provided By Operating Activities: |                                     |   |
| Depreciation and Amortization  | 42,911,298                          | 429,758   |
| Changes in Assets and Liabilities:   |                                     |   |
| Increase in Receivables  | (971,118)                           | (460,413)   |
| Increase in Inventory  | -                                   | (383,472)   |
| Decrease in Prepaid Costs  | 27,871                              | 4,905   |
| Increase in Accounts Payable   | 4,866,060                           | 1,136,164   |
| Decrease in Other Accrued Expense  | -                                   | (1,092,607)   |
| Decrease in Due to Other Funds   | -                                   | (421,700)   |
| Total Adjustments  | <u>46,834,111</u>                   | <u>(787,365)</u>  |
| Net Cash Provided By Operating Activities  | <u>\$ 139,337,880</u>               | <u>\$ 4,915,636</u>   |
| Noncash Transactions Affecting Financial Position:   |                                     |   |
| Contributions of Capital Assets  | \$ 12,293,945                       | \$ -  |
| Transfers of Capital Assets from Governmental Funds  | 5,734,632                           | 1,118,582   |
| Transfers of Assets from Enterprise Fund   | -                                   | 266,019   |
| Gain on Disposal of Capital Assets   | 1,227,814                           | 20  |
| Amortization of Bond Premium   | 1,860,864                           | -   |
| Amortization of Debt Issuance Costs  | 306,646                             | -   |
| Amortization of Deferred Amounts on Refundings   | 1,750,839                           | -   |
| Accretion of Certificates of Supplementary Interest Payments                               | 12,066                              | -   |
| Increase of Fair Market Value of Investments   | 126,550                             | 84,497  |

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, 2007

|                           | <u>Payroll<br/>Agency</u>  |
|---------------------------|----------------------------|
| <b>ASSETS</b>             |                            |
| Cash and Cash Equivalents | <u>\$ 7,654,593</u>        |
| Total Assets              | <u><u>\$ 7,654,593</u></u> |
| <b>LIABILITIES</b>        |                            |
| Accrued Payroll Payable   | <u>\$ 7,654,593</u>        |
| Total Liabilities         | <u><u>\$ 7,654,593</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, 2007

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 460,155 within an area of approximately 133 square miles. The City’s charter was adopted August 18, 1967 providing for a Council-Manager form of government. The City provides a full range of municipal services including police and fire protection, parks and recreation, library, transportation, health and certain social services and general administration. In addition, the City owns and operates an enterprise whose activities include operations of electricity, gas, water, wastewater, solid waste, airport, golf courses, convention center and district cooling.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

a. **Reporting Entity**

The accompanying financial statements include the City and its blended component unit, the City of Mesa Municipal Development Corporation, collectively referred to as “the financial reporting entity”. In accordance with GASB No. 14, the component unit discussed below has been included in the City’s reporting entity because of the significance of its operational or financial relationship with the City.

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

b. **Jointly Governed Organizations**

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

(Continued)

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**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 \$208,000. In addition, AMWUA contracts with the cities jointly using a multi-city sanitary sewer system to perform certain accounting, administrative and support services (see Note 14).

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.

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CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

**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.

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CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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 and business-type activities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins. Governments are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements to its enterprise fund and business-type activities.

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CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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.

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.

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CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The City reports the following non-major governmental funds:

Nine 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, convention center and district cooling.

Additionally, the City reports the following fund types:

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

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

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

At year-end, City cash totaled a deficit of \$110,858 which includes \$224,885 of petty cash. The carrying amount of the City's deposits was a deficit of \$335,743 and the bank balance was \$352,388. The entire bank balance was covered by federal depository insurance or by collateral held in the pledging banks trust department in the City's name. The difference of \$688,131 represents deposits in transits, outstanding checks and other reconciling items.

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

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CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The City has purchased 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, 2007, 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 \$302,141,533.

The City's investments and cash equivalents at June 30, 2007 are as follows:

| <b>Investment Type</b>                          | <b>Investment Maturities</b> |                      |                      |                     |
|---|------------------------------|----------------------|----------------------|---------------------|
|   | <b>Fair Value</b>            | <b>Less Than 1</b>   | <b>1-2</b>           | <b>14-15</b>        |
| U.S. Agencies                                   | \$ 67,929,490                | \$ 52,931,040 *      | \$ 14,998,450 **     | \$                  |
| City of Mesa Special Improvement District Bonds | 4,670,399                    |                      |                      | 4,670,399 ***       |
| State Treasurer Plan 6 Pool                     | <u>728,698</u>               | <u>728,698</u>       |                      |                     |
| <b>Total Investments</b>                        | <u>\$ 73,328,587</u>         | <u>\$ 53,659,738</u> | <u>\$ 14,998,450</u> | <u>\$ 4,670,399</u> |

\*\$24,989,050 of these bonds are callable from July 16, 2007 to November 29, 2007.

\*\*All of these bonds are callable July 12, 2007 to December 18, 2007.

\*\*\*These bonds are callable from July 1, 2007 to July 1, 2020.

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CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

|  | <u><b>Fair<br/>Value</b></u> |
|--|------------------------------|
| <u>Investments:</u>  |                              |
| U.S. Government Agencies   | \$ 67,929,490                |
| City of Mesa Special Improvement<br>District Bonds                   | 4,670,399                    |
| Investments in State Treasurer's<br>Plan 6 Pool                      | <u>728,698</u>               |
| <br>Total Investments as Reported<br>in the Financial Statements     | <br><u>73,328,587</u>        |
| <u>Cash Equivalents:</u>   |                              |
| Money Market Mutual Funds  | 2,362,241                    |
| Investments in State Treasurer's<br>Local Government Investment Pool | <u>299,779,292</u>           |
| <br>Total Cash Equivalents   | <br><u>302,141,533</u>       |
| <br>Total Investments<br>and Cash Equivalents                        | <br><u>\$ 375,470,120</u>    |

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

The City had a net increase in the fair value of investments during fiscal year 2006-07 of \$346,290. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year.

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CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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>           |
|----------------------------------|-----------------------|------------------------|----------------------|
| <b>Governmental Activities:</b>  |                       |                        |                      |
| General Fund:                    |                       |                        |                      |
| Taxes                            | \$ 14,022,787         | \$ (529,000)           | \$ 13,493,787        |
| Courts                           | 39,508,347            | (36,668,907)           | 2,839,440            |
| Other Customers                  | 8,113,558             | (737,600)              | 7,375,958            |
| Restricted                       | 3,684,929             |                        | 3,684,929            |
| Due from Other Governments       |                       |                        |                      |
| State Shared Revenues            | 10,665,051            |                        | 10,665,051           |
| Other                            | 9,185,053             |                        | 9,185,053            |
| Highway User Revenue Fund:       |                       |                        |                      |
| Due from Other Governments       |                       |                        |                      |
| State Shared Revenues            | 3,566,987             |                        | 3,566,987            |
| Other                            | 441,708               |                        | 441,708              |
| Non-Major Governmental Funds:    |                       |                        |                      |
| Customers                        | 109,047               |                        | 109,047              |
| Restricted-Spec. Assessments     | 8,654,735             |                        | 8,654,735            |
| Due from Other Governments       | 2,086,355             |                        | 2,086,355            |
| Internal Service Funds:          |                       |                        |                      |
| Customers                        | 533,835               |                        | 533,835              |
| Due from Other Governments       | 33,959                |                        | 33,959               |
| Total Governmental Activities    | <u>\$ 100,606,351</u> | <u>\$ (37,935,507)</u> | <u>\$ 62,670,844</u> |
| <b>Business-Type Activities:</b> |                       |                        |                      |
| Utility Customers                | \$ 27,805,791         | \$ (1,675,000)         | \$ 26,130,791        |
| Other Customers                  | 1,260,342             | (125,700)              | 1,134,642            |
| Due from Other Governments       | 642,346               |                        | 642,346              |
| Total Business-type Activities   | <u>\$ 29,708,479</u>  | <u>\$ (1,800,700)</u>  | <u>\$ 27,907,779</u> |

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CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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:

|  |                     |
|--|---------------------|
| Rehabilitation Revolving Loans not yet due (General Fund)                    | 97,217              |
| Surcharges included in Court Receivables (General Fund)                      | 3,587,713           |
| Grants received prior to meeting all eligibility requirements (General Fund) | 94,474              |
| Lease Revenue not yet due (Special Revenue Fund)                             | 185,658             |
| Special assessments not yet due (Debt Service Fund)                          | <u>8,654,735</u>    |
| Total deferred revenue for governmental funds                                | <u>\$12,619,797</u> |

The deferred revenue of \$2,795 reported in the Enterprise Fund represents grants received prior to meeting all eligibility requirements.

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

The following interfund activities are included in the fund financial statements at June 30, 2007:

| <u>Fund</u>                  | <u>Interfund<br/>Receivables</u> | <u>Interfund<br/>Payables</u> |
|------------------------------|----------------------------------|-------------------------------|
| Governmental funds:          |                                  |                               |
| General Fund                 | \$ 248,200                       | \$                            |
| Non-major Governmental funds |                                  | <u>248,200</u>                |
| Total Governmental funds     | <u>\$ 248,200</u>                | <u>\$ 248,200</u>             |

The interfund balances at June 30, 2007 are short-term loans to cover temporary cash deficits in various funds. All interfund balances outstanding at June 30, 2007 are expected to be repaid within one year.

The net transfers of \$61,439,940 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 \$5,734,632 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, 2007:

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CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

| <u>Fund</u>                  | <u>Transfers Out</u>  | <u>Transfers In</u>   |
|------------------------------|-----------------------|-----------------------|
| Governmental funds:          |                       |                       |
| General Fund                 | \$ 20,486,012         | \$ 68,252,134         |
| Highway User Revenue Fund    | 6,566,787             |                       |
| Non-major Governmental Funds | <u>6,180,434</u>      | <u>31,648,671</u>     |
| Total governmental funds     | 33,233,233            | 99,900,805            |
| Proprietary funds:           |                       |                       |
| Enterprise Fund              | 67,272,963            | 98,391                |
| Internal Service Funds       |                       | <u>507,000</u>        |
| Total                        | <u>\$ 100,506,196</u> | <u>\$ 100,506,196</u> |

The interfund transfers generally fall within one of the two following categories: 1) debt service payments made from a debt service fund but funded from an operating fund; 2) subsidy transfers.

j. **Inventory**

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

k. **Unbilled Accounts Receivable**

Unbilled utility service receivables are recorded in the year in which the services are provided. At June 30, 2007, unbilled utility service receivables are recorded in the Enterprise Fund as follows:

|             |                      |
|-------------|----------------------|
| Electric    | \$ 2,450,529         |
| Gas         | 1,277,929            |
| Water       | 5,266,645            |
| Wastewater  | 2,456,860            |
| Solid Waste | <u>1,765,294</u>     |
|             | <u>\$ 13,217,257</u> |

(Continued)

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

1. **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.

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, 2007

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2007 follows:

|                                    | Balance                 |                       |                        |                       | Balance                 |
|------------------------------------|-------------------------|-----------------------|------------------------|-----------------------|-------------------------|
|                                    | July 1, 2006            | Additions             | Retirements            | Transfers             | June 30, 2007           |
| <b>Governmental Activities:</b>    |                         |                       |                        |                       |                         |
| Non-depreciable Assets:            |                         |                       |                        |                       |                         |
| Land                               | \$ 220,560,227          | \$ 23,149,362         | \$ (301,078)           | \$ 57,003             | \$ 243,465,514          |
| Construction-in-Progress           | <u>85,409,259</u>       | <u>65,154,199</u>     | <u>(58,943,317)</u>    | <u>-</u>              | <u>91,620,141</u>       |
| Total Non-depreciable Assets       | <u>305,969,486</u>      | <u>88,303,561</u>     | <u>(59,244,395)</u>    | <u>57,003</u>         | <u>335,085,655</u>      |
| Depreciable Assets:                |                         |                       |                        |                       |                         |
| Buildings                          | 299,188,993             | 215,688               | -                      | -                     | 299,404,681             |
| Other Improvements                 | 107,544,429             | 9,030,908             | (2,440,422)            | 341,204               | 114,476,119             |
| Machinery and Equipment            | 152,713,541             | 18,459,403            | (3,793,365)            | (6,308,438)           | 161,071,141             |
| Infrastructure                     | <u>661,758,407</u>      | <u>45,666,879</u>     | <u>(10,502,665)</u>    | <u>175,599</u>        | <u>697,098,220</u>      |
| Total Depreciable Assets           | <u>1,221,205,370</u>    | <u>73,372,878</u>     | <u>(16,736,452)</u>    | <u>(5,791,635)</u>    | <u>1,272,050,161</u>    |
| Less Accumulated Depreciation for: |                         |                       |                        |                       |                         |
| Buildings                          | (50,910,494)            | (6,394,697)           | -                      | -                     | (57,305,191)            |
| Other Improvements                 | (36,261,048)            | (4,482,379)           | 25,239                 | -                     | (40,718,188)            |
| Machinery and Equipment            | (87,307,757)            | (17,245,795)          | 3,257,324              | -                     | (101,296,228)           |
| Infrastructure                     | <u>(202,601,095)</u>    | <u>(24,159,803)</u>   | <u>9,633,470</u>       | <u>-</u>              | <u>(217,127,428)</u>    |
| Total Accum. Depreciation          | <u>(377,080,394)</u>    | <u>(52,282,674)</u>   | <u>12,916,033</u>      | <u>-</u>              | <u>(416,447,035)</u>    |
| Total Depreciable Assets, net      | <u>844,124,976</u>      | <u>21,090,204</u>     | <u>(3,820,419)</u>     | <u>(5,791,635)</u>    | <u>855,603,126</u>      |
| Governmental Activities            |                         |                       |                        |                       |                         |
| Capital Assets, net                | <u>\$ 1,150,094,462</u> | <u>\$ 109,393,765</u> | <u>\$ (63,064,814)</u> | <u>\$ (5,734,632)</u> | <u>\$ 1,190,688,781</u> |

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

|  |                      |
|--|----------------------|
| General Government   | \$ 5,994,991         |
| Public Safety  | 14,742,323           |
| Cultural – Recreational  | 6,533,993            |
| Community Environment  | 24,581,609           |
| Capital assets held by the City’s internal service funds are charged to the various functions based on their usage of the assets | <u>429,758</u>       |
| Total Depreciation   | <u>\$ 52,282,674</u> |

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CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

|                                  | Balance<br>July 1, 2006 | Additions            | Retirements            | Transfers           | Balance<br>June 30, 2007 |
|----------------------------------|-------------------------|----------------------|------------------------|---------------------|--------------------------|
| <b>Business-type Activities:</b> |                         |                      |                        |                     |                          |
| Non-depreciable Assets:          |                         |                      |                        |                     |                          |
| Land                             | \$ 50,285,301           | \$ 391,908           | \$ (289,901)           | \$ (57,003)         | \$ 50,330,305            |
| Water Rights                     | 12,611,498              | 996,170              | -                      | -                   | 13,607,668               |
| Construction-in-Progress         | 155,044,269             | 84,789,580           | (50,984,319)           | -                   | 188,849,530              |
| Total Non-depreciable Assets     | <u>217,941,068</u>      | <u>86,177,658</u>    | <u>(51,274,220)</u>    | <u>(57,003)</u>     | <u>252,787,503</u>       |
| Depreciable Assets:              |                         |                      |                        |                     |                          |
| Buildings                        | 76,032,272              | 96,189               | -                      | -                   | 76,128,461               |
| Other Improvements               | 1,038,528,000           | 32,865,753           | (3,223,002)            | (4,097,726)         | 1,064,073,025            |
| Machinery and Equipment          | 70,707,932              | 12,764,889           | (1,467,273)            | 9,889,361           | 91,894,909               |
| Excess of Cost over Net Assets   |                         |                      |                        |                     |                          |
| Acquired                         | <u>12,522,509</u>       | <u>-</u>             | <u>-</u>               | <u>-</u>            | <u>12,522,509</u>        |
| Total Depreciable Assets         | <u>1,197,790,713</u>    | <u>45,726,831</u>    | <u>(4,690,275)</u>     | <u>5,791,635</u>    | <u>1,244,618,904</u>     |
| Less Accum. Depr. & Amort. for:  |                         |                      |                        |                     |                          |
| Buildings                        | (20,395,755)            | (2,796,629)          | 266,223                | 1                   | (22,926,160)             |
| Other Improvements               | (283,877,998)           | (23,220,618)         | 1,804,882              | (75)                | (305,293,809)            |
| Machinery and Equipment          | (40,305,912)            | (16,476,634)         | 696,298                | 74                  | (56,086,174)             |
| Excess of Cost over Net Assets   |                         |                      |                        |                     |                          |
| Acquired                         | <u>(7,675,926)</u>      | <u>(417,417)</u>     | <u>-</u>               | <u>-</u>            | <u>(8,093,343)</u>       |
| Total Accum. Depr. & Amort.      | <u>(352,255,591)</u>    | <u>(42,911,298)</u>  | <u>2,767,403</u>       | <u>-</u>            | <u>(392,399,486)</u>     |
| Total Depreciable Assets, net    | <u>845,535,122</u>      | <u>2,815,533</u>     | <u>(1,922,872)</u>     | <u>5,791,635</u>    | <u>852,219,418</u>       |
| Business-type Activities         |                         |                      |                        |                     |                          |
| Capital Assets, net              | <u>\$ 1,063,476,190</u> | <u>\$ 88,993,191</u> | <u>\$ (53,197,092)</u> | <u>\$ 5,734,632</u> | <u>\$ 1,105,006,921</u>  |

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

|                           |                             |
|---------------------------|-----------------------------|
| Electric                  | \$ 3,345,934                |
| Gas                       | 2,318,816                   |
| Water                     | 16,165,086                  |
| Wastewater                | 16,910,429                  |
| Solid Waste               | 1,606,200                   |
| Airport                   | 1,173,170                   |
| Golf Course               | 241,595                     |
| Convention Center         | 275,876                     |
| District Cooling          | <u>874,192</u>              |
| <b>Total Depreciation</b> | <b>\$ <u>42,911,298</u></b> |

(Continued)

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

| <u>Governmental Activities</u>         | <u>Construction<br/>in Progress</u> | <u>Commitments</u>   |
|--|-------------------------------------|----------------------|
| General Government                     | \$ 11,442,431                       | \$ 288,615           |
| Public Safety                          | 12,403,806                          | 6,735,470            |
| Cultural-Recreational                  | 7,770,480                           | 1,344,465            |
| Community Environmental                | 59,913,026                          | 4,227,646            |
| Warehouse, Maintenance and Services    | 90,398                              | 153,590              |
| Total                                  | <u>\$ 91,620,141</u>                | <u>\$ 12,749,786</u> |
| <b><u>Business-type Activities</u></b> |                                     |                      |
| Electric                               | \$ 3,855,289                        | \$ 96,996            |
| Gas                                    | 11,889,195                          | 358,584              |
| Water                                  | 88,074,849                          | 1,923,238            |
| Sewer                                  | 83,185,320                          | 20,740,568           |
| Solid Waste                            | 264,714                             | 3,447,058            |
| Airport                                | 29,716                              | 1                    |
| Golf Course                            | 1,177,721                           | 985,088              |
| Convention Center                      | 2,861                               | 24                   |
| District Cooling                       | 369,865                             | 141                  |
| Total                                  | <u>\$ 188,849,530</u>               | <u>\$ 27,551,698</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, 2007 was \$12,522,509 and \$8,093,343, respectively.

(Continued)

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

n. **Capitalization of Interest**

For the year ended June 30, 2007, the City capitalized net interest costs of \$3,652,090 (interest expense of \$3,911,130 reduced by interest income of \$259,040 in the Business-type Activities Enterprise Fund). Total interest expense and income in the Business-type Activities Enterprise Fund before capitalization was \$29,825,184 and \$8,384,167 respectively.

o. **Self-Insurance Internal Service Fund**

The Property and Public Liability, Workers' Compensation and Employee Benefits Internal Service Funds have been established to account for the costs of claims incurred by the City under self-insurance programs. The City is fully self-insured for all public liability risks, up to a maximum of \$2,000,000 per occurrence, for the current policy year under the Property and Public Liability Insurance program. In addition, the City carries full property insurance with a \$50,000 per occurrence deductible. Under the Workers' Compensation Program, the City is subject to a maximum deductible of \$850,000 liability per occurrence. The current policy went into effect July 1, 2006; prior to that, the coverage level was \$600,000. 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). There were no changes in insurance coverage during this fiscal year for the Employee Benefit fund or 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 2007.

The Stop Loss Receivable balance for the Workers' Compensation Fund at June 30, 2007 is \$132,162 of which \$67,632 was established during the current fiscal year. Over the past three fiscal years the Fund has received settlements in excess of insurance coverage of \$203,164 with \$98,809 received this current fiscal year. The Property and Public Liability Fund does not have a Stop Loss Receivable at June 30, 2007, and the Fund has not received any settlements in excess of insurance coverage over the past three fiscal years. The Employee Benefits Fund does not have a Stop Loss Receivable at June 30, 2007. Over the past three fiscal years the Fund has received settlements in excess of insurance coverage of \$1,226,761 with \$594,913 received this current fiscal year.

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CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

|                                  | <b>Property<br/>&amp; Public<br/>Liability</b> | <b>Workers'<br/>Compensation</b> | <b>Employee<br/>Benefit</b> | <b>Total</b>         |
|----------------------------------|--|----------------------------------|-----------------------------|----------------------|
| Unpaid Claims, 7/1/05            | \$ 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           | \$ 7,100,000                                   | \$ 4,927,811                     | \$ 3,602,161                | \$ 15,629,972        |
| Adjustments to Reserves-FY 06-07 | \$ 855,014                                     | \$ 3,263,645                     | \$ 36,140,968               | \$ 40,259,627        |
| Claim Payments-FY 06-07          | <u>(1,555,014)</u>                             | <u>(2,677,173)</u>               | <u>(37,120,047)</u>         | <u>(41,352,234)</u>  |
| Unpaid Claims, 6/30/07           | <u>\$ 6,400,000</u>                            | <u>\$ 5,514,283</u>              | <u>\$ 2,623,082</u>         | <u>\$ 14,537,365</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 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 financial statements. The remaining long-term balances related to governmental activities are included in the government-wide financial statement (see Note 5 for additional disclosure of long-term balances).

q. **Statement of Cash Flows**

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

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

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CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

r. **Budgets and Budgetary Accounting**

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

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

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

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

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

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

Budget schedules for the major governmental funds (General and Highway User Revenue Funds) are presented in the Required Supplementary 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 1<sup>st</sup> of each year, the expenditure limitation for the following fiscal year for each governmental unit. Fiscal year 1979-80 is the base year for calculations.

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

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CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Budgeted amounts are as originally adopted by the City Council on June 26, 2006.

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, 2007 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.

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CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

|  | Total<br>Governmental<br>Funds | Long-term<br>Assets/<br>Liabilities(1) | Internal<br>Service<br>Funds(2) | Reclassifications<br>and<br>Eliminations | Statement of<br>Net Assets<br>Total |
|--|--------------------------------|--|---------------------------------|--|-------------------------------------|
| <b>Assets</b>                                    |                                |  |                                 |  |                                     |
| Cash and Cash Equivalents                        | \$ 119,078,875                 | \$                                     | \$ 33,317,689                   | \$                                       | \$ 152,396,564                      |
| Investments                                      | 42,629,489                     |  | 4,996,900                       |  | 47,626,389                          |
| Accounts Receivable, net                         | 23,818,232                     |  | 533,835                         |  | 24,352,067                          |
| Interest Receivable                              | 1,217,995                      |  | 211,632                         |  | 1,429,627                           |
| Due From Other Governments                       | 25,945,154                     |  | 33,959                          |  | 25,979,113                          |
| Due From Other Funds                             | 248,200                        |  | 184,871                         | (248,200)                                | 184,871                             |
| Inventories                                      |                                |  | 4,397,945                       |  | 4,397,945                           |
| Prepaid Costs                                    | 306,877                        |  | 524,368                         |  | 831,245                             |
| Deposits   | 1,222,136                      |  |                                 |  | 1,222,136                           |
| Restricted Cash and Cash Equivalents             | 11,505,094                     |  |                                 |  | 11,505,094                          |
| Restricted Accounts Receivable - Deferred        | 12,339,664                     |  |                                 |  | 12,339,664                          |
| Unamortized Bond Issuance Costs                  |                                | 1,527,680                              |                                 |  | 1,527,680                           |
| Investment in Joint Ventures                     |                                | 32,732,215                             |                                 |  | 32,732,215                          |
| Capital Assets                                   |                                | 1,185,846,063                          | 4,842,718                       |  | 1,190,688,781                       |
| Total Assets                                     | <u>\$ 238,311,716</u>          | <u>\$ 1,220,105,958</u>                | <u>\$ 49,043,917</u>            | <u>\$ (248,200)</u>                      | <u>\$ 1,507,213,391</u>             |
| <b>Liabilities</b>                               |                                |  |                                 |  |                                     |
| Warrants Outstanding                             | \$ 5,791,366                   | \$                                     | \$                              | \$                                       | \$ 5,791,366                        |
| Accounts Payable                                 | 16,822,339                     |  | 1,146,663                       |  | 17,969,002                          |
| Other Accrued Expenses                           |                                |  | 14,537,365                      |  | 14,537,365                          |
| Due To Other Funds                               | 248,200                        |  |                                 | (248,200)                                | -                                   |
| Customer and Defendant Deposits                  | 8,090,562                      |  |                                 |  | 8,090,562                           |
| Compensated Absences                             | 1,039,333                      |  |                                 |  | 1,039,333                           |
| Restricted Accounts Payable                      | 3,107                          |  |                                 |  | 3,107                               |
| Restricted Lease Interest Payable                | 121,421                        |  |                                 |  | 121,421                             |
| Restricted Bond Interest Payable                 | 8,850,975                      |  |                                 |  | 8,850,975                           |
| Restricted Deferred Revenue                      | 12,619,797                     | (8,751,952)                            |                                 |  | 3,867,845                           |
| Matured G.O. Bonds Payable                       | 659,706                        |  |                                 |  | 659,706                             |
| Matured HURF Bonds Payable                       | 165,000                        |  |                                 |  | 165,000                             |
| Matured Capital Leases Payable                   | 1,613,233                      |  |                                 |  | 1,613,233                           |
| Long-term Liabilities                            |                                | 428,278,531                            | 979,063                         |  | 429,257,594                         |
| Total Liabilities                                | <u>\$ 56,025,039</u>           | <u>\$ 419,526,579</u>                  | <u>\$ 16,663,091</u>            | <u>\$ (248,200)</u>                      | <u>\$ 491,966,509</u>               |
| <b>Fund Balance/Net Assets</b>                   |                                |  |                                 |  |                                     |
| Total Fund Balance/Net Assets                    | <u>\$ 182,286,677</u>          | <u>\$ 800,579,379</u>                  | <u>\$ 32,380,826</u>            | <u>\$ -</u>                              | <u>\$ 1,015,246,882</u>             |
| Total Liabilities and Fund<br>Balance/Net Assets | <u>\$ 238,311,716</u>          | <u>\$ 1,220,105,958</u>                | <u>\$ 49,043,917</u>            | <u>\$ (248,200)</u>                      | <u>\$ 1,507,213,391</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 expenditures

(Continued)

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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  | \$1,598,245,268        |
| Accumulated depreciation | <u>(412,399,205)</u>   |
|                          | <u>\$1,185,846,063</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>32,732,215</u> |
|------------------------------|----------------------|

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>1,527,680</u> |
|---------------------------------|---------------------|

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

|                          |                       |
|--------------------------|-----------------------|
| Bonds payable            | \$ 376,675,613        |
| Capital leases           | 22,927,546            |
| Compensated absences     | 18,357,530            |
| Unamortized bond premium | <u>10,317,842</u>     |
|                          | <u>\$ 428,278,531</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  | \$ 8,654,735        |
| Deferred rehabilitation loan revenue | <u>97,217</u>       |
|                                      | <u>\$ 8,751,952</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>32,380,826</u> |
|-------|----------------------|

(Continued)

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

|  | Total<br>Governmental<br>Funds | Long-term<br>Revenues/<br>Expenses(1) | Capital -<br>Related<br>Items(2) | Internal<br>Service<br>Funds(3) | Long-term<br>Debt<br>Transactions(4) | Eliminations<br>and<br>Adjustments(5) | Statement<br>of<br>Activities |
|--|--------------------------------|---------------------------------------|----------------------------------|---------------------------------|--------------------------------------|---------------------------------------|-------------------------------|
| <b>Revenues and Other Sources</b>                      |                                |                                       |                                  |                                 |                                      |                                       |                               |
| Taxes  | \$ 155,817,051                 | \$                                    | \$                               | \$                              | \$                                   | \$                                    | \$ 155,817,051                |
| Occupancy Taxes  | 2,389,528                      |                                       |                                  |                                 |                                      |                                       | 2,389,528                     |
| Special Assessments                                    | 416,906                        | 3,619,738                             |                                  |                                 |                                      |                                       | 4,036,644                     |
| Licenses and Permits                                   | 20,127,674                     |                                       |                                  |                                 |                                      |                                       | 20,127,674                    |
| Intergovernmental                                      | 190,825,624                    | (35,929)                              |                                  |                                 |                                      |                                       | 190,789,695                   |
| Charges for Services                                   | 22,039,055                     |                                       |                                  |                                 |                                      |                                       | 22,039,055                    |
| Contributions  |                                |                                       |                                  | 14,037,707                      |                                      |                                       | 14,037,707                    |
| Fines and Forfeitures                                  | 10,276,600                     |                                       |                                  |                                 |                                      |                                       | 10,276,600                    |
| Investment Income                                      | 6,463,111                      |                                       |                                  | 1,794,860                       |                                      |                                       | 8,257,971                     |
| Miscellaneous  | 6,365,625                      | 573,254                               |                                  | 36,860                          | 78,101                               |                                       | 7,053,840                     |
| Other Sources:   |                                |                                       |                                  |                                 |                                      |                                       |                               |
| Capital Contributions                                  |                                |                                       | 37,578,923                       |                                 |                                      |                                       | 37,578,923                    |
| Transfers In   | 99,900,805                     |                                       | (1,118,581)                      | 1,384,600                       |                                      | (31,648,671)                          | 68,518,153                    |
| Face Amount of Bond Sales                              | 30,681,840                     |                                       |                                  |                                 | (30,681,840)                         |                                       | -                             |
| Premiums on Issuance of Bonds                          | 573,254                        | (573,254)                             |                                  |                                 |                                      |                                       | -                             |
| Proceeds From Capital Leases                           | 6,911,382                      |                                       |                                  |                                 | (6,911,382)                          |                                       | -                             |
| Total Revenues and Other Sources                       | \$ 552,788,455                 | \$ 3,583,809                          | \$ 36,460,342                    | \$ 17,254,027                   | \$ (37,515,121)                      | \$ (31,648,671)                       | \$ 540,922,841                |
| <b>Expenditures/Expenses</b>                           |                                |                                       |                                  |                                 |                                      |                                       |                               |
| Current:   |                                |                                       |                                  |                                 |                                      |                                       |                               |
| General Government                                     | \$ 40,661,807                  | \$ 92,129                             | \$ 6,310,209                     | \$ 1,120,169                    | \$ 16,453                            | \$                                    | \$ 48,200,767                 |
| Public Safety  | 210,541,969                    | 480,390                               | 15,145,341                       | 5,876,527                       | 55,741                               |                                       | 232,099,968                   |
| Cultural-Recreational                                  | 54,711,334                     | 124,991                               | 8,882,496                        | 820,952                         | 51,810                               |                                       | 64,591,583                    |
| Community Environment                                  | 65,314,260                     | 45,374                                | 25,655,184                       | 546,187                         | 103,091                              |                                       | 91,664,096                    |
| Debt Service:  |                                |                                       |                                  |                                 |                                      |                                       |                               |
| Principal Payments                                     | 8,357,577                      |                                       |                                  |                                 | (8,357,577)                          |                                       | -                             |
| Interest on Bonds                                      | 17,236,984                     |                                       |                                  |                                 | (40,505)                             |                                       | 17,196,479                    |
| Interest on Capital Leases                             | 913,726                        |                                       |                                  |                                 | (72,857)                             |                                       | 840,869                       |
| Service Charges  | 56,768                         | (56,768)                              |                                  |                                 |                                      |                                       | -                             |
| Capital Outlay   | 77,474,595                     |                                       | (77,474,595)                     |                                 |                                      |                                       | -                             |
| Total Expenditures/Expenses                            | \$ 475,269,020                 | \$ 686,116                            | \$ (21,481,365)                  | \$ 8,363,835                    | \$ (8,243,844)                       | \$ -                                  | \$ 454,593,762                |
| <b>Other Financing Uses/<br/>Changes in Net Assets</b> |                                |                                       |                                  |                                 |                                      |                                       |                               |
| Transfers Out  | 33,233,233                     |                                       | 6,000,651                        | (507,000)                       |                                      | (31,648,671)                          | 7,078,213                     |
| Total Expenditures/Expenses<br>& Other Financing Uses  | 508,502,253                    | 686,116                               | (15,480,714)                     | 7,856,835                       | (8,243,844)                          | (31,648,671)                          | 461,671,975                   |
| Net Change for the Year                                | \$ 44,286,202                  | \$ 2,897,693                          | \$ 51,941,056                    | \$ 9,397,192                    | \$ (29,271,277)                      | \$ -                                  | \$ 79,250,866                 |

(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  | \$ 3,619,738 |
| Rehabilitation loan revenue | (35,929)     |
| Total                       | \$ 3,583,809 |

(Continued)

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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 | \$ (686,116)        |
| Total                                     | \$ <u>(686,116)</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      | \$ 65,032,537        |
| Capital outlay for joint venture       | 12,442,058           |
| Depreciation expense                   | (51,852,916)         |
| Depreciation expense for joint venture | <u>(18,797)</u>      |
| Total                                  | \$ <u>25,602,882</u> |

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

|  |                      |
|--|----------------------|
| Donation of capital assets                             | \$ 37,578,923        |
| Loss on disposal of capital assets                     | (4,121,517)          |
| Transfer of capital assets                             | (6,000,651)          |
| Transfer of capital assets reclassified to transfer in | <u>(1,118,581)</u>   |
| Total  | \$ <u>26,338,174</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                                | \$ 15,869,427       |
| Expenditures and other uses                              | (8,363,835)         |
| Transfers in from General Fund                           | 507,000             |
| Transfer of capital assets from governmental activities  | 1,118,581           |
| Transfer of capital assets from business-type activities | <u>266,019</u>      |
| Change in net assets                                     | \$ <u>9,397,192</u> |

(Continued)

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

- (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                     | \$(10,675,000)        |
| General Obligation bond proceeds          | (15,915,000)          |
| Special Assessment bond proceeds          | (4,091,840)           |
| Capital lease proceeds                    | (6,911,382)           |
| Principal repayments                      | <u>8,357,577</u>      |
| Total                                     | <u>\$(29,235,645)</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 | \$ (227,095)       |
| Amortization of deferred amounts | (215,410)          |
| Accretion of certificates        | 328,772            |
| Amortization of bond premiums    | <u>78,101</u>      |
| Total                            | <u>\$ (35,632)</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 | \$ 31,648,671       |
| Transfers in  | <u>(31,648,671)</u> |
| Total         | <u>\$ -</u>         |

(Continued)

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**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, 2007, approximately 1,130 former employees were eligible for these benefits.

The City's cost for retiree health insurance for the fiscal year ended June 30, 2007 was \$5,608,225. 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.

(Continued)

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

b. **Funding Policy**

Covered employees were required by state statute to contribute 9.10 percent of their salary to the System during fiscal year 2006-07 and the City was required to match it. The Arizona Revised Statutes (“A.R.S.”) provide statutory authority for determining the employees’ and employers’ contribution amounts as a percentage of covered payroll. Employers are required to contribute at the same rate as employees. Although the statutes prescribe the basis of making the actuarial calculation, the Arizona legislature is able to legislate a contribution rate other than the actuarially determined rate. The City’s contributions to the System for the years ending June 30, 2007, 2006 and 2005 were \$12,608,847, \$10,041,506 and \$8,046,641, 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 2006-07 was 18.55 percent. The City’s contributions to EORP for the fiscal years ending June 30, 2007, 2006 and 2005 were \$27,309, \$29,636 and \$17,817, respectively, which were equal to the required contributions for each year. The City’s employees contributed \$10,305, \$10,099 and \$9,243 for the same time period.

(Continued)

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**Public Safety Personnel Retirement System:**

a. **Plan Description**

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

b. **Funding Policy**

PSPRS members are required to contribute 7.65 percent of their annual covered salary and the City is required to contribute an actuarially determined rate. The rate for 2006-07 was 13.04 percent for fire personnel and 12.60 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 \$4,318,280 and fire personnel \$2,054,244 during fiscal year 2006-07. For 2007, the City’s annual pension cost of \$7,112,462 for police and \$3,397,231 for fire was equal to the City’s required and actual contributions. The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8.5 percent investment rate of return, (b) projected salary increases of 5.0 percent attributable to inflation, (c) additional projected salary increases ranging from 1.0 percent to 4.0 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.

(Continued)

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

**Police**

| <b>Fiscal Year<br/>Ending</b> | <b>Annual Pension<br/>Cost (APC)</b> | <b>Percentage of APC<br/>Contributed</b> | <b>Net Pension<br/>Obligation</b> |
|-------------------------------|--------------------------------------|--|-----------------------------------|
| 2004                          | \$ 4,469,549                         | 100%                                     | \$ -                              |
| 2005                          | 4,995,079                            | 100                                      | -                                 |
| 2006                          | 5,802,278                            | 100                                      | -                                 |

**Fire**

| <b>Fiscal Year<br/>Ending</b> | <b>Annual Pension<br/>Cost (APC)</b> | <b>Percentage of APC<br/>Contributed</b> | <b>Net Pension<br/>Obligation</b> |
|-------------------------------|--------------------------------------|--|-----------------------------------|
| 2004                          | \$ 1,716,783                         | 100%                                     | \$ -                              |
| 2005                          | 2,438,281                            | 100                                      | -                                 |
| 2006                          | 1,645,421                            | 100                                      | -                                 |

e. **Required Supplementary Information**

**Schedule of Funding Progress** (Latest Information Available):

**POLICE**

| <b>Valuation<br/>Date<br/>June 30,</b> | <b>Actuarial<br/>Value of<br/>Assets</b> | <b>Actuarial<br/>Accrued<br/>Liability<br/>(AAL)</b> | <b>Percent<br/>Funded</b> | <b>Unfunded<br/>AAL</b> | <b>Annual<br/>Covered<br/>Payroll</b> | <b>Unfunded<br/>AAL as a<br/>% of<br/>Covered<br/>Payroll</b> |
|--|--|--|---------------------------|-------------------------|---------------------------------------|---|
| 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                              | 244,078,768  | 87.6                      | 30,382,118              | 51,400,085                            | 59.1  |
| 2006                                   | 221,090,247                              | 270,935,375  | 81.6                      | 49,845,128              | 50,936,366                            | 97.9  |

(Continued)

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**FIRE**

| <b>Valuation Date</b> | <b>Actuarial Value of Assets</b> | <b>Actuarial Accrued Liability (AAL)</b> | <b>Percent Funded</b> | <b>Unfunded AAL</b> | <b>Annual Covered Payroll</b> | <b>Unfunded AAL as a % of Covered Payroll</b> |
|-----------------------|----------------------------------|--|-----------------------|---------------------|-------------------------------|---|
| 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                      | 159,801,979                              | 89.7                  | 16,429,747          | 24,552,560                    | 66.9  |
| 2006                  | 146,502,960                      | 177,620,036                              | 82.5                  | 31,117,076          | 24,893,935                    | 125.0   |

(Continued)

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**5. LONG-TERM OBLIGATIONS**

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

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

|   | <u>Beginning<br/>Balances</u> | <u>Additions</u>      | <u>Reductions</u>       | <u>Ending<br/>Balances</u> | <u>Amounts<br/>Due Within<br/>One Year</u> |
|---|-------------------------------|-----------------------|-------------------------|----------------------------|--|
| <b>Governmental Activities:</b>           |                               |                       |                         |                            |  |
| Bonds Payable:                            |                               |                       |                         |                            |  |
| General Obligation Bonds                  | \$ 207,859,834                | \$ 15,915,000         | \$ (659,706)            | \$ 223,115,128             | \$ 16,939,682                              |
| Municipal Development Corp. Bonds         | 9,970,000                     | -                     | -                       | 9,970,000                  | -  |
| Highway User Revenue Bonds                | 131,950,000                   | 10,675,000            | (165,000)               | 142,460,000                | 170,000                                    |
| Special Assessment Bonds                  |                               |                       |                         |                            |  |
| with Governmental Commitment              | 5,049,000                     | 4,091,840             | (343,000)               | 8,797,840                  | 751,840                                    |
| Add Certificates of Supplemental Interest | 2,140,721                     | 76,361                | (405,132)               | 1,811,950                  | -  |
| Less Deferred Amounts on Refundings       | (10,886,293)                  | -                     | 1,406,988               | (9,479,305)                | -  |
| Total Bonds Payable                       | <u>346,083,262</u>            | <u>30,758,201</u>     | <u>(165,850)</u>        | <u>376,675,613</u>         | <u>17,861,522</u>                          |
| Capital Leases                            | 23,273,476                    | 6,911,382             | (7,196,226)             | 22,988,632                 | 8,015,639                                  |
| Less Deferred Amounts on Refundings       | (96,520)                      | -                     | 48,700                  | (47,820)                   | -  |
| Unamortized Bond Premiums                 | 11,636,222                    | -                     | (1,318,380)             | 10,317,842                 | -  |
| Compensated Absences                      | 17,671,414                    | 15,331,853            | (13,679,940)            | 19,323,327                 | 4,400,604                                  |
| Governmental Activities Total             | <u>\$ 398,567,854</u>         | <u>\$ 53,001,436</u>  | <u>\$ (22,311,696)</u>  | <u>\$ 429,257,594</u>      | <u>\$ 30,277,765</u>                       |
| <b>Business-type Activities:</b>          |                               |                       |                         |                            |  |
| Bonds Payable:                            |                               |                       |                         |                            |  |
| General Obligation Bonds                  | \$ 3,290,166                  | \$ -                  | \$ (294)                | \$ 3,289,872               | \$ 318                                     |
| Municipal Development Corp. Bonds         | 9,600,000                     | -                     | (4,500,000)             | 5,100,000                  | 5,100,000                                  |
| Utility System Revenue Bonds              | 655,085,000                   | 192,810,000           | (124,710,000)           | 723,185,000                | 9,210,000                                  |
| Add Certificates of Supplemental Interest | 78,546                        | 2,802                 | (14,868)                | 66,480                     | -  |
| Less Deferred Amounts on Refundings       | (13,447,425)                  | (8,735,666)           | 1,698,677               | (20,484,414)               | -  |
| Total Bonds Payable                       | <u>654,606,287</u>            | <u>184,077,136</u>    | <u>(127,526,485)</u>    | <u>711,156,938</u>         | <u>14,310,318</u>                          |
| Notes Payable                             | 759,993                       | -                     | (170,531)               | 589,462                    | 157,898                                    |
| Capital Leases                            | 4,301,174                     | -                     | (1,431,677)             | 2,869,497                  | 1,328,216                                  |
| Less Deferred Amounts on Refundings       | (103,380)                     | -                     | 52,166                  | (51,214)                   | -  |
| Unamortized Bond Premiums                 | 15,296,861                    | 8,532,190             | (1,860,864)             | 21,968,187                 | -  |
| Compensated Absences                      | -                             | 5,377,810             | (742,849)               | 4,634,961                  | 759,175                                    |
| Business-type Activities Total            | <u>\$ 674,860,935</u>         | <u>\$ 197,987,136</u> | <u>\$ (131,680,240)</u> | <u>\$ 741,167,831</u>      | <u>\$ 16,555,607</u>                       |

(Continued)

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

b. **Bonds Payable**

At June 30, 2007, long-term bonds payable consisted of:

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

**General Obligation Bonds**

|  |             |
|--|-------------|
| \$30,000,000 1998 general obligation serial bonds, (partially refunded by general obligation refunding bonds, series 2004), due on July 1, 2009, plus semi-annual interest of 6.75 percent through July 1, 2009.   | \$2,000,000 |
| \$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.  | 16,875,000  |
| \$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.   | 23,863,229  |
| \$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, 2007, include \$1,811,950 of certificates of ownership of supplemental interest payments and \$165,480 of capital appreciation maturing through 2010. | 39,456,606  |
| \$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.   | 43,602,523  |
| \$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  |

(Continued)

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

|   |                      |
|---|----------------------|
| \$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. | 23,809,412           |
| \$15,915,000 2007 general obligation serial bonds due in annual installments ranging from \$615,000 to \$5,500,000 plus semi-annual interest ranging from 4.125 percent to 6.0 percent through July 1, 2027.              | <u>15,915,000</u>    |
| <b>Total General Obligation Bonds</b>   | <b>\$218,957,960</b> |
| Deferred amounts on refundings  | 5,969,118            |
| Certificates of Supplemental Interest   | <u>(1,811,950)</u>   |
| Total General Obligation Bonds not including deferred amounts on refundings and certificates of supplemental interest   | <u>\$223,115,128</u> |

**Municipal Development Corp. Bonds**

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

|  |                            |
|--|----------------------------|
| <b>Total Municipal Development Corp. Bonds</b> | <b>\$ <u>9,970,000</u></b> |
|--|----------------------------|

**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. | 30,273,088 |
|---|------------|

(Continued)

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

|  |                             |
|--|-----------------------------|
| \$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.  | 16,807,144                  |
| \$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.   | 22,479,581                  |
| \$10,225,000 2005 street and highway user revenue bonds, due in annual principal installments ranging from \$50,000 to \$8,500,000, plus semi-annual interest ranging from 4.0 percent to 5.0 percent through July 1, 2024.  | 10,225,000                  |
| \$11,675,000 2006 street and highway user revenue bonds, due in annual installments ranging from \$850,000 to \$9,850,000, plus semi-annual interest ranging from 4.50 percent to 5.25 percent through July 1, 2025.   | 11,675,000                  |
| \$10,675,000 2007 street and highway user revenue bonds, due in annual principal installments ranging form \$1,000,000 to \$3,900,000, plus semi annual interest ranging from 4.25 percent to 5.0 percent through July 1, 2027.  | <u>\$10,675,000</u>         |
| <b>Total Street and Highway User Revenue Bonds</b>   | <b>\$138,949,813</b>        |
| Deferred amounts on refundings   | <u>3,510,187</u>            |
| Total Street and Highway User Revenue Bonds not including deferred amounts on refundings   | <u>\$142,460,000</u>        |
| <b><u>Special Assessment Bonds (payable from special assessments levied on the benefited properties)</u></b>   |                             |
| \$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.  | \$ 16,000                   |
| \$5,025,000 2005 special assessment district bonds, due in annual principal installments of \$335,000, plus semi-annual interest of 5.80 percent, through January 1, 2021.   | 4,690,000                   |
| \$4,091,840 2007 special assessment district bonds, due in annual principal installments ranging from \$408,840 to \$410,000, plus semi-annual interest of 5.0 percent, through January 1, 2017.   | <u>\$4,091,840</u>          |
| <b>Total Special Assessment Bonds</b>  | <b><u>\$ 8,797,840</u></b>  |
| <b>Total bonds payable recorded in governmental activities</b>   | <b><u>\$376,675,613</u></b> |

(Continued)

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

**General Obligation Bonds**

|  |                     |
|--|---------------------|
| \$27,041,000 1999 general obligation serial bonds (partially refunded by 2002 utility systems revenue refunding bonds and 2002A, 2004 & 2006 general obligation refunding bonds), due on July 1, 2009, plus semi-annual interest of 6.50 percent through July 1, 2009.   | \$ 208,410          |
| \$1,200,000 2002 general obligation serial bonds (partially refunded by 2002A, 2004 & 2006 general obligation refunding bonds), due in annual principal installments ranging from \$79,100 to \$82,490, plus semi-annual interest ranging from 5.25 percent to 6.00 percent through July 1, 2011.  | 160,400             |
| \$120,000 2002 general obligation refunding serial bonds, due in annual principal installments ranging from \$294 to \$46,771, plus semi-annual interest ranging from 3.75 percent to 5.375 percent through July 1, 2015.  | 118,873             |
| \$1,529,379 2002A general obligation refunding serial bonds, due in annual principal installments ranging from \$53,631 to \$377,187, plus semi-annual interest ranging from 3.75 percent to 4.20 percent through July 1, 2016. Total bonds outstanding at June 30, 2007, include \$66,480 of certificates of ownership of supplemental interest payments and \$6,100 of capital appreciation maturing through 2010. | 1,447,777           |
| \$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> |
| <b>Total General Obligation Bonds</b>  | <b>\$ 3,318,160</b> |
| Deferred amounts on refundings   | 38,192              |
| Certificates of Supplemental Interest  | <u>(66,480)</u>     |
| Total General Obligation Bonds not including deferred amounts on refundings and certificates of supplemental interest  | <u>\$ 3,289,872</u> |

**Municipal Development Corp. Bonds**

|  |                            |
|--|----------------------------|
| \$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>\$ 5,100,000</u>        |
| <b>Total Municipal Development Corp. Bonds</b>   | <b><u>\$ 5,100,000</u></b> |

**Utility Systems Revenue Bonds**

|  |              |
|--|--------------|
| \$94,730,000 1997 utility systems revenue serial bonds (partially refunded by 1998, 2002 & 2006 utility systems revenue refunding bonds), due on July 1, 2012, plus semi-annual interest of 7.25 percent through July 1, 2012. | \$ 4,000,000 |
|--|--------------|

(Continued)

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

|   |             |
|---|-------------|
| \$34,600,000 1998 utility systems revenue serial bonds (partially refunded by 2002A, 2006 & 2006 (2 <sup>nd</sup> Series) 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. | 17,175,000  |
| \$32,500,000 1998 utility systems revenue refunding serial bonds (partially refunded by 2002A & 2006 utility systems revenue refunding bonds), due in annual principal installments ranging from \$100,000 to \$9,105,000, plus semi-annual interest ranging from 4.25 percent to 5.00 percent through July 1, 2013.                        | 16,314,056  |
| \$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.  | 125,655,279 |
| \$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.  | 46,988,080  |
| \$50,470,000 2003 utility systems revenue serial bonds, (partially refunded by 2006 (Series 2) utility systems revenue refunding bonds), due in annual principal installments ranging from \$970,000 to \$25,500,000, plus semi-annual interest ranging from 3.50 percent to 5.00 percent through July 1, 2022.                             | 24,970,000  |
| \$64,625,000 2004 utility systems revenue serial bonds, (partially refunded by 2006 (Series 2) utility systems revenue refunding bonds), due in annual principal installments ranging from \$1,125,000 to \$11,000,000, plus semi-annual interest ranging from 5.00 percent to 6.00 percent through July 1, 2028.                           | 6,125,000   |
| \$40,345,000 2004 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$20,000 to \$21,010,000, plus semi-annual interest ranging from 3.50 percent to 5.00 percent through July 1, 2019.   | 38,020,630  |
| \$91,200,000 2005 utility systems revenue serial bonds, (partially refunded by 2006 (Series 2) utility systems revenue refunding bonds), due in annual principal installments ranging from \$750,000 to \$24,000,000, plus semi-annual interest ranging from 4.125 percent to 5.0 percent through July 1, 2029.                             | 71,200,000  |
| \$105,400,000 2006 utility systems revenue serial bonds, (partially refunded by 2006 (Series 2) utility systems revenue refunding bonds), due in annual principal installments ranging from \$8,650,000 to \$36,750,000, plus semi-annual interest ranging from 4.375 percent to 5.0 percent through July 1, 2030.                          | 87,325,000  |

(Continued)

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

|   |                             |
|---|-----------------------------|
| \$61,300,000 2006 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$2,075,000 to \$18,000,000, plus semi-annual interest ranging from 4.0 percent to 5.0 percent through July 1, 2021.          | 57,246,537                  |
| \$127,260,000 2006 (Series 2) utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$50,000 to \$25,845,000 plus semi-annual interest ranging from 4.0 percent to 5.25 percent through July 1, 2028. | 118,769,196                 |
| \$65,550,000 2007 utility systems revenue serial bonds, due in annual principal installments ranging from \$2,500,000 to \$41,800,000 plus semi-annual interest ranging from 4.25 percent to 6.25 percent through July 1, 2031.                   | <u>\$65,550,000</u>         |
| <b>Total Utility Systems Revenue Bonds</b>  | <b>\$702,738,778</b>        |
| Deferred amounts on refundings  | <u>20,446,222</u>           |
| Total Utility System Revenue Bonds not including deferred amounts on refundings   | <u>723,185,000</u>          |
| <b>Total bonds payable recorded in business-type activities</b>   | <b><u>\$711,156,938</u></b> |

The following tables summarize the City's debt service requirements to maturity for its long term bonds payable at June 30, 2007. 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>          |
| 2008                            | 16,939,682            | 10,857,828           | 27,797,510            | 2008                              | 170,000               | 6,906,765            | 7,076,765             |
| 2009                            | 16,017,910            | 9,977,176            | 25,995,086            | 2009                              | 2,025,000             | 6,822,668            | 8,847,668             |
| 2010                            | 16,783,189            | 9,838,098            | 26,621,287            | 2010                              | 5,720,000             | 6,691,417            | 12,411,417            |
| 2011                            | 17,090,395            | 7,902,706            | 24,993,101            | 2011                              | 6,030,000             | 6,365,243            | 12,395,243            |
| 2012                            | 18,780,640            | 7,157,271            | 25,937,911            | 2012                              | 6,390,000             | 6,028,242            | 12,418,242            |
| 2013-17                         | 61,515,512            | 24,713,130           | 86,228,642            | 2013-17                           | 36,825,000            | 25,351,438           | 62,176,438            |
| 2018-22                         | 50,707,800            | 9,728,733            | 60,436,533            | 2018-22                           | 46,300,000            | 15,844,425           | 62,144,425            |
| 2023-27                         | 25,280,000            | 3,283,425            | 28,563,425            | 2023-27                           | 39,000,000            | 4,491,250            | 43,491,250            |
| <b>TOTALS</b>                   | <u>\$ 223,115,128</u> | <u>\$ 83,458,367</u> | <u>\$ 306,573,495</u> | <b>TOTALS</b>                     | <u>\$ 142,460,000</u> | <u>\$ 78,501,448</u> | <u>\$ 220,961,448</u> |

(Continued)

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**Special Assessment Bonds**

| <u>Fiscal Year</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>         |
|--------------------|---------------------|---------------------|----------------------|
| 2008               | 751,840             | 457,396             | 1,209,236            |
| 2009               | 752,000             | 417,040             | 1,169,040            |
| 2010               | 744,000             | 376,920             | 1,120,920            |
| 2011               | 744,000             | 337,040             | 1,081,040            |
| 2012               | 744,000             | 297,160             | 1,041,160            |
| 2013-17            | 3,722,000           | 887,500             | 4,609,500            |
| 2018-22            | 1,340,000           | 155,440             | 1,495,440            |
| <b>TOTALS</b>      | <b>\$ 8,797,840</b> | <b>\$ 2,928,496</b> | <b>\$ 11,726,336</b> |

**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>            |
| 2008                            | 318                 | 168,887           | 169,205             | 2008                 | 9,210,000             | 35,366,577            | 44,576,577              |
| 2009                            | 332,090             | 168,874           | 500,964             | 2009                 | 9,715,000             | 34,414,760            | 44,129,760              |
| 2010                            | 266,811             | 176,362           | 443,173             | 2010                 | 10,375,000            | 33,893,560            | 44,268,560              |
| 2011                            | 469,605             | 122,824           | 592,429             | 2011                 | 12,475,000            | 33,280,060            | 45,755,060              |
| 2012                            | 679,360             | 103,842           | 783,202             | 2012                 | 24,740,000            | 32,625,322            | 57,365,322              |
| 2013-17                         | 1,394,488           | 148,939           | 1,543,427           | 2013-17              | 187,680,000           | 138,410,002           | 326,090,002             |
| 2018-22                         | 147,200             | 7,360             | 154,560             | 2018-22              | 151,245,000           | 93,868,825            | 245,113,825             |
| 2023-27                         |                     |                   | -                   | 2023-27              | 160,895,000           | 56,639,223            | 217,534,223             |
| 2028-31                         |                     |                   | -                   | 2028-31              | 156,850,000           | 17,278,250            | 174,128,250             |
| <b>TOTALS</b>                   | <b>\$ 3,289,872</b> | <b>\$ 897,088</b> | <b>\$ 4,186,960</b> | <b>TOTALS</b>        | <b>\$ 723,185,000</b> | <b>\$ 475,776,579</b> | <b>\$ 1,198,961,579</b> |

**Municipal Development  
 Corporation Bonds**

| <u>Fiscal Year</u> | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        |
|--------------------|---------------------|-------------------|---------------------|
| 2008               | 5,100,000           | 108,375           | 5,208,375           |
| <b>TOTALS</b>      | <b>\$ 5,100,000</b> | <b>\$ 108,375</b> | <b>\$ 5,208,375</b> |

(Continued)

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**Special Assessment Bonds**

The City acts as trustee for special assessment districts whereby it collects the assessments levied against owners of property within established districts and disburses the amounts collected to retire the bonds issued to finance the improvements. At June 30, 2007, 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, 2007 are \$8,797,840.

**General Obligation Bonds**

The general obligation bonds are backed by the ultimate taxing power and general revenues of the City; however, \$3,318,160 of these bonds at June 30, 2007 is carried as a liability of the Enterprise Fund to reflect the intention of retirement from resources of that fund.

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

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

The total debt margin available July 1, 2007 is:

|                 |                      |
|-----------------|----------------------|
| 6% Bonds        | \$224,418,273        |
| 20% Bonds       | <u>618,953,829</u>   |
| Total Available | <u>\$843,372,102</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.

(Continued)

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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, 2007, the amount provided in the Replacement and Extension Funds equaled \$6,624,363 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 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, 2007, as presented in the business-type activities.

| <b><u>Fiscal Year</u></b><br><b><u>Ending June 30</u></b> | <b><u>Principal</u></b> | <b><u>Interest</u></b> | <b><u>Total</u></b> |
|---|-------------------------|------------------------|---------------------|
| 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  | \$ <u>589,462</u>       | \$ <u>85,797</u>       | \$ <u>675,259</u>   |

(Continued)

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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, 2007. The deferred amounts on refundings are not included.

| <b>Fiscal Year</b> | <b>Governmental Activities</b> |                     |                      | <b>Business-type Activities</b> |                   |                     |
|--------------------|--------------------------------|---------------------|----------------------|---------------------------------|-------------------|---------------------|
|                    | <b>Principal</b>               | <b>Interest</b>     | <b>Total</b>         | <b>Principal</b>                | <b>Interest</b>   | <b>Total</b>        |
| 2008               | 8,015,639                      | 856,948             | 8,872,587            | 1,328,216                       | 79,562            | 1,407,778           |
| 2009               | 7,219,745                      | 542,230             | 7,761,975            | 1,382,868                       | 37,377            | 1,420,245           |
| 2010               | 3,752,257                      | 305,412             | 4,057,669            | 158,413                         | 3,558             | 161,971             |
| 2011               | 2,649,902                      | 155,605             | 2,805,507            |                                 |                   | -                   |
| 2012               | 733,599                        | 60,147              | 793,746              |                                 |                   | -                   |
| 2013               | 617,490                        | 24,115              | 641,605              |                                 |                   | -                   |
| <b>TOTALS</b>      | <b>\$ 22,988,632</b>           | <b>\$ 1,944,457</b> | <b>\$ 24,933,089</b> | <b>\$ 2,869,497</b>             | <b>\$ 120,497</b> | <b>\$ 2,989,994</b> |

The assets acquired through capital leases are as follows:

|                                | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> |
|--------------------------------|------------------------------------|-------------------------------------|
| Asset:                         |                                    |                                     |
| Land                           | \$ 3,642,860                       | \$ -                                |
| Buildings                      | 11,167,294                         | -                                   |
| Other Improvements             | 3,933,180                          | 10,646,407                          |
| Machinery & Equipment          | 28,918,483                         | 2,813,974                           |
| Infrastructure                 | 85,936                             | -                                   |
| Construction Work in Process   | 1,980,648                          |                                     |
| Less: Accumulated depreciation | <u>(12,162,963)</u>                | <u>(8,558,571)</u>                  |
| Total                          | <u>\$ 37,565,438</u>               | <u>\$ 4,901,810</u>                 |

f. **Short-term Debt**

The City had no short-term debt activity for the fiscal year ended June 30, 2007.

(Continued)

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**6. DEMAND BONDS**

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

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

The Series A Bonds, hereafter referred to as the bonds, are remarketed by its remarketing agent, Merrill Lynch Capital Markets, at an annual interest rate necessary to market such bonds at a price equal to 100 percent of the principal amount thereof, not to exceed 15 percent. The repayment of these bonds, assuming the interest rate of 3.73 percent at June 30, 2007, is as follows:

| <b>Fiscal Year</b>           |                         |                        |                      |
|------------------------------|-------------------------|------------------------|----------------------|
| <b><u>Ending June 30</u></b> | <b><u>Principal</u></b> | <b><u>Interest</u></b> | <b><u>Total</u></b>  |
| 2008                         | -                       | 371,881                | 371,881              |
| 2009                         | 1,370,000               | 335,684                | 1,705,684            |
| 2010                         | 1,600,000               | 278,507                | 1,878,507            |
| 2011                         | 1,800,000               | 213,543                | 2,013,543            |
| 2012                         | 1,200,000               | 162,255                | 1,362,255            |
| 2013-2017                    | <u>4,000,000</u>        | <u>341,915</u>         | <u>4,341,915</u>     |
|                              | <u>\$ 9,970,000</u>     | <u>\$ 1,703,785</u>    | <u>\$ 11,673,785</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.

(Continued)

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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, 2007, 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**

On December 20, 2006, the City issued \$127,260,000 of utility system revenue bonds with an original issue premium of \$8,532,190 to advance refund \$124,370,000 of outstanding utility system revenue bonds. The refunding bonds were issued with an average interest rate of 4.19 percent. The net proceeds of \$134,487,222 (after payment of \$1,304,968 to the City) were provided to a refunding escrow agent to pay issuance costs of \$1,381,556 for insurance premiums, underwriting fees and other issuance costs with the remaining \$133,105,666 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 \$8,735,666. This difference, reported in the accompanying financial statements as a deduction from revenue bonds payable, is being charged to operations through the year 2028 using the effective interest method. The purpose of the refunding was to take advantage of lower interest rates and restructuring debt service payments to achieve a more level debt retirement schedule. The refunding will decrease debt service payments by \$4,895,902 over the next 21 years producing an economic gain (difference between the present value of old and new debt service payments) of \$4,829,709.

**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, 2007

In accordance with GASB Statement No. 7, the refunded debt outstanding at June 30, 2007 as reflected below is not included in the City's financial statements.

|   |                      |
|---|----------------------|
| Utility Systems Revenue Bond Issue dated September 1, 1995        | \$ 7,000,000         |
| Utility System Revenue Bond Issue dated April 1, 1997             | 7,000,000            |
| General Obligation Bond Issue dated April 1, 1997                 | 6,650,000            |
| Utility System Revenue Refunding Bond Issue dated March 1, 1998   | 13,715,000           |
| General Obligation Bond Issue dated March 1, 1998                 | 28,000,000           |
| Utility System Revenue Bond Issue dated March 1, 1998             | 17,425,000           |
| 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           |
| Utility System Revenue Bond Issue dated March 1, 2003             | 25,500,000           |
| Street and Highway User Revenue Bond Issue dated June 1, 2004     | 8,000,000            |
| Utility System Revenue Bond Issue dated June 1, 2004              | 58,500,000           |
| Utility System Revenue Bond Issue dated June 1, 2005              | 20,000,000           |
| Utility System Revenue Bond Issue dated June 1, 2006              | <u>18,075,000</u>    |
| Total Refunded Bonds Outstanding                                  | <u>\$452,290,000</u> |

(Continued)

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**9. CAPITAL CONTRIBUTIONS**

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

|   | <u>Property<br/>Owners</u> | <u>Governmental<br/>Agencies</u> | <u>Developers</u>    | <u>Total</u>         |
|---|----------------------------|----------------------------------|----------------------|----------------------|
| <b>Governmental Activities:</b>             |                            |                                  |                      |                      |
| Federal and State Funds                     | \$ -                       | \$ 3,324,028                     | \$ -                 | \$ 3,324,028         |
| Contributions - Capital Assets              | <u>117,627</u>             | <u>8,986,001</u>                 | <u>28,475,295</u>    | <u>37,578,923</u>    |
| Total                                       | <u>\$ 117,627</u>          | <u>\$ 12,310,029</u>             | <u>\$ 28,475,295</u> | <u>\$ 40,902,951</u> |
| <b>Business-type Activities:</b>            |                            |                                  |                      |                      |
| Federal and State Funds                     | \$ -                       | \$ 992,847                       | \$ -                 | \$ 992,847           |
| Developers - Impact and<br>Development Fees | -                          | -                                | 5,761,946            | 5,761,946            |
| Contributions-In-Aid                        | 1,367,685                  | -                                | 307,818              | 1,675,503            |
| Contributions - Capital Assets              | <u>162,099</u>             | <u>8,819,971</u>                 | <u>3,311,875</u>     | <u>12,293,945</u>    |
| Total                                       | <u>\$ 1,529,784</u>        | <u>\$ 9,812,818</u>              | <u>\$ 9,381,639</u>  | <u>\$ 20,724,241</u> |

In addition, during the year a net transfer from the business-type activities of existing capital assets with a book value of \$5,734,632 that were also recorded as capital contributions from governmental funds in the proprietary funds' financial statements and as a transfer in the government-wide statement of activities.

**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, 2007

b. **Sick Leave Benefits**

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

The total sick leave balance at June 30, 2007, was \$37,695,988 of which \$9,292,662 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, 2007 for these services are as follows:

| <b>Functions</b>  | <b>Operating Revenues</b> | <b>Operating Expenses</b>            |                       | <b>Operating Income (Loss)</b> |
|-------------------|---------------------------|--------------------------------------|-----------------------|--------------------------------|
|                   |                           | <b>Depreciation and Amortization</b> | <b>Other</b>          |                                |
| Electric          | \$ 34,518,898             | \$ 3,345,934                         | \$ 22,791,513         | \$ 8,381,451                   |
| Gas               | 45,250,476                | 2,318,816                            | 34,474,868            | 8,456,792                      |
| Water             | 92,007,207                | 16,165,086                           | 30,374,210            | 45,467,911                     |
| Wastewater        | 55,398,349                | 16,910,429                           | 21,664,505            | 16,823,415                     |
| Solid Waste       | 42,894,663                | 1,606,200                            | 26,290,110            | 14,998,353                     |
| Airport           | 2,953,825                 | 1,173,170                            | 1,507,743             | 272,912                        |
| Golf Course       | 2,456,596                 | 241,595                              | 2,299,788             | (84,787)                       |
| Convention Center | 4,745,578                 | 275,876                              | 5,384,020             | (914,318)                      |
| District Cooling  | 192,972                   | 874,192                              | 216,740               | (897,960)                      |
| <b>Total</b>      | <b>\$ 280,418,564</b>     | <b>\$ 42,911,298</b>                 | <b>\$ 145,003,497</b> | <b>\$ 92,503,769</b>           |

(Continued)

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

12. **NET ASSETS**

a. **Restricted Net Assets**

The government-wide statement of net assets reports \$191,863,422 of restricted net assets, of which \$72,140,887 is restricted by enabling legislation.

b. **Designated Net Assets**

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

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. **PLEDGED REVENUES**

The City has pledged future utility customer revenues, net of specified operating expenses, to repay \$723.2 million in utility system revenue bonds issued since 1997. Proceeds from the bonds provided financing for the construction of various utility related projects including new gas pipelines and water and wastewater treatment plants. The bonds are payable solely from utility customer net revenues and are payable through 2031. Annual principal and interest payments on the bonds are expected to require less than 32 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,198,961,579. Principal and interest paid for the current year and total customer net revenues were \$29,644,976 and \$94,127,922, respectively.

14. **JOINT VENTURES**

The City participates with the cities of Phoenix, Glendale, Scottsdale and Tempe in a multi-city sanitary sewer system (the "System") in which Phoenix is the lead agency. The City of Phoenix is responsible for the planning, budgeting, construction, operation and maintenance of the plant. As lead agency, Phoenix provides all management personnel and financing arrangements. The various cities participate in ownership of the plant and are charged for operating expenses based on gallons of flow. The different agencies participate in each facility at varying rates depending on their needs at the time each facility was constructed. The City's investment in the joint venture is reflected in the proprietary funds financial statements.

The System has no debt outstanding. Audited summary financial information on the System (GAAP basis) as of and for the fiscal year ended June 30, 2006 (latest information available) is as follows:

(Continued)

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

|                                       |                       |
|---------------------------------------|-----------------------|
| Assets                                |                       |
| Equity in Pooled Cash and Investments | \$ 62,316,000         |
| Receivables                           | 14,268,000            |
| Inventories at Average Cost           | 822,000               |
| Capital Assets                        | <u>596,544,000</u>    |
| Total Assets                          | <u>673,950,000</u>    |
| Liabilities                           | <u>69,808,000</u>     |
| Net Assets                            | <u>\$ 604,142,000</u> |
| Total Revenues                        | \$ 60,554,000         |
| Total Expenses                        | <u>(62,724,000)</u>   |
| Decrease in Net Assets                | <u>\$ (2,170,000)</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 30, 2006 (latest information available) is as follows:

CITY OF MESA, ARIZONA  
**NOTES TO FINANCIAL STATEMENTS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

|   |                       |
|---|-----------------------|
| Assets  |                       |
| Equity in Pooled Cash and Investments           | \$ 3,002,000          |
| Receivables                                     | 8,209,000             |
| Capital Assets, Net of Accumulated Depreciation | <u>171,289,000</u>    |
| Total Assets                                    | <u>182,500,000</u>    |
| Liabilities                                     | <u>8,052,000</u>      |
| Net Assets                                      | <u>\$ 174,448,000</u> |
| Total Revenues                                  | \$ 33,026,000         |
| Total Expenses                                  | <u>(24,973,000)</u>   |
| Increase in Net Assets                          | <u>\$ 8,053,000</u>   |

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

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

Total Investment in the Joint Venture as of June 30, 2007 is:

|                     |                      |
|---------------------|----------------------|
| Mesa's Share        | \$ 80,659,542        |
| Gilbert's Share     | 76,836,754           |
| Queen Creek's Share | <u>33,777,911</u>    |
| Total Joint Venture | <u>\$191,274,207</u> |

(Continued)

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

In June 2002, the City agreed to participate in the Central Phoenix/East Valley Light Rail Transit (LRT). The City participates with the cities of Phoenix, Tempe and Glendale. Valley Metro Rail, Inc. (VMR) will design, construct, and operate the LRT project. A total of \$32,732,215 has been spent on this project through fiscal year end 2007. The City has received \$18.6 million of funding from the Federal Transit Administration (FTA); Congestion Mitigation Air Quality (DMAQ) and Public Transit Funds (PTF) related to this project. The City's investments in the Joint Venture is reflected in the governmental activities column on the government-wide financial statements.

Audited summary financial information on the system (GAAP basis), as of and for the fiscal year ends June 30, 2006, (latest information available) is as follows:

|                        |                       |
|------------------------|-----------------------|
| Assets                 |                       |
| Current Assets         | \$ 170,236,566        |
| Non Current Assets     | <u>460,380,300</u>    |
| Total Assets           | <u>630,616,866</u>    |
| Liabilities            | <u>170,236,566</u>    |
| Net Assets             | <u>\$ 460,380,300</u> |
| Total Revenues         | \$ 238,191,065        |
| Total Expenses         | <u>13,716,617</u>     |
| Increase in Net Assets | <u>\$ 224,474,448</u> |

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

2007



## Required Supplementary Information

## CITY OF MESA, ARIZONA

**EXHIBIT B-1**

## GENERAL FUND

## SCHEDULE OF REVENUES, EXPENDITURES AND

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

## FOR THE FISCAL YEAR ENDED JUNE 30, 2007

|   | <u>Original<br/>Budget</u> | <u>Final Budget</u> | <u>Actual<br/>Amounts -<br/>Budgetary<br/>Basis</u> | <u>Variance With<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|---|----------------------------|---------------------|---|---|
| Revenues:   |                            |                     |   |   |
| Taxes   | \$ 156,291,000             | \$ 156,291,000      | \$ 156,905,125                                      | \$ 614,125  |
| Licenses and Permits                              | 16,769,000                 | 16,769,000          | 14,288,518  | (2,480,482)   |
| Intergovernmental                                 | 141,858,000                | 141,858,000         | 134,996,455   | (6,861,545)   |
| Charges For Services                              | 19,145,000                 | 19,145,000          | 18,901,904  | (243,096)   |
| Fines and Forfeitures                             | 10,839,000                 | 10,839,000          | 13,685,021  | 2,846,021   |
| Investment Income                                 | 1,600,000                  | 1,600,000           | 4,379,672   | 2,779,672   |
| Miscellaneous                                     | 2,941,000                  | 2,941,000           | 5,248,664   | 2,307,664   |
| Total Revenues                                    | <u>349,443,000</u>         | <u>349,443,000</u>  | <u>348,405,359</u>                                  | <u>(1,037,641)</u>  |
| Less: Bad Debts                                   | <u>(3,200,000)</u>         | <u>(3,200,000)</u>  | <u>(4,429,356)</u>                                  | <u>(1,229,356)</u>  |
| Total Net Revenues                                | <u>346,243,000</u>         | <u>346,243,000</u>  | <u>343,976,003</u>                                  | <u>(2,266,997)</u>  |
| Expenditures:                                     |                            |                     |   |   |
| Current:  |                            |                     |   |   |
| General Government                                | 49,233,972                 | 49,489,950          | 42,152,077  | 7,337,873   |
| Public Safety                                     | 220,444,155                | 220,618,260         | 211,462,565   | 9,155,695   |
| Cultural-Recreational                             | 60,312,484                 | 61,596,513          | 55,293,891  | 6,302,622   |
| Community Environment                             | 16,349,338                 | 17,514,598          | 11,215,020  | 6,299,578   |
| Capital Outlay                                    | 64,882,804                 | 65,415,751          | 36,908,429  | 28,507,322  |
| Contingencies                                     | 39,239,000                 | 34,650,226          | -   | 34,650,226  |
| Debt Service:                                     |                            |                     |   |   |
| Principal Retirement                              | 132,355                    | 132,355             | 132,355   | -   |
| Interest/Service Charges on Bonds                 | 5,877,345                  | 5,877,345           | 6,001,060   | (123,715)   |
| Total Expenditures                                | <u>456,471,453</u>         | <u>455,294,998</u>  | <u>363,165,397</u>                                  | <u>92,129,601</u>   |
| Deficiency of Revenues<br>Under Expenditures      | (110,228,453)              | (109,051,998)       | (19,189,394)  | 89,862,604  |
| Other Financing Sources (Uses):                   |                            |                     |   |   |
| Transfers In                                      | 75,913,000                 | 75,913,000          | 67,188,000  | (8,725,000)   |
| Transfers Out                                     | <u>(5,772,000)</u>         | <u>(5,772,000)</u>  | <u>(6,291,000)</u>                                  | <u>(519,000)</u>  |
| Total Other Financing Sources (Uses)              | <u>70,141,000</u>          | <u>70,141,000</u>   | <u>60,897,000</u>                                   | <u>(9,244,000)</u>  |
| Net Change in Fund Balance                        | (40,087,453)               | (38,910,998)        | 41,707,606  | 80,618,604  |
| Fund Balance - Beginning                          | 29,342,095                 | 29,342,095          | 31,365,097  | 2,023,002   |
| (Increase) Decrease in Restricted<br>Fund Balance | <u>10,745,358</u>          | <u>10,745,358</u>   | <u>(13,730,459)</u>                                 | <u>(24,475,817)</u>   |
| Fund Balance - Ending                             | <u>\$ -</u>                | <u>\$ 1,176,455</u> | <u>\$ 59,342,244</u>                                | <u>\$ 58,165,789</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, 2007

|                                   | <u>Original<br/>Budget</u> | <u>Final Budget</u> | <u>Actual<br/>Amounts -<br/>Budgetary<br/>Basis</u> | <u>Variance With<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|-----------------------------------|----------------------------|---------------------|---|---|
| Revenues:                         |                            |                     |   |   |
| Intergovernmental                 | \$ 37,043,000              | \$ 37,043,000       | \$ 39,980,272                                       | \$ 2,937,272  |
| Charges For Services              | 97,000                     | 97,000              | 58,354  | (38,646)  |
| Fines and Forfeitures             | 16,000                     | 16,000              | 70,847  | 54,847  |
| Investment Income                 | 525,000                    | 525,000             | 465,593   | (59,407)  |
| Miscellaneous                     | 15,000                     | 15,000              | 395,957   | 380,957   |
| Total Revenues                    | <u>37,696,000</u>          | <u>37,696,000</u>   | <u>40,971,023</u>                                   | <u>3,275,023</u>  |
| Expenditures:                     |                            |                     |   |   |
| Current:                          |                            |                     |   |   |
| Community Environment             | 33,330,725                 | 34,829,422          | 34,829,422  | -   |
| Capital Outlay                    | 3,397,488                  | 3,397,488           | 2,475,813   | 921,675   |
| Contingencies                     | 5,279,000                  | 3,780,303           | -   | 3,780,303   |
| Debt Service:                     |                            |                     |   |   |
| Principal Retirement              | 165,000                    | 165,000             | 165,000   | -   |
| Interest/Service Charges on Bonds | 6,564,601                  | 6,564,601           | 6,401,787   | 162,814   |
| Total Expenditures                | <u>48,736,814</u>          | <u>48,736,814</u>   | <u>43,872,022</u>                                   | <u>4,864,792</u>  |
| Deficiency of Revenues            |                            |                     |   |   |
| Under Expenditures                | (11,040,814)               | (11,040,814)        | (2,900,999)   | 8,139,815   |
| Fund Balance - Beginning          | <u>12,868,312</u>          | <u>12,868,312</u>   | <u>10,780,050</u>                                   | <u>(2,088,262)</u>  |
| Fund Balance - Ending             | <u>\$ 1,827,498</u>        | <u>\$ 1,827,498</u> | <u>\$ 7,879,051</u>                                 | <u>\$ 6,051,553</u>   |

**Budget Basis**

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

\$ (2,900,999)

**Basis Difference**

Unrealized Gain on Investment

3,900

**GAAP Basis**

Actual amount (GAAP) basis "Net Change in Fund Balance" as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds Exhibit A-5

\$ (2,897,099)

See Note to Required Supplementary Information.

CITY OF MESA, ARIZONA

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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, 2007 on the “GAAP basis” to the “budget basis” as follows:

|  |                      |
|--|----------------------|
| Net Change in Fund Balance-Budget Basis -<br>Exhibit B-1 | \$ 41,707,606        |
| Basis Differences:                                       |                      |
| Compensated Absences                                     | 64,971               |
| Special Assessments                                      | 128,068              |
| Sales Tax Accrual  | 1,192,122            |
| Unrealized Gain on Investments                           | 118,305              |
| Timing Differences:                                      |                      |
| Grants & Contributions                                   | 223,910              |
| Interest Earnings in Escrow Account                      | 98,331               |
| Debt Service Activities                                  | (77,840)             |
| City of Phoenix Light Rail Accrual                       | <u>1,500,000</u>     |
| Net Change in Fund Balance-GAAP Basis -<br>Exhibit A-5   | <u>\$ 44,955,473</u> |

2007



## Combining Statements

# NON-MAJOR FUNDS

## OTHER GOVERNMENTAL FUNDS

### Special Revenue Funds

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

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

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

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

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

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

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

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

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

## **Special Revenue Funds (cont.)**

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

### **Debt Service Funds**

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

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

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

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

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

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

### **Capital Projects Funds**

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

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

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

## **Capital Projects Funds (cont.)**

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

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

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

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

**Service Center Construction Fund** accounts for the cost of improvements to the 6<sup>th</sup> 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, 2007

|  | <u>Special<br/>Revenue<br/>Funds</u> | <u>Debt Service<br/>Funds</u> | <u>Capital<br/>Projects<br/>Funds</u> | <u>Total Non-major<br/>Governmental<br/>Funds</u> |
|--|--------------------------------------|-------------------------------|---------------------------------------|---|
| <b>ASSETS</b>                              |                                      |                               |                                       |   |
| Cash and Cash Equivalents                  | \$ 15,881,793                        | \$ -                          | \$ 22,653,178                         | \$ 38,534,971                                     |
| Investments                                | 2,998,140                            | -                             | -                                     | 2,998,140   |
| Accounts Receivable                        | 109,047                              | -                             | -                                     | 109,047   |
| Accrued Interest Receivable                | 130,389                              | -                             | -                                     | 130,389   |
| Due From Other Governments                 | 2,086,355                            | -                             | -                                     | 2,086,355   |
| Prepaid Costs                              | 1,935                                | -                             | -                                     | 1,935   |
| Restricted Assets:                         |                                      |                               |                                       | -   |
| Cash and Cash Equivalents                  | -                                    | 11,413,442                    | -                                     | 11,413,442  |
| Special Assessments Receivable             | -                                    | 8,654,735                     | -                                     | 8,654,735   |
| <b>Total Assets</b>                        | <u><u>\$ 21,207,659</u></u>          | <u><u>\$ 20,068,177</u></u>   | <u><u>\$ 22,653,178</u></u>           | <u><u>\$ 63,929,014</u></u>                       |
| <b>LIABILITIES AND FUND BALANCES</b>       |                                      |                               |                                       |   |
| Liabilities:                               |                                      |                               |                                       |   |
| Accounts Payable                           | \$ 2,131,903                         | \$ -                          | \$ 1,060,948                          | \$ 3,192,851                                      |
| Due To Other Funds                         | 248,200                              | -                             | -                                     | 248,200   |
| Customer Deposits                          | 33,062                               | -                             | -                                     | 33,062  |
| Payable From Restricted Assets:            |                                      |                               |                                       |   |
| Accounts Payable                           | -                                    | 3,107                         | -                                     | 3,107   |
| Accrued Lease Interest Payable             | -                                    | 121,421                       | -                                     | 121,421   |
| Accrued Bond Interest Payable              | -                                    | 8,850,975                     | -                                     | 8,850,975   |
| Deferred Revenue                           | 185,658                              | 8,654,735                     | -                                     | 8,840,393   |
| Matured General Obligation Bonds Payable   | -                                    | 659,706                       | -                                     | 659,706   |
| Matured Highway User Revenue               |                                      |                               |                                       |   |
| Bonds Payable                              | -                                    | 165,000                       | -                                     | 165,000   |
| Matured Capital Leases Payable             | -                                    | 1,613,233                     | -                                     | 1,613,233   |
| <b>Total Liabilities</b>                   | <u><u>2,598,823</u></u>              | <u><u>20,068,177</u></u>      | <u><u>1,060,948</u></u>               | <u><u>23,727,948</u></u>                          |
| Fund Balances:                             |                                      |                               |                                       |   |
| Reserved For Encumbrances                  | 234,772                              | -                             | 4,024,440                             | 4,259,212   |
| Reserved For Prepaid Costs                 | 1,717                                | -                             | -                                     | 1,717   |
| Unreserved                                 | 18,372,347                           | -                             | 17,567,790                            | 35,940,137  |
| <b>Total Fund Balances</b>                 | <u><u>18,608,836</u></u>             | <u><u>-</u></u>               | <u><u>21,592,230</u></u>              | <u><u>40,201,066</u></u>                          |
| <b>Total Liabilities and Fund Balances</b> | <u><u>\$ 21,207,659</u></u>          | <u><u>\$ 20,068,177</u></u>   | <u><u>\$ 22,653,178</u></u>           | <u><u>\$ 63,929,014</u></u>                       |

CITY OF MESA, ARIZONA  
**EXHIBIT C-2**  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

|  | <u>Special<br/>Revenue<br/>Funds</u> | <u>Debt Service<br/>Funds</u> | <u>Capital<br/>Projects<br/>Funds</u> | <u>Total Non-major<br/>Governmental Fund</u> |
|--|--------------------------------------|-------------------------------|---------------------------------------|--|
| Revenues:  |                                      |                               |                                       |  |
| Special Assessments  | \$ -                                 | \$ 416,906                    | \$ -                                  | \$ 416,906                                   |
| Licenses and Permits   | 5,839,156                            | -                             | -                                     | 5,839,156                                    |
| Intergovernmental  | 15,624,988                           | -                             | -                                     | 15,624,988                                   |
| Charges For Services   | 3,185,260                            | -                             | -                                     | 3,185,260                                    |
| Fees and Forfeitures   | 519,941                              | -                             | -                                     | 519,941                                      |
| Investment Income  | 941,734                              | 411,094                       | 44,480                                | 1,397,308                                    |
| Miscellaneous  | 899,533                              | 22,926                        | 231,137                               | 1,153,596                                    |
| <b>Total Revenues</b>  | <u>27,010,612</u>                    | <u>850,926</u>                | <u>275,617</u>                        | <u>28,137,155</u>                            |
| Expenditures:  |                                      |                               |                                       |  |
| Current:   |                                      |                               |                                       |  |
| Public Safety  | 772,867                              | -                             | -                                     | 772,867                                      |
| Cultural - Recreational                                      | 11,912                               | -                             | -                                     | 11,912                                       |
| Community Environment  | 19,380,553                           | -                             | -                                     | 19,380,553                                   |
| Debt Service:  |                                      |                               |                                       |  |
| Principal Retirement   | -                                    | 8,357,577                     | -                                     | 8,357,577                                    |
| Interest on Bonds  | -                                    | 17,236,984                    | -                                     | 17,236,984                                   |
| Interest on Leases   | -                                    | 913,726                       | -                                     | 913,726                                      |
| Service Charges  | -                                    | 56,768                        | -                                     | 56,768                                       |
| Capital Outlay   | 5,414,620                            | -                             | 37,399,033                            | 42,813,653                                   |
| <b>Total Expenditures</b>                                    | <u>25,579,952</u>                    | <u>26,565,055</u>             | <u>37,399,033</u>                     | <u>89,544,040</u>                            |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>1,430,660</u>                     | <u>(25,714,129)</u>           | <u>(37,123,416)</u>                   | <u>(61,406,885)</u>                          |
| Other Financing Sources (Uses):                              |                                      |                               |                                       |  |
| Transfers In   | 5,784,000                            | 25,864,671                    | -                                     | 31,648,671                                   |
| Transfers Out  | (4,703,779)                          | (150,542)                     | (1,326,113)                           | (6,180,434)                                  |
| Face Amount of Bonds Issued                                  | -                                    | -                             | 30,681,840                            | 30,681,840                                   |
| Premium on Issuance of Bonds                                 | -                                    | -                             | 573,254                               | 573,254                                      |
| Proceeds From Obligations of<br>Capital Leases               | -                                    | -                             | 6,911,382                             | 6,911,382                                    |
| <b>Total Other Financing Sources (Uses)</b>                  | <u>1,080,221</u>                     | <u>25,714,129</u>             | <u>36,840,363</u>                     | <u>63,634,713</u>                            |
| Net Change in Fund Balances                                  | 2,510,881                            | -                             | (283,053)                             | 2,227,828                                    |
| Fund Balances - Beginning                                    | <u>16,097,955</u>                    | <u>-</u>                      | <u>21,875,283</u>                     | <u>37,973,238</u>                            |
| Fund Balances - Ending                                       | <u>\$ 18,608,836</u>                 | <u>\$ -</u>                   | <u>\$ 21,592,230</u>                  | <u>\$ 40,201,066</u>                         |

CITY OF MESA, ARIZONA  
**EXHIBIT C-3**  
NON-MAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2007

|                                      | <b>Local<br/>Transportation<br/>Assistance</b> | <b>Mesa Housing<br/>Authority</b> | <b>Cemetery</b>     | <b>Public Art</b> |
|--------------------------------------|--|-----------------------------------|---------------------|-------------------|
| <b>ASSETS</b>                        |  |                                   |                     |                   |
| Cash and Cash Equivalents            | \$ 477,651                                     | \$ 1,173,895                      | \$ 3,788,943        | \$ 371,126        |
| Investments                          | -  | -                                 | 2,998,140           | -                 |
| Accounts Receivable                  | -  | 20,467                            | 88,580              | -                 |
| Accrued Interest Receivable          | 395  | 7,907                             | 49,409              | 2,451             |
| Due From Other Governments           | 1,484,724                                      | 286,853                           | -                   | -                 |
| Prepaid Costs                        | 1,100  | 656                               | 179                 | -                 |
| Total Assets                         | <u>\$ 1,963,870</u>                            | <u>\$ 1,489,778</u>               | <u>\$ 6,925,251</u> | <u>\$ 373,577</u> |
| <b>LIABILITIES AND FUND BALANCES</b> |  |                                   |                     |                   |
| Liabilities:                         |  |                                   |                     |                   |
| Accounts Payable                     | \$ 1,777,330                                   | \$ 174,784                        | \$ 3,593            | \$ -              |
| Due To Other Funds                   | -  | -                                 | -                   | -                 |
| Customer Deposits                    | -  | 33,032                            | 30                  | -                 |
| Deferred Revenue                     | 185,658  | -                                 | -                   | -                 |
| Total Liabilities                    | <u>1,962,988</u>                               | <u>207,816</u>                    | <u>3,623</u>        | <u>-</u>          |
| Fund Balances:                       |  |                                   |                     |                   |
| Reserved For Encumbrances            | -  | 5,526                             | 1,202               | -                 |
| Reserved For Prepaid Costs           | 882  | 656                               | 179                 | -                 |
| Unreserved                           | -  | 1,275,780                         | 6,920,247           | 373,577           |
| Total Fund Balances                  | <u>882</u>                                     | <u>1,281,962</u>                  | <u>6,921,628</u>    | <u>373,577</u>    |
| Total Liabilities and Fund Balances  | <u>\$ 1,963,870</u>                            | <u>\$ 1,489,778</u>               | <u>\$ 6,925,251</u> | <u>\$ 373,577</u> |

**EXHIBIT C-3**  
(Continued)

| <u>Development<br/>Impact Fees</u> | <u>Court<br/>Construction<br/>Fee</u> | <u>Mesa Arts<br/>Center<br/>Restoration</u> | <u>Regional<br/>Transportation<br/>Plan</u> | <u>Environmental<br/>Compliance</u> | <u>Total</u>         |
|------------------------------------|---------------------------------------|---|---|-------------------------------------|----------------------|
| \$ 8,237,551                       | \$ 939,994                            | \$ 442,906                                  | \$ 29                                       | \$ 449,698                          | \$ 15,881,793        |
| -                                  | -                                     | -   | -   | -                                   | 2,998,140            |
| -                                  | -                                     | -   | -   | -                                   | 109,047              |
| 59,388                             | 5,752                                 | 2,843                                       | -   | 2,244                               | 130,389              |
| -                                  | -                                     | -   | 314,778                                     | -                                   | 2,086,355            |
| -                                  | -                                     | -   | -   | -                                   | 1,935                |
| <u>\$ 8,296,939</u>                | <u>\$ 945,746</u>                     | <u>\$ 445,749</u>                           | <u>\$ 314,807</u>                           | <u>\$ 451,942</u>                   | <u>\$ 21,207,659</u> |
| <br>                               |                                       |   |   |                                     |                      |
| \$ 95,457                          | \$ -                                  | \$ -  | \$ 63,951                                   | \$ 16,788                           | \$ 2,131,903         |
| -                                  | -                                     | -   | 248,200                                     | -                                   | 248,200              |
| -                                  | -                                     | -   | -   | -                                   | 33,062               |
| -                                  | -                                     | -   | -   | -                                   | 185,658              |
| <u>95,457</u>                      | <u>-</u>                              | <u>-</u>                                    | <u>312,151</u>                              | <u>16,788</u>                       | <u>2,598,823</u>     |
| <br>                               |                                       |   |   |                                     |                      |
| 225,388                            | -                                     | -   | 2,656                                       | -                                   | 234,772              |
| -                                  | -                                     | -   | -   | -                                   | 1,717                |
| <u>7,976,094</u>                   | <u>945,746</u>                        | <u>445,749</u>                              | <u>-</u>                                    | <u>435,154</u>                      | <u>18,372,347</u>    |
| <u>8,201,482</u>                   | <u>945,746</u>                        | <u>445,749</u>                              | <u>2,656</u>                                | <u>435,154</u>                      | <u>18,608,836</u>    |
| <u>\$ 8,296,939</u>                | <u>\$ 945,746</u>                     | <u>\$ 445,749</u>                           | <u>\$ 314,807</u>                           | <u>\$ 451,942</u>                   | <u>\$ 21,207,659</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, 2007

|  | <b>Local<br/>Transportation<br/>Assistance</b> | <b>Mesa Housing<br/>Authority</b> | <b>Cemetery</b>     | <b>Public Art</b> |
|--|--|-----------------------------------|---------------------|-------------------|
| Revenues:  |  |                                   |                     |                   |
| Licenses and Permits   | \$ -   | \$ -                              | \$ -                | \$ -              |
| Intergovernmental  | 5,431,974                                      | 9,878,236                         | -                   | -                 |
| Charges for Services   | -  | 496,014                           | 1,264,524           | -                 |
| Fines and Forfeitures  | -  | -                                 | -                   | -                 |
| Investment Income  | 7,653  | 66,379                            | 363,317             | 22,159            |
| Miscellaneous  | 844,892  | 54,441                            | 200                 | -                 |
| <b>Total Revenues</b>  | <b>6,284,519</b>                               | <b>10,495,070</b>                 | <b>1,628,041</b>    | <b>22,159</b>     |
| Expenditures:  |  |                                   |                     |                   |
| Current:   |  |                                   |                     |                   |
| Public Safety  | -  | -                                 | -                   | -                 |
| Cultural-Recreational  | -  | -                                 | -                   | 11,912            |
| Community Environment  | 7,162,095                                      | 11,257,186                        | 961,272             | -                 |
| Capital Outlay   | 2,440,228                                      | 543                               | 135,007             | 1,466             |
| <b>Total Expenditures</b>                                    | <b>9,602,323</b>                               | <b>11,257,729</b>                 | <b>1,096,279</b>    | <b>13,378</b>     |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (3,317,804)                                    | (762,659)                         | 531,762             | 8,781             |
| Other Financing Sources (Uses):                              |  |                                   |                     |                   |
| Transfers In   | 3,356,000                                      | 538,000                           | -                   | -                 |
| Transfers Out  | (38,883)                                       | (11,421)                          | -                   | -                 |
| <b>Total Other Financing<br/>Sources (Uses)</b>              | <b>3,317,117</b>                               | <b>526,579</b>                    | <b>-</b>            | <b>-</b>          |
| <b>Net Change in Fund Balances</b>                           | <b>(687)</b>                                   | <b>(236,080)</b>                  | <b>531,762</b>      | <b>8,781</b>      |
| Fund Balances - Beginning                                    | 1,569  | 1,518,042                         | 6,389,866           | 364,796           |
| <b>Fund Balances - Ending</b>                                | <b>\$ 882</b>                                  | <b>\$ 1,281,962</b>               | <b>\$ 6,921,628</b> | <b>\$ 373,577</b> |

**EXHIBIT C-4**  
(Continued)

| <u>Development<br/>Impact Fees</u> | <u>Court<br/>Construction<br/>Fee</u> | <u>Mesa Arts<br/>Center<br/>Restoration</u> | <u>Regional<br/>Transportation<br/>Plan</u> | <u>Environmental<br/>Compliance</u> | <u>Total</u>         |
|------------------------------------|---------------------------------------|---|---|-------------------------------------|----------------------|
| \$ 5,839,156                       | \$ -                                  | \$ -  | \$ -  | \$ -                                | \$ 5,839,156         |
| -                                  | -                                     | -   | 314,778                                     | -                                   | 15,624,988           |
| -                                  | -                                     | 219,588                                     | -   | 1,205,134                           | 3,185,260            |
| -                                  | 519,941                               | -   | -   | -                                   | 519,941              |
| 433,359                            | 31,098                                | 14,882                                      | -   | 2,887                               | 941,734              |
| -                                  | -                                     | -   | -   | -                                   | 899,533              |
| <u>6,272,515</u>                   | <u>551,039</u>                        | <u>234,470</u>                              | <u>314,778</u>                              | <u>1,208,021</u>                    | <u>27,010,612</u>    |
| -                                  | -                                     | -   | -   | 772,867                             | 772,867              |
| -                                  | -                                     | -   | -   | -                                   | 11,912               |
| -                                  | -                                     | -   | -   | -                                   | 19,380,553           |
| <u>635,254</u>                     | <u>-</u>                              | <u>-</u>                                    | <u>2,202,122</u>                            | <u>-</u>                            | <u>5,414,620</u>     |
| <u>635,254</u>                     | <u>-</u>                              | <u>-</u>                                    | <u>2,202,122</u>                            | <u>772,867</u>                      | <u>25,579,952</u>    |
| <u>5,637,261</u>                   | <u>551,039</u>                        | <u>234,470</u>                              | <u>(1,887,344)</u>                          | <u>435,154</u>                      | <u>1,430,660</u>     |
| -                                  | -                                     | -   | 1,890,000                                   | -                                   | 5,784,000            |
| <u>(4,653,475)</u>                 | <u>-</u>                              | <u>-</u>                                    | <u>-</u>                                    | <u>-</u>                            | <u>(4,703,779)</u>   |
| <u>(4,653,475)</u>                 | <u>-</u>                              | <u>-</u>                                    | <u>1,890,000</u>                            | <u>-</u>                            | <u>1,080,221</u>     |
| 983,786                            | 551,039                               | 234,470                                     | 2,656                                       | 435,154                             | 2,510,881            |
| <u>7,217,696</u>                   | <u>394,707</u>                        | <u>211,279</u>                              | <u>-</u>                                    | <u>-</u>                            | <u>16,097,955</u>    |
| <u>\$ 8,201,482</u>                | <u>\$ 945,746</u>                     | <u>\$ 445,749</u>                           | <u>\$ 2,656</u>                             | <u>\$ 435,154</u>                   | <u>\$ 18,608,836</u> |

CITY OF MESA, ARIZONA  
**EXHIBIT C-5**  
NON-MAJOR DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2007

|   | <b>General<br/>Obligation<br/>Bond<br/>Redemption</b> | <b>Special<br/>Assessment<br/>Bond<br/>Redemption</b> | <b>Municipal<br/>Development<br/>Corporation<br/>Bond<br/>Redemption</b> |
|---|---|---|--|
| <b>ASSETS</b>                               |   |   |  |
| Restricted Assets:                          |   |   |  |
| Cash and Cash Equivalents                   | \$ 6,013,327  | \$ 210,939  | \$ 30,438  |
| Special Assesments Receivable               | <u>-</u>  | <u>8,654,735</u>                                      | <u>-</u>   |
| Total Assets                                | <u><u>\$ 6,013,327</u></u>                            | <u><u>\$ 8,865,674</u></u>                            | <u><u>\$ 30,438</u></u>  |
| <b>LIABILITIES AND FUND BALANCES</b>        |   |   |  |
| Liabilities Payable From Restricted Assets: |   |   |  |
| Accounts Payable                            | \$ -  | \$ -  | \$ 3,107   |
| Accrued Lease Interest Payable              | -   | -   | -  |
| Accrued Bond Interest Payable               | 5,353,621   | 210,939   | 27,331   |
| Deferred Revenue - Special Assessments      | -   | 8,654,735   | -  |
| Matured General Obligation Bonds Payable    | 659,706   | -   | -  |
| Matured Highway User Revenue Bonds Payable  | -   | -   | -  |
| Matured Capital Leases Payable              | <u>-</u>  | <u>-</u>  | <u>-</u>   |
| Total Liabilities                           | <u>6,013,327</u>                                      | <u>8,865,674</u>                                      | <u>30,438</u>  |
| Fund Balances-Reserved                      |   |   |  |
| For Debt Service                            | <u>-</u>  | <u>-</u>  | <u>-</u>   |
| Total Liabilities and Fund Balances         | <u><u>\$ 6,013,327</u></u>                            | <u><u>\$ 8,865,674</u></u>                            | <u><u>\$ 30,438</u></u>  |

**EXHIBIT C-5**  
(Continued)

| <b>Capital Lease<br/>Redemption</b> | <b>Highway User<br/>Revenue<br/>Bond<br/>Redemption</b> | <b>Total</b>         |
|-------------------------------------|---|----------------------|
| \$ 1,734,654                        | \$ 3,424,084  | \$ 11,413,442        |
| -                                   | -   | 8,654,735            |
| <b>\$ 1,734,654</b>                 | <b>\$ 3,424,084</b>                                     | <b>\$ 20,068,177</b> |
|                                     |   |                      |
| \$ -                                | \$ -  | \$ 3,107             |
| 121,421                             | -   | 121,421              |
| -                                   | 3,259,084   | 8,850,975            |
| -                                   | -   | 8,654,735            |
| -                                   | -   | 659,706              |
| -                                   | 165,000   | 165,000              |
| 1,613,233                           | -   | 1,613,233            |
|                                     |   |                      |
| 1,734,654                           | 3,424,084   | 20,068,177           |
|                                     |   |                      |
| -                                   | -   | -                    |
| <b>\$ 1,734,654</b>                 | <b>\$ 3,424,084</b>                                     | <b>\$ 20,068,177</b> |

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, 2007

|  | <b>General<br/>Obligation<br/>Bond<br/>Redemption</b> | <b>Special<br/>Assessment<br/>Bond<br/>Redemption</b> | <b>Municipal<br/>Development<br/>Corporation<br/>Bond<br/>Redemption</b> |
|--|---|---|--|
| Revenues:  |   |   |  |
| Special Assessments  | \$ -  | \$ 416,906  | \$ -   |
| Investment Income  | -   | 411,094   | -  |
| Miscellaneous  | -   | 22,926  | -  |
|  | <hr/>   | <hr/>   | <hr/>  |
| Total Revenues   | -   | 850,926   | -  |
|  | <hr/>   | <hr/>   | <hr/>  |
| Expenditures:  |   |   |  |
| Debt Service:  |   |   |  |
| Principal Retirement   | 659,706   | 343,000   | -  |
| Interest on Bonds  | 10,126,072  | 357,384   | 352,100  |
| Interest on Leases   | -   | -   | -  |
| Service Charges  | 1,112   | -   | 53,442   |
|  | <hr/>   | <hr/>   | <hr/>  |
| Total Expenditures   | 10,786,890  | 700,384   | 405,542  |
|  | <hr/>   | <hr/>   | <hr/>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(10,786,890)</u>                                   | <u>150,542</u>  | <u>(405,542)</u>   |
| Other Financing Sources (Uses):                              |   |   |  |
| Transfer In  | 10,786,890  | -   | 405,542  |
| Transfer Out   | -   | (150,542)   | -  |
|  | <hr/>   | <hr/>   | <hr/>  |
| Total Other Financing Sources (Uses)                         | 10,786,890  | (150,542)   | 405,542  |
|  | <hr/>   | <hr/>   | <hr/>  |
| Net Change In Fund Balances                                  | -   | -   | -  |
| Fund Balances - Beginning                                    | -   | -   | -  |
|  | <hr/>   | <hr/>   | <hr/>  |
| Fund Balances - Ending                                       | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>  |

**EXHIBIT C-6**

(Continued)

| <u>Capital Lease<br/>Redemption</u> | <u>Highway User<br/>Revenue<br/>Bond<br/>Redemption</u> | <u>Total</u>        |
|-------------------------------------|---|---------------------|
| \$ -                                | \$ -  | \$ 416,906          |
| -                                   | -   | 411,094             |
| -                                   | -   | 22,926              |
| -                                   | -   | 850,926             |
| 7,189,871                           | 165,000   | 8,357,577           |
| -                                   | 6,401,428   | 17,236,984          |
| 913,726                             | -   | 913,726             |
| 1,855                               | 359   | 56,768              |
| <u>8,105,452</u>                    | <u>6,566,787</u>  | <u>26,565,055</u>   |
| <u>(8,105,452)</u>                  | <u>(6,566,787)</u>                                      | <u>(25,714,129)</u> |
| 8,105,452                           | 6,566,787   | 25,864,671          |
| -                                   | -   | (150,542)           |
| <u>8,105,452</u>                    | <u>6,566,787</u>  | <u>25,714,129</u>   |
| -                                   | -   | -                   |
| -                                   | -   | -                   |
| <u>\$ -</u>                         | <u>\$ -</u>   | <u>\$ -</u>         |

CITY OF MESA, ARIZONA  
**EXHIBIT C-7**  
NON-MAJOR CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2007

|                                      | <u>Fire</u>       | <u>Storm<br/>Sewer</u> | <u>Streets</u>      | <u>Parks</u>     |
|--------------------------------------|-------------------|------------------------|---------------------|------------------|
| <b>ASSETS</b>                        |                   |                        |                     |                  |
| Cash and Cash Equivalents            | \$ 736,188        | \$ 3,947,291           | \$ 3,557,306        | \$ 21,210        |
| Total Assets                         | <u>\$ 736,188</u> | <u>\$ 3,947,291</u>    | <u>\$ 3,557,306</u> | <u>\$ 21,210</u> |
| <b>LIABILITIES AND FUND BALANCES</b> |                   |                        |                     |                  |
| Liabilities:                         |                   |                        |                     |                  |
| Accounts Payable                     | \$ 13,511         | \$ 2,599               | \$ 65,848           | \$ -             |
| Total Liabilities                    | <u>13,511</u>     | <u>2,599</u>           | <u>65,848</u>       | <u>-</u>         |
| Fund Balances:                       |                   |                        |                     |                  |
| Reserved For Encumbrances            | 87,045            | -                      | 1,748               | -                |
| Unreserved                           | <u>635,632</u>    | <u>3,944,692</u>       | <u>3,489,710</u>    | <u>21,210</u>    |
| Total Fund Balances                  | <u>722,677</u>    | <u>3,944,692</u>       | <u>3,491,458</u>    | <u>21,210</u>    |
| Total Liabilities and Fund Balances  | <u>\$ 736,188</u> | <u>\$ 3,947,291</u>    | <u>\$ 3,557,306</u> | <u>\$ 21,210</u> |

**EXHIBIT C-7**  
(Continued)

| <u>Law<br/>Enforcement</u> | <u>Library</u>      | <u>Service<br/>Center</u> | <u>Special<br/>Assessment</u> | <u>Capital<br/>Leases</u> | <u>Total</u>         |
|----------------------------|---------------------|---------------------------|-------------------------------|---------------------------|----------------------|
| \$ 11,435,905              | \$ 1,522,036        | \$ 33,745                 | \$ -                          | \$ 1,399,497              | \$ 22,653,178        |
| <u>\$ 11,435,905</u>       | <u>\$ 1,522,036</u> | <u>\$ 33,745</u>          | <u>\$ -</u>                   | <u>\$ 1,399,497</u>       | <u>\$ 22,653,178</u> |
| \$ 933,747                 | \$ 309              | \$ -                      | \$ -                          | \$ 44,934                 | \$ 1,060,948         |
| <u>933,747</u>             | <u>309</u>          | <u>-</u>                  | <u>-</u>                      | <u>44,934</u>             | <u>1,060,948</u>     |
| 3,360,407                  | 575,240             | -                         | -                             | -                         | 4,024,440            |
| <u>7,141,751</u>           | <u>946,487</u>      | <u>33,745</u>             | <u>-</u>                      | <u>1,354,563</u>          | <u>17,567,790</u>    |
| <u>10,502,158</u>          | <u>1,521,727</u>    | <u>33,745</u>             | <u>-</u>                      | <u>1,354,563</u>          | <u>21,592,230</u>    |
| <u>\$ 11,435,905</u>       | <u>\$ 1,522,036</u> | <u>\$ 33,745</u>          | <u>\$ -</u>                   | <u>\$ 1,399,497</u>       | <u>\$ 22,653,178</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, 2007

|  | <u>Fire</u>        | <u>Storm<br/>Sewer</u> | <u>Streets</u>      | <u>Parks</u>     |
|--|--------------------|------------------------|---------------------|------------------|
| Revenues:                                      |                    |                        |                     |                  |
| Investment Income                              | 5,068              | 4,369                  | 9,700               | 21,323           |
| Miscellaneous                                  | -                  | -                      | 231,137             | -                |
| Total Revenues                                 | <u>5,068</u>       | <u>4,369</u>           | <u>240,837</u>      | <u>21,323</u>    |
| Expenditures:                                  |                    |                        |                     |                  |
| Capital Outlay                                 | <u>1,256,353</u>   | <u>1,561,700</u>       | <u>17,542,618</u>   | <u>43,646</u>    |
| Total Expenditures                             | <u>1,256,353</u>   | <u>1,561,700</u>       | <u>17,542,618</u>   | <u>43,646</u>    |
| Deficiency of Revenues<br>Under Expenditures   | <u>(1,251,285)</u> | <u>(1,557,331)</u>     | <u>(17,301,781)</u> | <u>(22,323)</u>  |
| Other Financing Sources (Uses):                |                    |                        |                     |                  |
| Transfers Out                                  | -                  | -                      | -                   | -                |
| Face Amount of Bonds Issued                    | -                  | 5,090,000              | 10,675,000          | -                |
| Premium on Issuance of Bonds                   | -                  | 65,301                 | 227,907             | -                |
| Proceeds From Obligations of<br>Capital Leases | <u>-</u>           | <u>-</u>               | <u>-</u>            | <u>-</u>         |
| Total Other Financing Sources Uses             | <u>-</u>           | <u>5,155,301</u>       | <u>10,902,907</u>   | <u>-</u>         |
| Net Change in Fund Balances                    | (1,251,285)        | 3,597,970              | (6,398,874)         | (22,323)         |
| Fund Balances - Beginning                      | <u>1,973,962</u>   | <u>346,722</u>         | <u>9,890,332</u>    | <u>43,533</u>    |
| Fund Balances - Ending                         | <u>\$ 722,677</u>  | <u>\$ 3,944,692</u>    | <u>\$ 3,491,458</u> | <u>\$ 21,210</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>         |
|------------------------|---------------------|-----------------------|---------------------------|-----------------------|----------------------|
| -                      | -                   | 4,020                 | -                         | -                     | 44,480               |
| -                      | -                   | -                     | -                         | -                     | 231,137              |
| -                      | -                   | 4,020                 | -                         | -                     | 275,617              |
| 3,887,615              | 117,425             | 58,526                | 4,232,994                 | 8,698,156             | 37,399,033           |
| 3,887,615              | 117,425             | 58,526                | 4,232,994                 | 8,698,156             | 37,399,033           |
| (3,887,615)            | (117,425)           | (54,506)              | (4,232,994)               | (8,698,156)           | (37,123,416)         |
| -                      | -                   | -                     | -                         | (1,326,113)           | (1,326,113)          |
| 10,825,000             | -                   | -                     | 4,091,840                 | -                     | 30,681,840           |
| 138,892                | -                   | -                     | 141,154                   | -                     | 573,254              |
| -                      | -                   | -                     | -                         | 6,911,382             | 6,911,382            |
| 10,963,892             | -                   | -                     | 4,232,994                 | 5,585,269             | 36,840,363           |
| 7,076,277              | (117,425)           | (54,506)              | -                         | (3,112,887)           | (283,053)            |
| 3,425,881              | 1,639,152           | 88,251                | -                         | 4,467,450             | 21,875,283           |
| <u>\$ 10,502,158</u>   | <u>\$ 1,521,727</u> | <u>\$ 33,745</u>      | <u>\$ -</u>               | <u>\$ 1,354,563</u>   | <u>\$ 21,592,230</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, 2007

|   | <u>Warehouse,<br/>Maintenance<br/>and Services</u> | <u>Property and<br/>Public<br/>Liability Self<br/>Insurance</u> |
|---|--|---|
| <b>ASSETS</b>                                   |  |   |
| Current Assets:                                 |  |   |
| Cash and Cash Equivalents                       | \$ 526,412   | \$ 12,141,634   |
| Investments                                     | -  | -   |
| Accounts Receivable                             | -  | -   |
| Accrued Premiums Receivable                     | -  | -   |
| Accrued Interest Receivable                     | -  | 81,201  |
| Due From Other Governments                      | 33,959   | -   |
| Inventory                                       | 4,397,945  | -   |
| Prepaid Costs                                   | 2,537  | 521,774   |
| Total Current Assets                            | <u>4,960,853</u>                                   | <u>12,744,609</u>   |
| Capital Assets:                                 |  |   |
| Buildings                                       | 2,014,156  | -   |
| Other Improvements                              | 4,940,078  | -   |
| Machinery and Equipment                         | 1,845,919  | -   |
| Construction in Progress                        | 90,395   | -   |
|   | <u>8,890,548</u>                                   | -   |
| Less Accumulated Depreciation                   | <u>(4,047,830)</u>                                 | -   |
| Net Capital Assets                              | <u>4,842,718</u>                                   | -   |
| Total Assets                                    | <u>9,803,571</u>                                   | <u>12,744,609</u>   |
| <b>LIABILITIES AND FUND EQUITY</b>              |  |   |
| Current Liabilities:                            |  |   |
| Accounts Payable                                | 562,168  | -   |
| Other Accrued Expenses:                         |  |   |
| Estimated Liability For Claims:                 |  |   |
| Incurred-Not Reported                           | -  | 2,700,000   |
| Incurred and Pending                            | -  | 3,700,000   |
| Current Portion of Capital Leases               | 6,539  | -   |
| Current Portion of Compensated Absences         | 100,692  | -   |
| Total Current Liabilities                       | <u>669,399</u>                                     | <u>6,400,000</u>  |
| Long-Term Liabilities                           |  |   |
| Capital Leases                                  | 6,727  | -   |
| Compensated Absences                            | 865,105  | -   |
| Total Long-Term Liabilities                     | <u>871,832</u>                                     | -   |
| Total Liabilities                               | <u>1,541,231</u>                                   | <u>6,400,000</u>  |
| Net Assets:                                     |  |   |
| Invested in Capital Assets, Net of Related Debt | 4,829,452  | -   |
| Unrestricted                                    | 3,432,888  | 6,344,609   |
| Total Net Assets                                | <u>\$ 8,262,340</u>                                | <u>\$ 6,344,609</u>   |

**EXHIBIT C-9**  
(Continued)

| <u>Workers'</u><br><u>Compensation</u><br><u>Self Insurance</u> | <u>Employee</u><br><u>Benefits Self</u><br><u>Insurance</u> | <u>Total</u>         |
|---|---|----------------------|
| \$ 8,000,132  | \$ 12,649,511   | \$ 33,317,689        |
| -   | 4,996,900   | 4,996,900            |
| 132,162   | 61  | 132,223              |
| -   | 401,612   | 401,612              |
| 51,739  | 78,692  | 211,632              |
| -   | -   | 33,959               |
| -   | -   | 4,397,945            |
| -   | 57  | 524,368              |
| <u>8,184,033</u>  | <u>18,126,833</u>   | <u>44,016,328</u>    |
| -   | -   | 2,014,156            |
| -   | -   | 4,940,078            |
| -   | -   | 1,845,919            |
| -   | -   | 90,395               |
| -   | -   | 8,890,548            |
| -   | -   | (4,047,830)          |
| -   | -   | 4,842,718            |
| <u>8,184,033</u>  | <u>18,126,833</u>   | <u>48,859,046</u>    |
| 168,022   | 416,473   | 1,146,663            |
| 8,621   | 2,623,082   | 5,331,703            |
| 5,505,662   | -   | 9,205,662            |
| -   | -   | 6,539                |
| -   | -   | 100,692              |
| <u>5,682,305</u>  | <u>3,039,555</u>  | <u>15,791,259</u>    |
| -   | -   | 6,727                |
| -   | -   | 865,105              |
| -   | -   | 871,832              |
| <u>5,682,305</u>  | <u>3,039,555</u>  | <u>16,663,091</u>    |
| -   | -   | 4,829,452            |
| 2,501,728   | 15,087,278  | 27,366,503           |
| <u>\$ 2,501,728</u>   | <u>\$ 15,087,278</u>  | <u>\$ 32,195,955</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, 2007

|  | <b>Warehouse,<br/>Maintenance<br/>and Services</b> | <b>Property and<br/>Public<br/>Liability Self<br/>Insurance</b> | <b>Workers'<br/>Compensation<br/>Self Insurance</b> |
|--|--|---|---|
| Operating Revenues:  |  |   |   |
| Charges For Services:  |  |   |   |
| Material and Supply  | \$ 1,007,545                                       | \$ -  | \$ -  |
| Printing and Graphics  | 1,037,389  | -   | -   |
| Fleet Support Services                                       | 16,968,586   | -   | -   |
| Self-Insurance Contributions:                                |  |   |   |
| Employee   | -  | -   | -   |
| City   | -  | 4,301,000   | 4,686,172   |
| State Retirement System                                      | -  | -   | -   |
| Other  | -  | -   | -   |
| Total Operating Revenues                                     | <u>19,013,520</u>                                  | <u>4,301,000</u>  | <u>4,686,172</u>                                    |
| Operating Expenses:  |  |   |   |
| Material and Supply  | 1,009,544  | -   | -   |
| Printing and Graphics  | 1,038,097  | -   | -   |
| Fleet Support Services                                       | 16,980,728   | -   | -   |
| Administrative Costs   | -  | 758,050   | 695,473   |
| Claims Incurred  | -  | 833,998   | 2,932,664   |
| Premiums to Insurance Carriers                               | -  | 1,309,633   | 499,739   |
| Total Operating Expenses                                     | <u>19,028,369</u>                                  | <u>2,901,681</u>  | <u>4,127,876</u>                                    |
| Operating Income (Loss) Before Depreciation                  | (14,849)   | 1,399,319   | 558,296   |
| Depreciation   | <u>(429,758)</u>                                   | <u>-</u>  | <u>-</u>  |
| Operating Income (Loss)                                      | <u>(444,607)</u>                                   | <u>1,399,319</u>  | <u>558,296</u>                                      |
| Nonoperating Revenues (Expenses):                            |  |   |   |
| Investment Income  | -  | 659,640   | 387,693   |
| Miscellaneous  | 715  | -   | -   |
| Interest Expense   | (525)  | -   | -   |
| Gain on Disposal of Capital Assets                           | <u>20</u>  | <u>-</u>  | <u>-</u>  |
| Total Nonoperating Revenues (Expenses)                       | <u>210</u>   | <u>659,640</u>  | <u>387,693</u>                                      |
| Net Income (Loss) Before Transfers and Capital Contributions | (444,397)  | 2,058,959   | 945,989   |
| Capital Contributions  | 1,384,600  | -   | -   |
| Transfers In   | <u>507,000</u>                                     | <u>-</u>  | <u>-</u>  |
| Change in Net Assets   | 1,447,203  | 2,058,959   | 945,989   |
| Total Net Assets - Beginning                                 | <u>6,815,137</u>                                   | <u>4,285,650</u>  | <u>1,555,739</u>                                    |
| Total Net Assets - Ending                                    | <u>\$ 8,262,340</u>                                | <u>\$ 6,344,609</u>   | <u>\$ 2,501,728</u>                                 |

**EXHIBIT C-10**  
(Continued)

| <b>Employee<br/>Benefits<br/>Self<br/>Insurance</b> | <b>Total</b>         |
|---|----------------------|
| \$ -  | \$ 1,007,545         |
| -   | 1,037,389            |
| -   | 16,968,586           |
| 11,468,375  | 11,468,375           |
| 30,302,810  | 39,289,982           |
| 2,569,332   | 2,569,332            |
| 36,145  | 36,145               |
| <u>44,376,662</u>                                   | <u>72,377,354</u>    |
| -   | 1,009,544            |
| -   | 1,038,097            |
| -   | 16,980,728           |
| 4,202,624   | 5,656,147            |
| 35,555,655  | 39,322,317           |
| 428,390   | 2,237,762            |
| <u>40,186,669</u>                                   | <u>66,244,595</u>    |
| 4,189,993   | 6,132,759            |
| -   | (429,758)            |
| <u>4,189,993</u>                                    | <u>5,703,001</u>     |
| 747,527   | 1,794,860            |
| -   | 715                  |
| -   | (525)                |
| -   | 20                   |
| <u>747,527</u>                                      | <u>1,795,070</u>     |
| 4,937,520   | 7,498,071            |
| -   | 1,384,600            |
| -   | 507,000              |
| <u>4,937,520</u>                                    | <u>9,389,671</u>     |
| <u>10,149,758</u>                                   | <u>22,806,284</u>    |
| <u>\$ 15,087,278</u>                                | <u>\$ 32,195,955</u> |

CITY OF MESA, ARIZONA  
**EXHIBIT C-11**  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

|  | <b>Warehouse,<br/>Maintenance<br/>and Services</b> |
|--|--|
| Cash Flows From Operating Activities:  |  |
| Cash Received From Users   | \$ 19,012,751                                      |
| Cash Payments To Suppliers   | (13,550,516)                                       |
| Cash Payments To Employees   | <u>(5,315,095)</u>                                 |
| Net Cash Provided By Operating Activities  | <u>147,140</u>                                     |
| Cash Flows From Noncapital Financing Activities:   |  |
| Operating Transfers-In From Other Funds  | <u>507,000</u>                                     |
| Net Cash Provided By Noncapital Financing Activities   | <u>507,000</u>                                     |
| Cash Flows From Capital and Related Financing Activities:  |  |
| Acquisition and Construction of Capital Assets   | (121,665)  |
| Proceeds from Sale of Capital Assets   | 715  |
| Principal Paid on Lease Maturities   | (6,352)  |
| Interest Paid on Leases  | <u>(525)</u>                                       |
| Net Cash Used For Capital and Related Financing Activities   | <u>(127,827)</u>                                   |
| Cash Flows From Investing Activities:  |  |
| Purchase of Investment Securities  | -  |
| Proceeds from Sale and Maturities of Investment Securities   | -  |
| Interest Received on Investments   | <u>-</u>   |
| Net Cash Provided By Investing Activities  | <u>-</u>   |
| Net Increase in Cash and Cash Equivalents  | 526,313  |
| Cash and Cash Equivalents at Beginning of Year   | <u>99</u>  |
| Cash and Cash Equivalents at End of Year   | <u>\$ 526,412</u>                                  |
| Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:                |  |
| Operating Income (Loss)  | \$ <u>(444,607)</u>                                |
| Adjustments to Reconcile Operating Income (Loss) to<br>Net Cash Used Provided By Operating Activities: |  |
| Depreciation   | 429,758  |
| Changes in Assets and Liabilities:   |  |
| Increase in Receivables  | (769)  |
| Increase in Inventory  | (383,472)  |
| Increase Decrease in Prepaid Costs   | 24,238   |
| Increase in Accounts Payable   | 943,692  |
| Increase (Decrease) in Other Accrued Expenses  | -  |
| Decrease in Due to Other Funds   | <u>(421,700)</u>                                   |
| Total Adjustments  | <u>591,747</u>                                     |
| Net Cash Provided By Operating Activities  | <u>\$ 147,140</u>                                  |
| Noncash Transactions Affecting Financial Position:   |  |
| Transfer of Capital Assets from Governmental Funds   | \$ 1,118,582                                       |
| Transfer of Capital Assets from Enterprise Funds   | 266,019  |
| Gain on Disposal of Capital Assets   | 20   |
| Increase in Fair Value of Investments  | -  |

EXHIBIT C-11

(Continued)

| Property and<br>Public Liability<br>Self Insurance | Workers'<br>Compensation<br>Self Insurance | Employee<br>Benefits<br>Self<br>Insurance | Total                |
|--|--|---|----------------------|
| \$ 4,301,000                                       | \$ 4,618,540                               | \$ 43,984,650                             | \$ 71,916,941        |
| (2,880,385)  | (3,113,894)                                | (39,684,366)                              | (59,229,161)         |
| (740,795)  | (259,488)                                  | (1,456,766)                               | (7,772,144)          |
| <u>679,820</u>                                     | <u>1,245,158</u>                           | <u>2,843,518</u>                          | <u>4,915,636</u>     |
| -  | -  | -   | 507,000              |
| -  | -  | -   | 507,000              |
| -  | -  | -   | (121,665)            |
| -  | -  | -   | 715                  |
| -  | -  | -   | (6,352)              |
| -  | -  | -   | (525)                |
| -  | -  | -   | (127,827)            |
| -  | -  | (5,000,000)                               | (5,000,000)          |
| 5,000,000  | -  | 5,000,000                                 | 10,000,000           |
| <u>668,651</u>                                     | <u>372,401</u>                             | <u>661,966</u>                            | <u>1,703,018</u>     |
| <u>5,668,651</u>                                   | <u>372,401</u>                             | <u>661,966</u>                            | <u>6,703,018</u>     |
| 6,348,471  | 1,617,559                                  | 3,505,484                                 | 11,997,827           |
| <u>5,793,163</u>                                   | <u>6,382,573</u>                           | <u>9,144,027</u>                          | <u>21,319,862</u>    |
| <u>\$ 12,141,634</u>                               | <u>\$ 8,000,132</u>                        | <u>\$ 12,649,511</u>                      | <u>\$ 33,317,689</u> |
| <br>   |  |   |                      |
| \$ <u>1,399,319</u>                                | \$ <u>558,296</u>                          | \$ <u>4,189,993</u>                       | \$ <u>5,703,001</u>  |
| -  | -  | -   | 429,758              |
| -  | (67,632)                                   | (392,012)                                 | (460,413)            |
| -  | -  | -   | (383,472)            |
| (19,499)   | -  | 166                                       | 4,905                |
| -  | 168,022                                    | 24,450                                    | 1,136,164            |
| (700,000)  | 586,472                                    | (979,079)                                 | (1,092,607)          |
| -  | -  | -   | (421,700)            |
| <u>(719,499)</u>                                   | <u>686,862</u>                             | <u>(1,346,475)</u>                        | <u>(787,365)</u>     |
| <u>\$ 679,820</u>                                  | <u>\$ 1,245,158</u>                        | <u>\$ 2,843,518</u>                       | <u>\$ 4,915,636</u>  |
| <br>   |  |   |                      |
| \$ -   | \$ -                                       | \$ -                                      | \$ 1,118,582         |
| -  | -  | -   | 266,019              |
| -  | -  | -   | 20                   |
| 14,147   | -  | 70,350                                    | 84,497               |

## **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, 2007

|                            | <u>Balance</u><br><u>July 1, 2006</u> | <u>Additions</u>      | <u>Deductions</u>     | <u>Balance</u><br><u>June 30, 2007</u> |
|----------------------------|---------------------------------------|-----------------------|-----------------------|--|
| <b>PAYROLL AGENCY FUND</b> |                                       |                       |                       |  |
| Assets:                    |                                       |                       |                       |  |
| Cash and Cash Equivalents  | \$ 13,300,927                         | \$ 548,157,922        | \$ 553,804,256        | \$ 7,654,593                           |
| Due From Other Funds       | <u>-</u>                              | <u>13,274,695</u>     | <u>13,274,695</u>     | <u>-</u>                               |
| Total Assets               | <u>\$ 13,300,927</u>                  | <u>\$ 561,432,617</u> | <u>\$ 567,078,951</u> | <u>\$ 7,654,593</u>                    |
| Liabilities:               |                                       |                       |                       |  |
| Accrued Payroll Payable    | <u>\$ 13,300,927</u>                  | <u>\$ 324,870,175</u> | <u>\$ 330,516,509</u> | <u>\$ 7,654,593</u>                    |
| Total Liabilities          | <u>\$ 13,300,927</u>                  | <u>\$ 324,870,175</u> | <u>\$ 330,516,509</u> | <u>\$ 7,654,593</u>                    |

2007



## Supplemental Information

## CITY OF MESA, ARIZONA

**EXHIBIT D-1**

## GENERAL FUND

SCHEDULE OF EXPENDITURES BY PROGRAM - BUDGET AND ACTUAL (BUDGET BASIS)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

|                                   | <u>Original<br/>Budget</u> | <u>Final Budget</u>   | <u>Actual<br/>Amounts -<br/>Budget Basis</u> | <u>Variance With<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|-----------------------------------|----------------------------|-----------------------|--|---|
| General Government:               |                            |                       |  |   |
| Legislative                       | \$ 1,619,000               | \$ 1,619,000          | \$ 1,284,027                                 | \$ 334,973  |
| Executive                         | 527,000                    | 527,000               | 522,003                                      | 4,997   |
| Williams Gateway                  | 3,772,000                  | 3,772,000             | 3,488,830                                    | 283,170   |
| Town Center Development           | 2,263,946                  | 2,511,181             | 2,511,181                                    | -   |
| Judicial                          | 11,156,000                 | 11,156,000            | 8,674,476                                    | 2,481,524   |
| Legal                             | 4,993,000                  | 4,993,000             | 4,966,272                                    | 26,728  |
| Building Maintenance              | 1,184,000                  | 1,292,590             | 1,292,590                                    | -   |
| City Clerk                        | 932,000                    | 932,000               | 887,429                                      | 44,571  |
| Economic Development              | 3,718,000                  | 3,718,000             | 2,715,388                                    | 1,002,612   |
| Engineering                       | 4,689,000                  | 4,689,000             | 4,294,667                                    | 394,333   |
| Financial Services                | 6,778,000                  | 6,778,000             | 5,229,073                                    | 1,548,927   |
| E-Streets & Cable TV Licensing    | 1,904,000                  | 1,904,000             | 1,222,961                                    | 681,039   |
| General Services                  | 4,907,615                  | 4,907,615             | 4,790,314                                    | 117,301   |
| Planning                          | 4,717,000                  | 4,929,250             | 4,372,337                                    | 556,913   |
| Capital Improvement               | 1,201,000                  | 1,361,364             | 1,361,364                                    | -   |
| <b>Total General Government</b>   | <b>54,361,561</b>          | <b>55,090,000</b>     | <b>47,612,912</b>                            | <b>7,477,088</b>  |
| Less: Capital Outlay Expenditures | 4,769,010                  | 5,241,471             | 5,106,670                                    | 134,801   |
| Debt Service Expenditures         | 358,579                    | 358,579               | 354,165                                      | 4,414   |
| <b>Total Current Expenditures</b> | <b>49,233,972</b>          | <b>49,489,950</b>     | <b>42,152,077</b>                            | <b>7,337,873</b>  |
| Public Safety:                    |                            |                       |  |   |
| Law Enforcement                   | 158,248,000                | 158,263,965           | 148,906,491                                  | 9,357,474   |
| Fire Prevention                   | 66,513,000                 | 66,703,626            | 59,673,454                                   | 7,030,172   |
| Building Safety                   | 10,752,000                 | 10,752,000            | 10,044,484                                   | 707,516   |
| Code Compliance                   | 2,022,000                  | 2,022,000             | 1,664,419                                    | 357,581   |
| Environmental Management          | 2,341,000                  | 2,369,000             | 981,633                                      | 1,387,367   |
| <b>Total Public Safety</b>        | <b>239,876,000</b>         | <b>240,110,591</b>    | <b>221,270,481</b>                           | <b>18,840,110</b>   |
| Less: Capital Outlay Expenditures | 16,867,796                 | 16,928,282            | 7,267,278                                    | 9,661,004   |
| Debt Service Expenditures         | 2,564,049                  | 2,564,049             | 2,540,638                                    | 23,411  |
| <b>Total Current Expenditures</b> | <b>\$ 220,444,155</b>      | <b>\$ 220,618,260</b> | <b>\$ 211,462,565</b>                        | <b>\$ 9,155,695</b>   |

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, 2007

|                                    | <u>Original<br/>Budget</u>   | <u>Final Budget</u>          | <u>Actual<br/>Amounts -<br/>Budget Basis</u> | <u>Variance With<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|------------------------------------|------------------------------|------------------------------|--|---|
| Cultural-Recreational:             |                              |                              |  |   |
| Parks and Recreation               | \$ 18,934,000                | \$ 18,907,979                | \$ 17,051,133                                | \$ 1,856,846  |
| Cultural                           | 11,953,454                   | 11,953,454                   | 10,358,375                                   | 1,595,079   |
| Aquatics                           | 7,670,000                    | 7,670,000                    | 7,302,978                                    | 367,022   |
| Library                            | 12,677,594                   | 12,677,594                   | 11,211,009                                   | 1,466,585   |
| Community Aid                      | 3,551,000                    | 3,551,000                    | 3,443,679                                    | 107,321   |
| Hohokam Stadium/Fitch Complex      | 6,202,000                    | 7,465,145                    | 7,465,145                                    | -   |
| Museum                             | 2,196,000                    | 2,196,000                    | 1,876,739                                    | 319,261   |
| Museum for Youth                   | 1,395,000                    | 1,432,754                    | 1,432,754                                    | -   |
| Neighborhood & Human Services      | 2,764,000                    | 2,773,151                    | 2,321,214                                    | 451,937   |
| Total Cultural-Recreational        | <u>67,343,048</u>            | <u>68,627,077</u>            | <u>62,463,026</u>                            | <u>6,164,051</u>  |
| Less: Capital Outlay Expenditures  | 5,727,733                    | 5,727,733                    | 5,372,972                                    | 354,761   |
| Debt Service Expenditures          | 1,302,831                    | 1,302,831                    | 1,796,163                                    | (493,332)   |
| Total Current Expenditures         | <u>60,312,484</u>            | <u>61,596,513</u>            | <u>55,293,891</u>                            | <u>6,302,622</u>  |
| Community Environment:             |                              |                              |  |   |
| Community Development              | 5,596,000                    | 5,596,000                    | 5,393,336                                    | 202,664   |
| Streets                            | 23,475,564                   | 23,529,684                   | 5,266,152                                    | 18,263,532  |
| Storm Sewer                        | 2,791,926                    | 2,765,271                    | 2,299,921                                    | 465,350   |
| Mass Transit                       | 23,207,354                   | 23,207,354                   | 17,140,774                                   | 6,066,580   |
| Miscellaneous Services             | 581,000                      | 1,718,795                    | 1,718,795                                    | -   |
| Total Community Environment        | <u>55,651,844</u>            | <u>56,817,104</u>            | <u>31,818,978</u>                            | <u>24,998,126</u>   |
| Less: Capital Outlay Expenditures  | 37,518,265                   | 37,518,265                   | 19,161,509                                   | 18,356,756  |
| Debt Service Expenditures          | 1,784,241                    | 1,784,241                    | 1,442,449                                    | 341,792   |
| Total Current Expenditures         | <u>16,349,338</u>            | <u>17,514,598</u>            | <u>11,215,020</u>                            | <u>6,299,578</u>  |
| Contingencies                      | <u>39,239,000</u>            | <u>34,650,226</u>            | -  | <u>34,650,226</u>   |
| Total General Fund<br>Expenditures | <u><u>\$ 456,471,453</u></u> | <u><u>\$ 455,294,998</u></u> | <u><u>\$ 363,165,397</u></u>                 | <u><u>\$ 92,129,601</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, 2007

|  | <u>Original<br/>Budget</u> | <u>Final Budget</u>  | <u>Actual<br/>Amounts -<br/>Budget Basis</u> | <u>Variance With<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|----------------------|--|---|
| General Government:                          |                            |                      |  |   |
| Capital:                                     |                            |                      |  |   |
| Town Center Development                      | \$ 23,054                  | \$ 23,054            | \$ 4   | \$ 23,050   |
| Community Environment:                       |                            |                      |  |   |
| Streets                                      | 42,735,070                 | 44,124,330           | 43,062,891                                   | 1,061,439   |
| Storm Sewer                                  | 699,690                    | 809,127              | 809,127                                      | -   |
| Total Community Environment                  | <u>43,434,760</u>          | <u>44,933,457</u>    | <u>43,872,018</u>                            | <u>1,061,439</u>  |
| Less: Capital Outlay Expenditures            | 3,374,434                  | 3,374,434            | 2,475,809                                    | 898,625   |
| Debt Service Expenditures                    | <u>6,729,601</u>           | <u>6,729,601</u>     | <u>6,566,787</u>                             | <u>162,814</u>  |
| Total Current Expenditures                   | <u>33,330,725</u>          | <u>34,829,422</u>    | <u>34,829,422</u>                            | <u>-</u>  |
| Contingencies                                | <u>5,279,000</u>           | <u>3,780,303</u>     | <u>-</u>                                     | <u>3,780,303</u>  |
| Total Highway User Revenue Fund Expenditures | <u>\$ 48,736,814</u>       | <u>\$ 48,736,814</u> | <u>\$ 43,872,022</u>                         | <u>\$ 4,864,792</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, 2007

|  | <u>Original<br/>Budget</u> | <u>Final Budget</u> | <u>Actual<br/>Amounts -<br/>Budgetary<br/>Basis</u> | <u>Variance With<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|---------------------|---|---|
| <b>LOCAL TRANSPORTATION ASSISTANCE FUND</b>  |                            |                     |   |   |
| Revenues:                                    |                            |                     |   |   |
| Intergovernmental                            | \$ 5,984,000               | \$ 5,984,000        | \$ 5,431,974  | \$ (552,026)  |
| Investment Income                            | -                          | -                   | 7,653   | 7,653   |
| Miscellaneous                                | 670,000                    | 670,000             | 844,892   | 174,892   |
| Total Revenues                               | <u>6,654,000</u>           | <u>6,654,000</u>    | <u>6,284,519</u>                                    | <u>(369,481)</u>  |
| Expenditures:                                |                            |                     |   |   |
| Current:                                     |                            |                     |   |   |
| Community Environment                        | 7,051,080                  | 7,200,978           | 7,200,978   | -   |
| Capital Outlay                               | 3,191,566                  | 3,191,566           | 2,440,228   | 751,338   |
| Contingencies                                | 150,000                    | 102                 | -   | 102   |
| Total Expenditures                           | <u>10,392,646</u>          | <u>10,392,646</u>   | <u>9,641,206</u>                                    | <u>751,440</u>  |
| Deficiency of Revenues<br>Under Expenditures | (3,738,646)                | (3,738,646)         | (3,356,687)   | 381,959   |
| Other Financing Sources:                     |                            |                     |   |   |
| Transfers In                                 | <u>3,739,000</u>           | <u>3,739,000</u>    | <u>3,356,000</u>                                    | <u>(383,000)</u>  |
| Net Change in Fund Balance                   | 354                        | 354                 | (687)   | (1,041)   |
| Fund Balance - Beginning                     | <u>581</u>                 | <u>581</u>          | <u>1,569</u>  | <u>988</u>  |
| Fund Balance - Ending                        | <u>\$ 935</u>              | <u>\$ 935</u>       | <u>\$ 882</u>                                       | <u>\$ (53)</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, 2007

|  | <u>Original<br/>Budget</u> | <u>Final Budget</u> | <u>Actual<br/>Amounts -<br/>Budgetary<br/>Basis</u> | <u>Variance With<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|---------------------|---|---|
| <b>MESA HOUSING AUTHORITY FUND</b>           |                            |                     |   |   |
| Revenues:                                    |                            |                     |   |   |
| Intergovernmental                            | \$ 10,854,000              | \$ 10,854,000       | \$ 9,878,236  | \$ (975,764)  |
| Charges For Services                         | 540,000                    | 540,000             | 496,014   | (43,986)  |
| Investment Income                            | 39,000                     | 39,000              | 66,379  | 27,379  |
| Miscellaneous                                | 74,000                     | 74,000              | 54,441  | (19,559)  |
| Total Revenues                               | <u>11,507,000</u>          | <u>11,507,000</u>   | <u>10,495,070</u>                                   | <u>(1,011,930)</u>  |
| Expenditures:                                |                            |                     |   |   |
| Current:                                     |                            |                     |   |   |
| Community Environment                        | 11,916,323                 | 11,916,323          | 11,263,434  | 652,889   |
| Capital Outlay                               | 5,677                      | 5,716               | 5,716   | -   |
| Contingencies                                | 14,000                     | 13,961              | -   | 13,961  |
| Total Expenditures                           | <u>11,936,000</u>          | <u>11,936,000</u>   | <u>11,269,150</u>                                   | <u>666,850</u>  |
| Deficiency of Revenues<br>Under Expenditures | (429,000)                  | (429,000)           | (774,080)   | (345,080)   |
| Other Financing Sources:                     |                            |                     |   |   |
| Transfers In                                 | <u>409,000</u>             | <u>409,000</u>      | <u>538,000</u>                                      | <u>129,000</u>  |
| Net Change in Fund Balance                   | (20,000)                   | (20,000)            | (236,080)   | (216,080)   |
| Fund Balance - Beginning                     | <u>20,067</u>              | <u>20,067</u>       | <u>1,518,042</u>                                    | <u>1,497,975</u>  |
| Fund Balance - Ending                        | <u>\$ 67</u>               | <u>\$ 67</u>        | <u>\$ 1,281,962</u>                                 | <u>\$ 1,281,895</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, 2007

|                            | <u>Original<br/>Budget</u> | <u>Final Budget</u> | <u>Actual<br/>Amounts -<br/>Budgetary<br/>Basis</u> | <u>Variance With<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|----------------------------|----------------------------|---------------------|---|---|
| <b>CEMETERY FUND</b>       |                            |                     |   |   |
| Revenues:                  |                            |                     |   |   |
| Charges For Services       | \$ 1,389,000               | \$ 1,389,000        | \$ 1,264,524  | \$ (124,476)  |
| Investment Income          | 224,000                    | 224,000             | 350,255   | 126,255   |
| Miscellaneous              | -                          | -                   | 200   | 200   |
| Total Revenues             | <u>1,613,000</u>           | <u>1,613,000</u>    | <u>1,614,979</u>                                    | <u>1,979</u>  |
| Expenditures:              |                            |                     |   |   |
| Current:                   |                            |                     |   |   |
| Community Environment      | 959,770                    | 961,272             | 961,272   | -   |
| Capital Outlay             | 70,230                     | 135,007             | 135,007   | -   |
| Total Expenditures         | <u>1,030,000</u>           | <u>1,096,279</u>    | <u>1,096,279</u>                                    | <u>-</u>  |
| Net Change in Fund Balance | 583,000                    | 516,721             | 518,700   | 1,979   |
| Fund Balance - Beginning   | <u>6,204,816</u>           | <u>6,204,816</u>    | <u>6,404,788</u>                                    | <u>199,972</u>  |
| Fund Balance - Ending      | <u>\$ 6,787,816</u>        | <u>\$ 6,721,537</u> | <u>\$ 6,923,488</u>                                 | <u>\$ 201,951</u>   |

**Budget Basis**

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

\$ 518,700

**Basis Difference**

Unrealized Gain on Investment

13,062

**GAAP Basis**

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

\$ 531,762

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, 2007

|  | <u>Original<br/>Budget</u> | <u>Final Budget</u> | <u>Actual<br/>Amounts -<br/>Budgetary<br/>Basis</u> | <u>Variance With<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|---------------------|---|---|
| <b>PUBLIC ART FUND</b>                                       |                            |                     |   |   |
| Revenues:  |                            |                     |   |   |
| Investment Income  | \$ 13,000                  | \$ 13,000           | \$ 22,159   | \$ 9,159  |
| Total Revenues   | <u>13,000</u>              | <u>13,000</u>       | <u>22,159</u>                                       | <u>9,159</u>  |
| Expenditures:  |                            |                     |   |   |
| Current:   |                            |                     |   |   |
| Cultural-Recreational  | -                          | -                   | 11,912  | (11,912)  |
| Capital Outlay   | <u>361,546</u>             | <u>361,546</u>      | <u>1,466</u>  | <u>360,080</u>  |
| Total Expenditures   | <u>361,546</u>             | <u>361,546</u>      | <u>13,378</u>                                       | <u>348,168</u>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (348,546)                  | (348,546)           | 8,781   | 357,327   |
| Fund Balance - Beginning                                     | <u>355,971</u>             | <u>355,971</u>      | <u>364,796</u>                                      | <u>8,825</u>  |
| Fund Balance - Ending  | <u>\$ 7,425</u>            | <u>\$ 7,425</u>     | <u>\$ 373,577</u>                                   | <u>\$ 366,152</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, 2007

|                                      | <u>Original<br/>Budget</u> | <u>Final Budget</u>        | <u>Actual<br/>Amounts -<br/>Budgetary<br/>Basis</u> | <u>Variance With<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|--------------------------------------|----------------------------|----------------------------|---|---|
| <b>DEVELOPMENT IMPACT FEES FUND</b>  |                            |                            |   |   |
| Revenues:                            |                            |                            |   |   |
| Licenses & Permits                   | \$ 6,650,000               | \$ 6,650,000               | \$ 5,839,156  | \$ (810,844)  |
| Investment Income                    | <u>205,000</u>             | <u>205,000</u>             | <u>433,359</u>                                      | <u>228,359</u>  |
| Total Revenues                       | <u>6,855,000</u>           | <u>6,855,000</u>           | <u>6,272,515</u>                                    | <u>(582,485)</u>  |
| Expenditures:                        |                            |                            |   |   |
| Capital Outlay                       | 800,000                    | 800,000                    | 635,254   | 164,746   |
| Debt Service:                        |                            |                            |   |   |
| Principal Retirement                 | 527,351                    | 527,351                    | 527,351   | -   |
| Interest/Service Charges on Bonds    | <u>4,728,439</u>           | <u>4,728,439</u>           | <u>4,126,124</u>                                    | <u>602,315</u>  |
| Total Expenditures                   | <u>6,055,790</u>           | <u>6,055,790</u>           | <u>5,288,729</u>                                    | <u>767,061</u>  |
| Excess of Revenues Over Expenditures | 799,210                    | 799,210                    | 983,786   | 184,576   |
| Fund Balance - Beginning             | <u>7,408,968</u>           | <u>7,408,968</u>           | <u>7,217,696</u>                                    | <u>(191,272)</u>  |
| Fund Balance - Ending                | <u><u>\$ 8,208,178</u></u> | <u><u>\$ 8,208,178</u></u> | <u><u>\$ 8,201,482</u></u>                          | <u><u>\$ (6,696)</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, 2007

|                                      | <u>Original<br/>Budget</u> | <u>Final Budget</u>      | <u>Actual<br/>Amounts -<br/>Budgetary<br/>Basis</u> | <u>Variance With<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|--------------------------------------|----------------------------|--------------------------|---|---|
| <b>COURT CONSTRUCTION FUND</b>       |                            |                          |   |   |
| Revenues:                            |                            |                          |   |   |
| Fines and Forfeitures                | \$ 586,000                 | \$ 586,000               | \$ 519,941  | \$ (66,059)   |
| Investment Income                    | 4,000                      | 4,000                    | 31,098  | 27,098  |
| Total Revenues                       | <u>590,000</u>             | <u>590,000</u>           | <u>551,039</u>                                      | <u>(38,961)</u>   |
| Total Expenditures                   | <u>-</u>                   | <u>-</u>                 | <u>-</u>  | <u>-</u>  |
| Excess of Revenues Over Expenditures | 590,000                    | 590,000                  | 551,039   | (38,961)  |
| Fund Balance - Beginning             | <u>404,000</u>             | <u>404,000</u>           | <u>394,707</u>                                      | <u>(9,293)</u>  |
| Fund Balance - Ending                | <u><u>\$ 994,000</u></u>   | <u><u>\$ 994,000</u></u> | <u><u>\$ 945,746</u></u>                            | <u><u>\$ (48,254)</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, 2007

|  | <u>Original<br/>Budget</u> | <u>Final Budget</u>     | <u>Actual<br/>Amounts -<br/>Budgetary<br/>Basis</u> | <u>Variance With<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|-------------------------|---|---|
| <b>MESA ARTS CENTER RESTORATION FUND</b> |                            |                         |   |   |
| Revenues:                                |                            |                         |   |   |
| Charges For Services                     | \$ 7,000                   | \$ 7,000                | \$ 219,588  | \$ 212,588  |
| Investment Income                        | -                          | -                       | 14,882  | 14,882  |
| Total Revenues                           | <u>7,000</u>               | <u>7,000</u>            | <u>234,470</u>                                      | <u>227,470</u>  |
| Total Expenditures                       | <u>-</u>                   | <u>-</u>                | <u>-</u>  | <u>-</u>  |
| Excess of Revenues Over Expenditures     | 7,000                      | 7,000                   | 234,470   | 227,470   |
| Fund Balance - Beginning                 | <u>7,000</u>               | <u>7,000</u>            | <u>211,279</u>                                      | <u>204,279</u>  |
| Fund Balance - Ending                    | <u><u>\$ 14,000</u></u>    | <u><u>\$ 14,000</u></u> | <u><u>\$ 445,749</u></u>                            | <u><u>\$ 431,749</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, 2007

|  | <u>Original<br/>Budget</u> | <u>Final Budget</u> | <u>Actual<br/>Amounts -<br/>Budgetary<br/>Basis</u> | <u>Variance With<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|---------------------|---|---|
| <b>REGIONAL TRANSPORTATION</b>                               |                            |                     |   |   |
| <b>PLAN FUND</b>   |                            |                     |   |   |
| Revenues:  |                            |                     |   |   |
| Intergovernmental  | \$ 5,983,000               | \$ 5,983,000        | \$ 314,778  | \$ (5,668,222)  |
| Total Revenues   | <u>5,983,000</u>           | <u>5,983,000</u>    | <u>314,778</u>                                      | <u>(5,668,222)</u>  |
| Expenditures:  |                            |                     |   |   |
| Capital Outlay   | <u>5,982,366</u>           | <u>5,982,366</u>    | <u>2,202,122</u>                                    | <u>3,780,244</u>  |
| Total Expenditures   | <u>5,982,366</u>           | <u>5,982,366</u>    | <u>2,202,122</u>                                    | <u>3,780,244</u>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 634                        | 634                 | (1,887,344)   | (1,887,978)   |
| Other Financing Sources:                                     |                            |                     |   |   |
| Transfers In   | <u>-</u>                   | <u>-</u>            | <u>1,890,000</u>                                    | <u>1,890,000</u>  |
| Net Change in Fund Balance                                   | 634                        | 634                 | 2,656   | 2,022   |
| Fund Balance - Beginning                                     | <u>-</u>                   | <u>-</u>            | <u>-</u>  | <u>-</u>  |
| Fund Balance - Ending  | <u>\$ 634</u>              | <u>\$ 634</u>       | <u>\$ 2,656</u>                                     | <u>\$ 2,022</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, 2007

|  | <u>Original<br/>Budget</u> | <u>Final Budget</u> | <u>Actual<br/>Amounts -<br/>Budgetary<br/>Basis</u> | <u>Variance With<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|---------------------|---|---|
| <b>ENVIRONMENTAL COMPLIANCE FUND</b>                         |                            |                     |   |   |
| Revenues:  |                            |                     |   |   |
| Charges For Services   | \$ -                       | \$ -                | \$ 1,205,134  | \$ 1,205,134  |
| Investment Income  | -                          | -                   | 2,887   | 2,887   |
| Total Revenues   | <u>-</u>                   | <u>-</u>            | <u>1,208,021</u>                                    | <u>1,208,021</u>  |
| Expenditures:  |                            |                     |   |   |
| Current:   |                            |                     |   |   |
| Public Safety  | -                          | 772,867             | 772,867   | -   |
| Total Expenditures   | <u>-</u>                   | <u>772,867</u>      | <u>772,867</u>                                      | <u>-</u>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | -                          | (772,867)           | 435,154   | 1,208,021   |
| Fund Balance - Beginning                                     | <u>-</u>                   | <u>-</u>            | <u>-</u>  | <u>-</u>  |
| Fund Balance - Ending  | <u>\$ -</u>                | <u>\$ (772,867)</u> | <u>\$ 435,154</u>                                   | <u>\$ 1,208,021</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, 2007

|                             | <u>Original<br/>Budget</u> | <u>Final Budget</u>  | <u>Actual<br/>Amounts -<br/>Budgetary<br/>Basis</u> | <u>Variance With<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|-----------------------------|----------------------------|----------------------|---|---|
| <b>RECAP</b>                |                            |                      |   |   |
| Revenues:                   |                            |                      |   |   |
| Licenses and Permits        | \$ 6,650,000               | \$ 6,650,000         | \$ 5,839,156  | \$ (810,844)  |
| Intergovernmental           | 22,821,000                 | 22,821,000           | 15,624,988  | (7,196,012)   |
| Charges for Services        | 1,936,000                  | 1,936,000            | 3,185,260   | 1,249,260   |
| Fines and Forfeitures       | 586,000                    | 586,000              | 519,941   | (66,059)  |
| Investment Income           | 485,000                    | 485,000              | 928,672   | 443,672   |
| Miscellaneous               | 744,000                    | 744,000              | 899,533   | 155,533   |
| Total Revenues              | <u>33,222,000</u>          | <u>33,222,000</u>    | <u>26,997,550</u>                                   | <u>(6,224,450)</u>  |
| Expenditures:               |                            |                      |   |   |
| Current:                    |                            |                      |   |   |
| Cultural-Recreational       | -                          | -                    | 11,912  | (11,912)  |
| Community Environment       | 19,927,173                 | 20,078,573           | 19,425,684  | 652,889   |
| Public Safety               | -                          | 772,867              | 772,867   | -   |
| Capital Outlay              | 10,411,385                 | 10,476,201           | 5,419,793   | 5,056,408   |
| Contingencies               | 164,000                    | 14,063               | -   | 14,063  |
| Principal Retirement        | 527,351                    | 527,351              | 527,351   | -   |
| Interest on Bonds           | 4,728,439                  | 4,728,439            | 4,126,124   | 602,315   |
| Total Expenditures          | <u>35,758,348</u>          | <u>36,597,494</u>    | <u>30,283,731</u>                                   | <u>6,313,763</u>  |
| Deficiency of Revenues      |                            |                      |   |   |
| Under Expenditures          | (2,536,348)                | (3,375,494)          | (3,286,181)   | 89,313  |
| Other Financing Sources:    |                            |                      |   |   |
| Transfers In                | <u>4,148,000</u>           | <u>4,148,000</u>     | <u>5,784,000</u>                                    | <u>1,636,000</u>  |
| Net Change in Fund Balances | 1,611,652                  | 772,506              | 2,497,819   | 1,725,313   |
| Fund Balances - Beginning   | <u>14,401,403</u>          | <u>14,401,403</u>    | <u>16,112,877</u>                                   | <u>1,711,474</u>  |
| Fund Balances - Ending      | <u>\$ 16,013,055</u>       | <u>\$ 15,173,909</u> | <u>\$ 18,610,696</u>                                | <u>\$ 3,436,787</u>   |

**Budget Basis**

Actual amounts (budgetary basis) "Net Change in Fund Balance" from the budgetary comparison schedule \$ 2,497,819

**Basis Difference**

Unrealized Gain on Investment 13,062

**GAAP Basis**

Actual amount (GAAP) basis "Net Change in Fund Balance" as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Special Revenue Funds Exhibit C-4 \$ 2,510,881

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, 2007

|   | <u>Original<br/>Budget</u>  | <u>Final Budget</u>         | <u>Actual<br/>Amounts -<br/>Budgetary<br/>Basis</u> | <u>Variance With<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|---|-----------------------------|-----------------------------|---|---|
| <b>LOCAL TRANSPORTATION ASSISTANCE FUND</b>             |                             |                             |   |   |
| Community Environment:                                  |                             |                             |   |   |
| Mass Transit  | \$ 10,242,646               | \$ 10,392,544               | \$ 9,641,206  | \$ 751,338  |
| Total Community Environment                             | <u>10,242,646</u>           | <u>10,392,544</u>           | <u>9,641,206</u>                                    | <u>751,338</u>  |
| Less: Capital Outlay Expenditures                       | <u>3,191,566</u>            | <u>3,191,566</u>            | <u>2,440,228</u>                                    | <u>751,338</u>  |
| Total Current Expenditures                              | <u>7,051,080</u>            | <u>7,200,978</u>            | <u>7,200,978</u>                                    | <u>-</u>  |
| Contingencies   | <u>150,000</u>              | <u>102</u>                  | <u>-</u>  | <u>102</u>  |
| Total Local Transportation Assistance Fund Expenditures | <u><u>\$ 10,392,646</u></u> | <u><u>\$ 10,392,646</u></u> | <u><u>\$ 9,641,206</u></u>                          | <u><u>\$ 751,440</u></u>  |
| <b>MESA HOUSING AUTHORITY</b>                           |                             |                             |   |   |
| Community Environment                                   |                             |                             |   |   |
| Mesa Housing Authority                                  | \$ 11,922,000               | \$ 11,922,039               | \$ 11,269,150                                       | \$ 652,889  |
| Total Community Environment                             | <u>11,922,000</u>           | <u>11,922,039</u>           | <u>11,269,150</u>                                   | <u>652,889</u>  |
| Less: Capital Outlay Expenditures                       | <u>5,677</u>                | <u>5,716</u>                | <u>5,716</u>  | <u>-</u>  |
| Total Current Expenditures                              | <u>11,916,323</u>           | <u>11,916,323</u>           | <u>11,263,434</u>                                   | <u>652,889</u>  |
| Contingencies   | <u>14,000</u>               | <u>13,961</u>               | <u>-</u>  | <u>13,961</u>   |
| Total Mesa Housing Authority Fund Expenditures          | <u><u>\$ 11,936,000</u></u> | <u><u>\$ 11,936,000</u></u> | <u><u>\$ 11,269,150</u></u>                         | <u><u>\$ 666,850</u></u>  |
| <b>CEMETERY FUND</b>                                    |                             |                             |   |   |
| Community Environment:                                  |                             |                             |   |   |
| Cemetery  | \$ 1,030,000                | \$ 1,096,279                | \$ 1,096,279  | \$ -  |
| Less: Capital Outlay Expenditures                       | <u>70,230</u>               | <u>135,007</u>              | <u>135,007</u>                                      | <u>-</u>  |
| Total Current Expenditures                              | <u>959,770</u>              | <u>961,272</u>              | <u>961,272</u>                                      | <u>-</u>  |
| Total Cemetery Fund Expenditures                        | <u><u>\$ 1,030,000</u></u>  | <u><u>\$ 1,096,279</u></u>  | <u><u>\$ 1,096,279</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, 2007

|   | <u>Original<br/>Budget</u> | <u>Final Budget</u> | <u>Actual<br/>Amounts -<br/>Budgetary<br/>Basis</u> | <u>Variance With<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|---|----------------------------|---------------------|---|---|
| <b>PUBLIC ART FUND</b>                          |                            |                     |   |   |
| Cultural Recreational:                          |                            |                     |   |   |
| Capital Outlay:                                 |                            |                     |   |   |
| Cultural  | \$ 361,546                 | \$ 361,546          | \$ 13,378   | \$ 348,168  |
| Total Cultural-Recreational                     | <u>361,546</u>             | <u>361,546</u>      | <u>13,378</u>                                       | <u>348,168</u>  |
| Less: Capital Outlay Expenditures               | <u>361,546</u>             | <u>361,546</u>      | <u>1,466</u>  | <u>360,080</u>  |
| Total Current Expenditures                      | <u>-</u>                   | <u>-</u>            | <u>11,912</u>                                       | <u>(11,912)</u>   |
| Total Public Art Fund Expenditures              | <u>\$ 361,546</u>          | <u>\$ 361,546</u>   | <u>\$ 13,378</u>                                    | <u>\$ 348,168</u>   |
| <b>DEVELOPMENT IMPACT FEES FUND</b>             |                            |                     |   |   |
| General Government:                             |                            |                     |   |   |
| Capital Outlay:                                 |                            |                     |   |   |
| General Government Facilities                   | \$ 800,000                 | \$ 800,000          | \$ 234,433  | \$ 565,567  |
| Total General Government                        | <u>800,000</u>             | <u>800,000</u>      | <u>234,433</u>                                      | <u>565,567</u>  |
| Public Safety:                                  |                            |                     |   |   |
| Capital Outlay:                                 |                            |                     |   |   |
| Law Enforcement                                 | -                          | -                   | 7,638   | (7,638)   |
| Fire Prevention                                 | -                          | -                   | 7,638   | (7,638)   |
| Debt Service:                                   |                            |                     |   |   |
| Law Enforcement                                 | 1,659,000                  | 1,659,000           | 1,365,424   | 293,576   |
| Fire Prevention                                 | <u>1,027,000</u>           | <u>1,027,000</u>    | <u>1,132,797</u>                                    | <u>(105,797)</u>  |
| Total Public Safety                             | <u>2,686,000</u>           | <u>2,686,000</u>    | <u>2,513,497</u>                                    | <u>172,503</u>  |
| Cultural-Recreational:                          |                            |                     |   |   |
| Capital Outlay:                                 |                            |                     |   |   |
| Library   | -                          | -                   | 7,638   | (7,638)   |
| Parks & Recreation                              | -                          | -                   | 24,782  | (24,782)  |
| Cultural Facilities                             | -                          | -                   | 345,487   | (345,487)   |
| Debt Service:                                   |                            |                     |   |   |
| Library   | 484,406                    | 484,406             | 485,762   | (1,356)   |
| Parks & Recreation                              | <u>1,744,000</u>           | <u>1,744,000</u>    | <u>1,180,052</u>                                    | <u>563,948</u>  |
| Total Cultural-Recreational                     | <u>2,228,406</u>           | <u>2,228,406</u>    | <u>2,043,721</u>                                    | <u>184,685</u>  |
| Community Environment:                          |                            |                     |   |   |
| Capital Outlay                                  |                            |                     |   |   |
| Storm Sewer                                     | -                          | -                   | 7,638   | (7,638)   |
| Debt Service:                                   |                            |                     |   |   |
| Storm Sewer                                     | <u>341,384</u>             | <u>341,384</u>      | <u>489,440</u>                                      | <u>(148,056)</u>  |
| Total Community Environment                     | <u>341,384</u>             | <u>341,384</u>      | <u>497,078</u>                                      | <u>(155,694)</u>  |
| Total Development Impact Fees Fund Expenditures | <u>\$ 6,055,790</u>        | <u>\$ 6,055,790</u> | <u>\$ 5,288,729</u>                                 | <u>\$ 767,061</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, 2007

|  | <u>Original<br/>Budget</u> | <u>Final Budget</u> | <u>Actual<br/>Amounts -<br/>Budgetary<br/>Basis</u> | <u>Variance With<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|---------------------|---|---|
| <b>COURT CONSTRUCTION FUND</b>                                 |                            |                     |   |   |
| 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>   |
| <b>MESA ARTS CENTER RESTORATION FUND</b>                       |                            |                     |   |   |
| Cultural-Recreational:   |                            |                     |   |   |
| Capital Outlay:  |                            |                     |   |   |
| Cultural   | \$ -                       | \$ -                | \$ -  | \$ -  |
| Total Cultural-Recreational                                    | -                          | -                   | -   | -   |
| Less: Capital Outlay Expenditures                              | -                          | -                   | -   | -   |
| Total Current Expenditures                                     | -                          | -                   | -   | -   |
| Total Mesa Arts Center Restoration Fund Expenditures           | <u>\$ -</u>                | <u>\$ -</u>         | <u>\$ -</u>   | <u>\$ -</u>   |
| <b>REGIONAL TRANSPORTATION PLAN FUND</b>                       |                            |                     |   |   |
| Community Environment:   |                            |                     |   |   |
| Capital Outlay:  |                            |                     |   |   |
| Streets  | \$ 5,982,366               | \$ 5,982,366        | \$ 2,202,122  | \$ 3,780,244  |
| Total Community Environment                                    | 5,982,366                  | 5,982,366           | 2,202,122   | 3,780,244   |
| Less: Capital Outlay Expenditures                              | 5,982,366                  | 5,982,366           | 2,202,122   | 3,780,244   |
| Total Current Expenditures                                     | -                          | -                   | -   | -   |
| Total Regional Public Transportation Revenue Fund Expenditures | <u>\$ 5,982,366</u>        | <u>\$ 5,982,366</u> | <u>\$ 2,202,122</u>                                 | <u>\$ 3,780,244</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, 2007

|   | <u>Original<br/>Budget</u> | <u>Final Budget</u>  | <u>Actual<br/>Amounts -<br/>Budgetary<br/>Basis</u> | <u>Variance With<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|---|----------------------------|----------------------|---|---|
| <b>ENVIRONMENTAL COMPLIANCE FUND</b>                    |                            |                      |   |   |
| Public Safety:  |                            |                      |   |   |
| Environmental Management                                | \$ -                       | \$ 772,867           | \$ 772,867  | \$ -  |
| Total Public Safety                                     | -                          | 772,867              | 772,867   | -   |
| Less: Capital Outlay Expenditures                       | -                          | -                    | -   | -   |
| Total Current Expenditures                              | -                          | 772,867              | 772,867   | -   |
| Total Environmental Compliance Fee Fund<br>Expenditures | <u>\$ -</u>                | <u>\$ 772,867</u>    | <u>\$ 772,867</u>                                   | <u>\$ -</u>   |
| <b>RECAP</b>  |                            |                      |   |   |
| General Government                                      | \$ 800,000                 | \$ 800,000           | \$ 234,433  | \$ 565,567  |
| Public Safety   | 2,686,000                  | 3,458,867            | 3,286,364   | 172,503   |
| Cultural-Recreational                                   | 2,589,952                  | 2,589,952            | 2,057,099   | 532,853   |
| Community Environment                                   | 29,518,396                 | 29,734,612           | 24,705,835  | 5,028,777   |
| Contingencies   | 164,000                    | 14,063               | -   | 14,063  |
| Total Nonmajor Special Revenue<br>Funds Expenditures    | <u>\$ 35,758,348</u>       | <u>\$ 36,597,494</u> | <u>\$ 30,283,731</u>                                | <u>\$ 6,313,763</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, 2007

|  | <u>Original<br/>Budget</u> | <u>Final Budget</u>  | <u>Actual</u>        | <b>Variance With<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|----------------------------|----------------------|----------------------|---|
| <b>CAPITAL PROJECTS FUNDS</b>                |                            |                      |                      |   |
| Revenues:                                    |                            |                      |                      |   |
| Intergovernmental                            | \$ -                       | \$ -                 | \$ 28,312            | 28,312  |
| Investment Income                            | -                          | -                    | 82,668               | 82,668  |
| Miscellaneous                                | -                          | -                    | 1,195,482            | 1,195,482   |
| Total Revenues                               | <u>-</u>                   | <u>-</u>             | <u>1,306,462</u>     | <u>1,306,462</u>  |
| Expenditures:                                |                            |                      |                      |   |
| Capital Outlay                               | 136,430,000                | 136,430,000          | 101,689,346          | 34,740,654  |
| Total Expenditures                           | <u>136,430,000</u>         | <u>136,430,000</u>   | <u>101,689,346</u>   | <u>34,740,654</u>   |
| Deficiency of Revenues<br>Under Expenditures | <u>(136,430,000)</u>       | <u>(136,430,000)</u> | <u>(100,382,884)</u> | <u>36,047,116</u>   |
| Other Financing Sources:                     |                            |                      |                      |   |
| Face Amount of Bonds Issued                  | 132,700,000                | 132,700,000          | 92,140,000           | (40,560,000)  |
| Premium on Issuance of Bonds                 | -                          | -                    | 861,062              | 861,062   |
| Transfers In                                 | <u>5,691,000</u>           | <u>5,691,000</u>     | <u>5,695,900</u>     | <u>4,900</u>  |
| Net Change in Fund Balances                  | 1,961,000                  | 1,961,000            | (1,685,922)          | (3,646,922)   |
| Fund Balances-Beginning                      | <u>89,504,320</u>          | <u>89,504,320</u>    | <u>87,032,751</u>    | <u>(2,471,569)</u>  |
| Fund Balances-Ending                         | <u>\$ 91,465,320</u>       | <u>\$ 91,465,320</u> | <u>\$ 85,346,829</u> | <u>\$ (6,118,491)</u>   |

**Budget Basis**

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

\$ (1,685,922)

**Perspective Differences:**

Proprietary Capital Project Funds

4,515,756

**Entity Differences:**

Non-Budgeted Capital Leases

(3,112,887)

**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

\$ (283,053)

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, 2007

|                                       | <u>Original<br/>Budget</u> | <u>Final Budget</u> | <u>Actual<br/>Amounts -<br/>Budgetary<br/>Basis</u> | <u>Variance With<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|---------------------------------------|----------------------------|---------------------|---|---|
| Revenues:                             |                            |                     |   |   |
| Electric                              | \$ 35,458,000              | \$ 35,458,000       | \$ 35,565,384                                       | \$ 107,384  |
| Gas                                   | 44,728,000                 | 44,728,000          | 46,029,184  | 1,301,184   |
| Water                                 | 109,700,000                | 109,700,000         | 99,564,011  | (10,135,989)  |
| Wastewater                            | 53,779,000                 | 53,779,000          | 61,354,298  | 7,575,298   |
| Solid Waste                           | 40,858,000                 | 40,858,000          | 43,795,992  | 2,937,992   |
| Airport                               | 6,712,000                  | 6,712,000           | 3,999,843   | (2,712,157)   |
| Golf Course                           | 2,514,000                  | 2,514,000           | 2,465,196   | (48,804)  |
| Convention Center                     | 3,579,000                  | 3,579,000           | 4,745,578   | 1,166,578   |
| District Cooling                      | 150,000                    | 150,000             | 192,972   | 42,972  |
| Environmental Compliance Management   | 1,000,000                  | 1,000,000           | -   | (1,000,000)   |
| Less: Bad Debt Expense                | <u>(1,100,000)</u>         | <u>(1,100,000)</u>  | <u>(1,056,900)</u>                                  | <u>43,100</u>   |
| Total Revenues                        | <u>297,378,000</u>         | <u>297,378,000</u>  | <u>296,655,558</u>                                  | <u>(722,442)</u>  |
| Expenses:                             |                            |                     |   |   |
| Electric                              | 30,307,000                 | 30,315,000          | 25,722,645  | 4,592,355   |
| Gas                                   | 40,613,000                 | 40,613,000          | 36,681,833  | 3,931,167   |
| Water                                 | 52,467,000                 | 52,467,000          | 49,523,074  | 2,943,926   |
| Wastewater                            | 38,719,000                 | 40,595,200          | 40,595,200  | -   |
| Solid Waste                           | 30,439,000                 | 30,439,000          | 27,753,417  | 2,685,583   |
| Airport                               | 6,564,000                  | 6,564,000           | 2,920,136   | 3,643,864   |
| Golf Course                           | 2,499,000                  | 2,499,000           | 2,368,001   | 130,999   |
| Convention Center                     | 4,685,000                  | 5,802,509           | 5,802,509   | -   |
| District Cooling                      | 264,000                    | 264,000             | 246,333   | 17,667  |
| Environmental Compliance Management   | 1,000,000                  | 1,000,000           | -   | 1,000,000   |
| Contingencies                         | <u>16,760,000</u>          | <u>13,758,291</u>   | <u>-</u>  | <u>13,758,291</u>   |
| Total Expenses                        | <u>224,317,000</u>         | <u>224,317,000</u>  | <u>191,613,148</u>                                  | <u>32,703,852</u>   |
| Income Before Transfers               | 73,061,000                 | 73,061,000          | 105,042,410   | 31,981,410  |
| Other Operating Uses:                 |                            |                     |   |   |
| Transfers Out                         | <u>(75,913,000)</u>        | <u>(75,913,000)</u> | <u>(67,188,000)</u>                                 | <u>8,725,000</u>  |
| Change in Net Assets                  | (2,852,000)                | (2,852,000)         | 37,854,410  | 40,706,410  |
| Unappropriated Net Assets - Beginning | 19,666,368                 | 19,666,368          | 21,950,874  | 2,284,506   |
| Increase in Restricted<br>Net Assets  | <u>(16,814,368)</u>        | <u>(16,814,368)</u> | <u>(7,837,004)</u>                                  | <u>8,977,364</u>  |
| Unappropriated Net Assets - Ending    | <u>\$ -</u>                | <u>\$ -</u>         | <u>\$ 51,968,280</u>                                | <u>\$ 51,968,280</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, 2007

**Budget Basis**

Actual Amounts (Budgetary Basis)  
 "Change in Net Assets" from Exhibit D-6 \$ 37,854,410

**Basis Differences:**

Compensated Absences (111,848)  
 Capitalized Interest 3,652,090  
 Contractual Commitments 341,890  
 Utility Revenue Accrual 316,436  
 Increase of Fair Market Value of Investments 126,550

**Perspective Differences:**

Grants and Contributions 13,324,790  
 Transfer of Capital Assets from Governmental Activities 5,734,632  
 Premium on Bonds Sold 428,963

**Timing Differences:**

Water Rights 996,170  
 Capital Expenditures 5,666,341  
 Depreciation - Amortization (42,911,298)  
 Investment in Joint Ventures (9,024,307)  
 Non-Cash Loss on Disposal of Capital Assets (1,686,285)  
 Bond Principal and Reserves 6,036,194  
 Amortization of Bond Premiums 1,860,864  
 Deferred Amounts on Refundings (3,362,153)  
 Accretion of Certificates of Supplemental Interest 12,066  
 Deferred Revenue 5,009

**Entity Differences:**

Municipal Development Corp. 4,504,664

**GAAP Basis**

Actual Amount (GAAP Basis)  
 "Change in Net Assets" from Exhibit A-8 \$ 23,765,178

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, 2007

|  | <u>Original<br/>Budget</u> | <u>Final Budget</u> | <u>Actual<br/>Amounts -<br/>Budgetary<br/>Basis</u> | <u>Variance With<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|---------------------|---|---|
| <b>WAREHOUSE, MAINTENANCE AND SERVICES</b> |                            |                     |   |   |
| Revenues:                                  |                            |                     |   |   |
| Charges For Services:                      |                            |                     |   |   |
| Materials and Supply                       | \$ 1,027,808               | \$ 1,027,808        | \$ 1,007,545  | \$ (20,263)   |
| Printing and Graphics                      | 1,339,304                  | 1,339,304           | 1,037,389   | (301,915)   |
| Fleet Support Services                     | <u>17,454,093</u>          | <u>17,454,093</u>   | <u>16,969,301</u>                                   | <u>(484,792)</u>  |
| Total Revenues                             | <u>19,821,205</u>          | <u>19,821,205</u>   | <u>19,014,235</u>                                   | <u>(806,970)</u>  |
| Expenses:                                  |                            |                     |   |   |
| Materials and Supply                       | 1,029,000                  | 1,356,204           | 1,335,941   | 20,263  |
| Printing and Graphics                      | 1,339,385                  | 1,339,492           | 1,037,577   | 301,915   |
| Fleet Support Services                     | 17,577,000                 | 17,636,998          | 17,151,491  | 485,507   |
| Contingencies                              | <u>50,000</u>              | <u>-</u>            | <u>-</u>  | <u>-</u>  |
| Total Expenses                             | <u>19,995,385</u>          | <u>20,332,694</u>   | <u>19,525,009</u>                                   | <u>807,685</u>  |
| Loss Before Transfers                      | (174,180)                  | (511,489)           | (510,774)   | 715   |
| Transfers In                               | <u>165,000</u>             | <u>165,000</u>      | <u>507,000</u>                                      | <u>342,000</u>  |
| Change in Net Assets                       | (9,180)                    | (346,489)           | (3,774)   | 342,715   |
| Unappropriated Net Assets - Beginning      | <u>10,051</u>              | <u>10,051</u>       | <u>4,514</u>  | <u>(5,537)</u>  |
| Unappropriated Net Assets - Ending         | <u>\$ 871</u>              | <u>\$ (336,438)</u> | <u>\$ 740</u>                                       | <u>\$ 337,178</u>   |

CITY OF MESA, ARIZONA  
**EXHIBIT D-8 (Continued)**  
INTERNAL SERVICE FUNDS  
SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS - BUDGET TO ACTUAL (BUDGET BASIS)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

|   | <u>Original<br/>Budget</u> | <u>Final Budget</u>  | <u>Actual<br/>Amounts -<br/>Budgetary<br/>Basis</u> | <u>Variance With<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|---|----------------------------|----------------------|---|---|
| <b>PROPERTY AND PUBLIC LIABILITY FUND</b> |                            |                      |   |   |
| Revenues:                                 |                            |                      |   |   |
| Investment Income                         | \$ 17,000                  | \$ 17,000            | \$ 645,494  | \$ 628,494  |
| Contributions                             | 4,304,000                  | 4,304,000            | 4,301,000   | (3,000)   |
| Miscellaneous                             | -                          | -                    | 21,015  | 21,015  |
| Total Revenues                            | <u>4,321,000</u>           | <u>4,321,000</u>     | <u>4,967,509</u>                                    | <u>646,509</u>  |
| Expenses:                                 |                            |                      |   |   |
| Administrative and Other Fees             | 2,217,000                  | 2,217,000            | 2,067,683   | 149,317   |
| Claims Incurred                           | <u>2,250,000</u>           | <u>2,250,000</u>     | <u>1,555,014</u>                                    | <u>694,986</u>  |
| Total Expenses                            | <u>4,467,000</u>           | <u>4,467,000</u>     | <u>3,622,697</u>                                    | <u>844,303</u>  |
| Change in Net Assets                      | (146,000)                  | (146,000)            | 1,344,812   | 1,490,812   |
| Unappropriated Net Assets - Beginning     | <u>11,140,327</u>          | <u>11,140,327</u>    | <u>11,399,798</u>                                   | <u>259,471</u>  |
| Unappropriated Net Assets - Ending        | <u>\$ 10,994,327</u>       | <u>\$ 10,994,327</u> | <u>\$ 12,744,610</u>                                | <u>\$ 1,750,283</u>   |

CITY OF MESA, ARIZONA  
**EXHIBIT D-8 (Continued)**  
INTERNAL SERVICE FUNDS  
SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS - BUDGET TO ACTUAL (BUDGET BASIS)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

|                                       | <u>Original<br/>Budget</u> | <u>Final Budget</u> | <u>Actual<br/>Amounts -<br/>Budgetary<br/>Basis</u> | <u>Variance With<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|---------------------------------------|----------------------------|---------------------|---|---|
| <b>WORKERS' COMPENSATION FUND</b>     |                            |                     |   |   |
| Revenues:                             |                            |                     |   |   |
| Investment Income                     | \$ 653,000                 | \$ 653,000          | \$ 387,693  | \$ (265,307)  |
| Contributions                         | 4,406,000                  | 4,406,000           | 4,686,172   | 280,172   |
| Miscellaneous                         | <u>274,000</u>             | <u>274,000</u>      | <u>330,982</u>                                      | <u>56,982</u>   |
| Total Revenues                        | <u>5,333,000</u>           | <u>5,333,000</u>    | <u>5,404,847</u>                                    | <u>71,847</u>   |
| Expenses:                             |                            |                     |   |   |
| Administrative and Other Fees         | 1,409,000                  | 1,409,000           | 1,195,212   | 213,788   |
| Claims Incurred                       | <u>3,000,000</u>           | <u>3,000,000</u>    | <u>2,677,173</u>                                    | <u>322,827</u>  |
| Total Expenses                        | <u>4,409,000</u>           | <u>4,409,000</u>    | <u>3,872,385</u>                                    | <u>536,615</u>  |
| Change in Net Assets                  | 924,000                    | 924,000             | 1,532,462   | 608,462   |
| Unappropriated Net Assets - Beginning | <u>5,937,429</u>           | <u>5,937,429</u>    | <u>6,483,550</u>                                    | <u>546,121</u>  |
| Unappropriated Net Assets - Ending    | <u>\$ 6,861,429</u>        | <u>\$ 6,861,429</u> | <u>\$ 8,016,012</u>                                 | <u>\$ 1,154,583</u>   |

CITY OF MESA, ARIZONA  
**EXHIBIT D-8 (Continued)**  
INTERNAL SERVICE FUNDS  
SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS - BUDGET TO ACTUAL (BUDGET BASIS)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

|                                       | <u>Original<br/>Budget</u> | <u>Final Budget</u>  | <u>Actual<br/>Amounts -<br/>Budgetary<br/>Basis</u> | <u>Variance With<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|---------------------------------------|----------------------------|----------------------|---|---|
| <b>EMPLOYEE BENEFITS FUND</b>         |                            |                      |   |   |
| Revenues:                             |                            |                      |   |   |
| Investment Income                     | \$ 571,000                 | \$ 571,000           | \$ 677,201  | \$ 106,201  |
| Contributions                         | 41,874,000                 | 41,874,000           | 44,340,517  | 2,466,517   |
| Miscellaneous                         | <u>724,000</u>             | <u>724,000</u>       | <u>621,457</u>                                      | <u>(102,543)</u>  |
| Total Revenues                        | <u>43,169,000</u>          | <u>43,169,000</u>    | <u>45,639,175</u>                                   | <u>2,470,175</u>  |
| Expenses:                             |                            |                      |   |   |
| Administrative and Other Fees         | 5,493,658                  | 5,493,658            | 4,631,013   | 862,645   |
| Claims Incurred                       | <u>37,262,342</u>          | <u>37,262,342</u>    | <u>37,120,047</u>                                   | <u>142,295</u>  |
| Total Expenses                        | <u>42,756,000</u>          | <u>42,756,000</u>    | <u>41,751,060</u>                                   | <u>1,004,940</u>  |
| Change in Net Assets                  | 413,000                    | 413,000              | 3,888,115   | 3,475,115   |
| Unappropriated Net Assets - Beginning | <u>12,226,062</u>          | <u>12,226,062</u>    | <u>13,825,345</u>                                   | <u>1,599,283</u>  |
| Unappropriated Net Assets - Ending    | <u>\$ 12,639,062</u>       | <u>\$ 12,639,062</u> | <u>\$ 17,713,460</u>                                | <u>\$ 5,074,398</u>   |

CITY OF MESA, ARIZONA  
**EXHIBIT D-8 (Concluded)**  
INTERNAL SERVICE FUNDS  
SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS - BUDGET TO ACTUAL (BUDGET BASIS)  
FOR THE FISCAL YEAR JUNE 30, 2007

|                                       | <u>Original<br/>Budget</u> | <u>Final Budget</u>  | <u>Actual Amounts<br/>- Budgetary<br/>Basis</u> | <u>Variance With<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|---------------------------------------|----------------------------|----------------------|---|---|
| <b>RECAP</b>                          |                            |                      |   |   |
| Revenues:                             |                            |                      |   |   |
| Charges for Services                  | \$ 19,821,205              | \$ 19,821,205        | \$ 19,014,235                                   | \$ (806,970)  |
| Investment Income                     | 1,241,000                  | 1,241,000            | 1,710,388                                       | 469,388   |
| Contributions                         | 50,584,000                 | 50,584,000           | 53,327,689                                      | 2,743,689   |
| Miscellaneous                         | 998,000                    | 998,000              | 973,454   | (24,546)  |
| <b>Total Revenues</b>                 | <u>72,644,205</u>          | <u>72,644,205</u>    | <u>75,025,766</u>                               | <u>2,381,561</u>  |
| Expenses:                             |                            |                      |   |   |
| Materials and Supply                  | 1,029,000                  | 1,356,204            | 1,335,941                                       | 20,263  |
| Printing and Graphics                 | 1,339,385                  | 1,339,492            | 1,037,577                                       | 301,915   |
| Fleet Support                         | 17,577,000                 | 17,636,998           | 17,151,491                                      | 485,507   |
| Administrative and Other Fees         | 9,119,658                  | 9,119,658            | 7,893,908                                       | 1,225,750   |
| Claims Incurred                       | 42,512,342                 | 42,512,342           | 41,352,234                                      | 1,160,108   |
| Contingencies                         | 50,000                     | -                    | -   | -   |
| <b>Total Expenses</b>                 | <u>71,627,385</u>          | <u>71,964,694</u>    | <u>68,771,151</u>                               | <u>3,193,543</u>  |
| Income Before Transfers               | 1,016,820                  | 679,511              | 6,254,615                                       | 5,575,104   |
| Transfers In                          | 165,000                    | 165,000              | 507,000   | 342,000   |
| Change in Net Assets                  | 1,181,820                  | 844,511              | 6,761,615                                       | 5,917,104   |
| Unappropriated Net Assets - Beginning | <u>29,313,869</u>          | <u>29,313,869</u>    | <u>31,713,207</u>                               | <u>2,399,338</u>  |
| Unappropriated Net Assets - Ending    | <u>\$ 30,495,689</u>       | <u>\$ 30,158,380</u> | <u>\$ 38,474,822</u>                            | <u>\$ 8,316,442</u>   |

CITY OF MESA, ARIZONA  
**EXHIBIT D-9**  
INTERNAL SERVICE FUND  
RECONCILIATION OF BUDGET TO GAAP  
CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**Budget Basis**

|   |    |           |
|---|----|-----------|
| Actual Amounts (Budgetary Basis)        |    |           |
| "Change in Net Assets" from Exhibit D-8 | \$ | 6,761,615 |

**Basis Differences:**

|  |  |          |
|--|--|----------|
| Compensated Absences                         |  | (15,374) |
| Increase of Fair Market Value of Investments |  | 84,473   |

**Perspective Differences:**

|   |  |           |
|---|--|-----------|
| Transfer of Capital Assets from Enterprise Activities |  | 1,384,600 |
|---|--|-----------|

**Timing Differences:**

|                                  |  |                  |
|----------------------------------|--|------------------|
| Capital Expenditures             |  | 128,017          |
| Depreciation - Amortization      |  | (429,758)        |
| Gain on Disposal of Assets       |  | 20               |
| Inventory Increase               |  | 383,472          |
| Increase in Contingent Liability |  | 1,092,606        |
|                                  |  | <u>1,092,606</u> |

**GAAP Basis**

|   |    |                         |
|---|----|-------------------------|
| Actual Amount (GAAP Basis)              |    |                         |
| "Change in Net Assets" from Exhibit A-8 | \$ | <u><u>9,389,671</u></u> |

CITY OF MESA, ARIZONA

**EXHIBIT D-10**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**

**SCHEDULE BY SOURCE**

JUNE 30, 2007

**GOVERNMENTAL FUNDS CAPITAL ASSETS**

|   |                                |
|---|--------------------------------|
| Land                                    | \$ 243,465,514                 |
| Buildings                               | 297,390,525                    |
| Other Improvements                      | 109,536,041                    |
| Machinery and Equipment                 | 159,225,222                    |
| Infrastructure                          | 697,098,220                    |
| Construction in Progress                | <u>91,529,746</u>              |
| Total Governmental Funds Capital Assets | \$ <u><u>1,598,245,268</u></u> |

**INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS**

|   |                                |
|---|--------------------------------|
| Investment in Property Acquired Prior to July 1, 1978:    |                                |
| Source Indeterminable                                     | \$ <u>2,825,554</u>            |
| Investment in Property Acquired After June 30, 1978 From: |                                |
| General Obligation Bonds                                  | 521,880,514                    |
| Highway User Revenue Bonds                                | 19,867,110                     |
| Federal Revenue Sharing                                   | 2,404,833                      |
| Federal Aid   | 38,553,631                     |
| General Revenue   | 466,029,587                    |
| Contributions From Developers                             | 418,815,982                    |
| Contributions From Property Owners                        | 14,447,406                     |
| Contributions From Lessees                                | 2,875,787                      |
| Contributions From Other Gov't                            | 39,971,550                     |
| Contributions - Indeterminant Funding                     | <u>70,573,314</u>              |
| Total   | <u>1,595,419,714</u>           |
| Total Investment in Governmental Funds Capital Assets     | \$ <u><u>1,598,245,268</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.

2007



## Statistical Section

## STATISTICAL SECTION

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

| <b>Contents</b>  | <b>Page</b> |
|--|-------------|
| <b>Financial Trends</b><br>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.   | 132         |
| <b>Revenue Capacity</b><br>These schedules contain information to help readers assess the City's most significant local revenue source, the sales tax.   | 144         |
| <b>Debt Capacity</b><br>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.                             | 147         |
| <b>Demographic and Economic Information</b><br>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.                                    | 155         |
| <b>Operating Information</b><br>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. | 157         |

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

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

CITY OF MESA, ARIZONA

**TABLE I**

NET ASSETS BY COMPONENTS

LAST SIX FISCAL YEARS

(accrual basis of accounting)

|   | <u>2001-02</u>          | <u>2002-03</u>          | <u>2003-04</u>          | <u>2004-05</u>          |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>                  |                         |                         |                         |                         |
| 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>   |
| <b>BUSINESS-TYPE ACTIVITIES</b>                 |                         |                         |                         |                         |
| 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>   |
| <b>PRIMARY GOVERNMENT</b>                       |                         |                         |                         |                         |
| 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>          | <u>2006-07</u>          |
|-------------------------|-------------------------|
| \$ 765,874,830          | \$ 791,591,633          |
| 84,386,395              | 95,107,036              |
| <u>85,734,791</u>       | <u>128,548,213</u>      |
| <u>\$ 935,996,016</u>   | <u>\$ 1,015,246,882</u> |
| <br>                    |                         |
| \$ 390,100,160          | \$ 366,497,841          |
| 89,383,126              | 96,756,386              |
| <u>268,388,224</u>      | <u>308,374,940</u>      |
| <u>\$ 747,871,510</u>   | <u>\$ 771,629,167</u>   |
| <br>                    |                         |
| \$ 1,155,974,990        | \$ 1,158,089,474        |
| 173,769,521             | 191,863,422             |
| <u>354,123,015</u>      | <u>436,923,153</u>      |
| <u>\$ 1,683,867,526</u> | <u>\$ 1,786,876,049</u> |

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

**GENERAL REVENUES AND OTHER CHANGES**

| <b>IN NET ASSETS</b>                              | <b>2001-02</b>        | <b>2002-03</b>        | <b>2003-04</b>        | <b>2004-05</b>        |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>GOVERNMENTAL ACTIVITIES:</b>                   |                       |                       |                       |                       |
| Sales Taxes                                       | \$ 101,660,597        | \$ 98,434,394         | \$ 105,096,378        | \$ 112,528,968        |
| Occupancy Taxes                                   | 1,256,894             | 1,224,044             | 1,320,706             | 1,856,955             |
| 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   | 96,961,247            | 59,719,000            | 67,772,618            | 76,359,837            |
| <b>Total Governmental Activities</b>              | <b>304,553,047</b>    | <b>259,053,385</b>    | <b>274,526,179</b>    | <b>303,985,353</b>    |
| <b>BUSINESS-TYPE ACTIVITIES:</b>                  |                       |                       |                       |                       |
| 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   | (96,961,247)          | (59,719,000)          | (67,772,618)          | (76,359,837)          |
| <b>Total Business-type Activities</b>             | <b>(94,826,266)</b>   | <b>(59,421,834)</b>   | <b>(65,899,829)</b>   | <b>(42,017,419)</b>   |
| <b>Total Primary Government</b>                   | <b>\$ 209,726,781</b> | <b>\$ 199,631,551</b> | <b>\$ 208,626,350</b> | <b>\$ 261,967,934</b> |
| <b>Change in Net Assets</b>                       |                       |                       |                       |                       |
| Governmental Activities                           | 52,411,537            | \$ 30,025,396         | \$ 56,288,845         | \$ 13,715,741         |
| Business-type Activities                          | (14,317,107)          | 86,680,168            | 27,839,627            | 12,979,666            |
| <b>Total Primary Government</b>                   | <b>\$ 38,094,430</b>  | <b>\$ 116,705,564</b> | <b>\$ 84,128,472</b>  | <b>\$ 26,695,407</b>  |

**TABLE II**  
(Concluded)

|    | <u>2005-06</u>            |    | <u>2006-07</u>            |
|----|---------------------------|----|---------------------------|
| \$ | 128,372,155               | \$ | 155,817,051               |
|    | 2,189,830                 |    | 2,389,528                 |
|    | 103,848,818               |    | 113,048,782               |
|    | 12,205,647                |    | 14,037,707                |
|    | 5,430,860                 |    | 7,824,612                 |
|    | -                         |    | -                         |
|    | 10,052,208                |    | 7,053,840                 |
|    | <u>72,902,111</u>         |    | <u>61,439,940</u>         |
|    | <u>335,001,629</u>        |    | <u>361,611,460</u>        |
|    | 4,818,652                 |    | 8,125,127                 |
|    | -                         |    | -                         |
|    | 553,806                   |    | 428,962                   |
|    | -                         |    | -                         |
|    | <u>(72,902,111)</u>       |    | <u>(61,439,940)</u>       |
|    | <u>(67,529,653)</u>       |    | <u>(52,885,851)</u>       |
| \$ | <u><u>267,471,976</u></u> | \$ | <u><u>308,725,609</u></u> |
| \$ | 35,046,547                | \$ | 79,250,866                |
|    | <u>2,381,582</u>          |    | <u>23,757,657</u>         |
| \$ | <u><u>37,428,129</u></u>  | \$ | <u><u>103,008,523</u></u> |

CITY OF MESA, ARIZONA

**TABLE III**

FUND BALANCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

|                                     | <u>1997-98</u>       | <u>1998-99</u>       | <u>1999-00</u>       | <u>2000-01</u>       |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|
| <b>GENERAL FUND</b>                 |                      |                      |                      |                      |
| Reserved (1)(2)                     | \$ 11,015,538        | \$ 30,597,742        | \$ 40,729,716        | \$ 61,847,049        |
| Unreserved                          | <u>17,226,599</u>    | <u>30,031,145</u>    | <u>31,854,206</u>    | <u>22,182,897</u>    |
| Total General Fund                  | <u>\$ 28,242,137</u> | <u>\$ 60,628,887</u> | <u>\$ 72,583,922</u> | <u>\$ 84,029,946</u> |
| <b>ALL OTHER GOVERNMENTAL FUNDS</b> |                      |                      |                      |                      |
| Reserved                            | \$ 12,705,195        | \$ 20,331,310        | \$ 8,821,348         | \$ 14,731,211        |
| Unreserved, Reported in:            |                      |                      |                      |                      |
| Special Revenue Funds               | 12,227,418           | 8,235,021            | 11,516,626           | 11,958,553           |
| Capital Project Funds               | <u>46,489,706</u>    | <u>17,985,480</u>    | <u>13,210,539</u>    | <u>24,492,954</u>    |
| Total All Other Governmental Funds  | <u>\$ 71,422,319</u> | <u>\$ 46,551,811</u> | <u>\$ 33,548,513</u> | <u>\$ 51,182,718</u> |

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

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

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

**TABLE III**  
(Continued)

| <u>2001-02</u>       | <u>2002-03</u>       | <u>2003-04</u>       | <u>2004-05</u>       | <u>2005-06</u>       | <u>2006-07</u>        |
|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| \$ 69,785,175        | \$ 53,697,322        | \$ 30,195,115        | \$ 37,871,632        | \$ 61,257,305        | \$ 77,177,037         |
| <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>57,029,523</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> | <u>\$ 134,206,560</u> |
| \$ 20,241,119        | \$ 14,555,545        | \$ 8,542,839         | \$ 10,335,341        | \$ 8,391,978         | \$ 5,885,100          |
| 12,119,328           | 9,211,016            | 20,215,242           | 23,498,926           | 21,745,990           | 24,627,227            |
| <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>17,567,790</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> | <u>\$ 48,080,117</u>  |

## CITY OF MESA, ARIZONA

**TABLE IV**

## CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

## LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

|  | <u>1997-98</u>       | <u>1998-99</u>      | <u>1999-00</u>        | <u>2000-01</u>       |
|--|----------------------|---------------------|-----------------------|----------------------|
| <b>REVENUES</b>  |                      |                     |                       |                      |
| Sales Taxes (1)  | \$ 65,387,803        | \$ 98,109,056       | \$ 105,353,854        | \$ 102,710,563       |
| Occupancy Taxes  | 1,432,234            | 1,433,267           | 1,469,110             | 1,449,997            |
| Special Assessments  | 480,308              | 629,955             | 538,211               | 547,069              |
| Licenses and Permits                                       | 9,306,079            | 17,048,064          | 20,966,327            | 18,530,634           |
| Intergovernmental  | 109,060,868          | 127,228,891         | 132,679,952           | 139,131,708          |
| Charges for Services                                       | 7,215,861            | 9,433,129           | 9,260,179             | 9,122,804            |
| Contributions  | 260,000              | -                   | -                     | -                    |
| Fines and Forfeitures                                      | 6,556,442            | 6,778,743           | 6,645,488             | 8,087,106            |
| Investment Income  | 4,682,417            | 4,589,751           | 4,913,109             | 7,805,680            |
| Loss on Investment in Local<br>Government Investment Pool  | -                    | -                   | -                     | -                    |
| Miscellaneous  | 3,950,907            | 4,733,523           | 4,466,611             | 3,193,930            |
| <b>Total Revenues</b>                                      | <u>208,332,919</u>   | <u>269,984,379</u>  | <u>286,292,841</u>    | <u>290,579,491</u>   |
| <b>EXPENDITURES</b>  |                      |                     |                       |                      |
| General Government   | 22,390,947           | 25,950,817          | 30,495,284            | 32,158,977           |
| Public Safety  | 104,010,364          | 114,122,259         | 131,414,608           | 143,663,306          |
| Cultural-Recreational                                      | 29,700,695           | 36,916,715          | 41,572,154            | 43,370,223           |
| Community Environment                                      | 33,640,993           | 38,232,446          | 41,483,266            | 43,641,860           |
| Debt Service   |                      |                     |                       |                      |
| Principal  | 14,184,141           | 17,979,311          | 20,438,129            | 13,240,354           |
| Interest   | 9,728,343            | 10,690,969          | 11,265,739            | 20,861,188           |
| Issuance Cost on Refunding Bonds                           | -                    | -                   | -                     | -                    |
| Service Charges  | 88,632               | 77,786              | 83,531                | 91,344               |
| Capital Outlay   | 57,670,762           | 69,037,834          | 94,405,447            | 77,341,312           |
| <b>Total Expenditures</b>                                  | <u>271,414,877</u>   | <u>313,008,137</u>  | <u>371,158,158</u>    | <u>374,368,564</u>   |
| Excess of Revenues Over (Under) Expenditures               | (63,081,958)         | (43,023,758)        | (84,865,317)          | (83,789,073)         |
| <b>OTHER FINANCING SOURCES (USES)</b>                      |                      |                     |                       |                      |
| Transfers In   | 63,376,277           | 68,679,296          | 84,683,534            | 94,442,234           |
| Transfers Out  | (27,769,015)         | (28,899,296)        | (36,205,817)          | (40,154,867)         |
| Face Amount of Bonds Issued                                | 49,000,000           | -                   | 19,436,976            | 56,500,000           |
| Premium on Issuance of Bonds                               | 19,930               | -                   | 5,076                 | 10,935               |
| Proceeds from Obligations of                               |                      |                     |                       |                      |
| Capital Leases   | 2,260,000            | 10,760,000          | 15,862,000            | 2,021,000            |
| Proceeds From Refunding Issue                              | 18,233,179           | -                   | -                     | -                    |
| Payment to Refunded Bond Escrow Agent                      | (19,402,650)         | -                   | -                     | -                    |
| <b>Total Other Financing Sources (Uses)</b>                | <u>85,717,721</u>    | <u>50,540,000</u>   | <u>83,781,769</u>     | <u>112,819,302</u>   |
| <b>Net Change in Fund Balances</b>                         | <u>\$ 22,635,763</u> | <u>\$ 7,516,242</u> | <u>\$ (1,083,548)</u> | <u>\$ 29,030,229</u> |
| Debt Service as a percentage of Noncapital<br>Expenditures | 11.23%               | 11.78%              | 11.49%                | 11.51%               |

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

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

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

**TABLE IV**  
(Continued)

|    | <u>2001-02</u>      | <u>2002-03</u>         | <u>2003-04</u>         | <u>2004-05</u>      | <u>2005-06</u>       | <u>2006-07</u>       |
|----|---------------------|------------------------|------------------------|---------------------|----------------------|----------------------|
| \$ | 101,660,597         | \$ 98,434,394          | \$ 105,096,378         | \$ 112,258,968      | \$ 128,372,155       | \$ 155,817,051       |
|    | 1,256,894           | 1,227,044              | 1,320,706              | 1,856,955           | 2,189,830            | 2,389,528            |
|    | 68,388              | 67,313                 | 57,567                 | 4,770               | 4,770                | 416,906              |
|    | 17,441,330          | 15,436,013             | 19,819,170             | 18,817,521          | 23,145,062           | 20,127,674           |
|    | 144,899,946         | 157,187,256            | 149,036,481            | 153,369,074         | 178,553,235          | 190,825,624          |
|    | 9,492,864           | 9,639,690              | 11,152,669             | 13,047,596          | 17,649,718           | 22,039,055           |
|    | -                   | -                      | -                      | -                   | -                    | -                    |
|    | 7,881,541           | 8,421,178              | 8,536,253              | 9,247,469           | 9,049,107            | 10,276,600           |
|    | 3,823,765           | 1,999,483              | 885,188                | 1,353,224           | 4,376,010            | 6,463,111            |
|    | -                   | (3,588,706)            | -                      | -                   | -                    | -                    |
|    | <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>6,365,625</u>     |
|    | <u>292,227,854</u>  | <u>295,027,870</u>     | <u>301,173,337</u>     | <u>319,517,708</u>  | <u>372,972,750</u>   | <u>414,721,174</u>   |
|    | 34,413,634          | 35,314,279             | 36,328,122             | 38,364,301          | 36,730,857           | 40,661,807           |
|    | 152,211,510         | 160,151,434            | 166,576,022            | 182,224,448         | 190,761,508          | 210,541,969          |
|    | 45,139,625          | 46,940,164             | 47,366,458             | 54,761,753          | 56,187,938           | 54,711,334           |
|    | 48,793,335          | 48,643,271             | 51,520,603             | 56,953,311          | 60,079,827           | 65,314,260           |
|    | 20,844,687          | 20,548,390             | 7,145,591              | 7,692,222           | 8,857,085            | 8,357,577            |
|    | 13,482,328          | 13,551,752             | 14,081,131             | 15,369,204          | 16,181,484           | 18,150,710           |
|    | -                   | -                      | -                      | -                   | 234,487              | -                    |
|    | 98,891              | 74,345                 | 62,131                 | 61,994              | 55,510               | 56,768               |
|    | <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>77,474,595</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>   | <u>475,269,020</u>   |
|    | (113,272,364)       | (136,451,583)          | (103,730,616)          | (98,301,660)        | (75,432,921)         | (60,547,846)         |
|    | 98,319,124          | 100,545,246            | 98,213,698             | 104,642,640         | 106,253,593          | 99,900,805           |
|    | (38,779,124)        | (40,765,246)           | (27,993,698)           | (28,065,640)        | (32,339,810)         | (33,233,233)         |
|    | 51,175,000          | 49,370,000             | 9,585,000              | 21,930,000          | 26,410,000           | 30,681,840           |
|    | 134,318             | 145,133                | -                      | 640,258             | 2,003,565            | 573,254              |
|    | 2,448,000           | 4,899,000              | 9,322,015              | 6,746,097           | 6,401,832            | 6,911,382            |
|    | 26,333,383          | 84,292,722             | 139,441,539            | 26,420,341          | 25,482,000           | -                    |
|    | <u>(26,333,383)</u> | <u>(84,875,410)</u>    | <u>(138,661,071)</u>   | <u>(26,156,314)</u> | <u>(27,474,833)</u>  | <u>-</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>104,834,048</u>   |
| \$ | <u>24,954</u>       | \$ <u>(22,840,138)</u> | \$ <u>(13,823,133)</u> | \$ <u>7,855,722</u> | \$ <u>31,303,426</u> | \$ <u>44,286,202</u> |
|    | 10.93%              | 10.51%                 | 6.59%                  | 6.51%               | 6.86%                | 6.68%                |

CITY OF MESA, ARIZONA

**TABLE V**

SALES TAX COLLECTIONS BY CATEGORY  
LAST TEN FISCAL YEARS

|                        | <u>1997-98</u>              | <u>1998-99 (1)</u>          | <u>1999-00</u>               | <u>2000-01 (2)</u>           |
|------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| Utilities              | \$ 3,656,135                | \$ 5,138,855                | \$ 5,554,088                 | \$ 5,938,529                 |
| Communications         | 1,694,768                   | 2,778,108                   | 3,171,604                    | 3,576,769                    |
| Publishing             | 988,751                     | 1,503,482                   | 1,552,012                    | 1,576,120                    |
| Printing & Advertising | 256,482                     | 374,040                     | 434,722                      | 411,049                      |
| Contracting            | 6,515,395                   | 10,678,631                  | 13,639,634                   | 14,415,520                   |
| Retail Sales           | 39,920,739                  | 59,583,841                  | 61,434,089                   | 55,557,307                   |
| Restaurants & Bars     | 4,013,970                   | 5,950,334                   | 6,262,220                    | 6,774,683                    |
| Amusements             | 606,200                     | 868,952                     | 932,541                      | 1,027,591                    |
| Rentals                | 7,672,219                   | 11,145,886                  | 12,275,886                   | 13,352,281                   |
| Miscellaneous          | <u>63,144</u>               | <u>86,927</u>               | <u>97,058</u>                | <u>80,714</u>                |
| <b>Total</b>           | <b>\$ <u>65,387,803</u></b> | <b>\$ <u>98,109,056</u></b> | <b>\$ <u>105,353,854</u></b> | <b>\$ <u>102,710,563</u></b> |
| City Direct Tax Rate   | 1.00%                       | 1.50%                       | 1.50%                        | 1.50%                        |

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

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

Source: City of Mesa Tax & Licensing Division

**TABLE V**  
(Continued)

|    | <u>2001-02</u>     | <u>2002-03</u>       | <u>2003-04</u>        | <u>2004-05</u>        | <u>2005-06</u>        | <u>2006-07</u>     |
|----|--------------------|----------------------|-----------------------|-----------------------|-----------------------|--------------------|
| \$ | 5,988,972          | \$ 5,912,385         | \$ 6,762,032          | \$ 6,692,042          | \$ 7,539,420          | 9,116,291          |
|    | 3,771,511          | 3,574,953            | 3,164,951             | 3,241,465             | 2,839,438             | 3,939,497          |
|    | 1,594,079          | 1,530,906            | 1,470,008             | 1,564,309             | 1,792,345             | 1,963,330          |
|    | 418,108            | 384,241              | 378,322               | 367,306               | 453,958               | 477,939            |
|    | 14,146,743         | 11,333,545           | 12,454,780            | 12,073,940            | 14,580,722            | 21,424,371         |
|    | 54,461,048         | 54,110,533           | 58,588,455            | 64,266,464            | 74,420,542            | 85,014,600         |
|    | 7,029,557          | 7,176,167            | 7,749,295             | 8,483,650             | 9,417,798             | 11,725,779         |
|    | 1,005,956          | 974,633              | 1,029,101             | 1,071,285             | 1,210,343             | 1,456,808          |
|    | 13,156,005         | 13,323,813           | 13,399,200            | 14,380,416            | 15,786,032            | 20,533,854         |
|    | 88,618             | 113,218              | 100,234               | 118,091               | 331,557               | 164,582            |
| \$ | <u>101,660,597</u> | <u>\$ 98,434,394</u> | <u>\$ 105,096,378</u> | <u>\$ 112,258,968</u> | <u>\$ 128,372,155</u> | <u>155,817,051</u> |
|    | 1.50%              | 1.50%                | 1.50%                 | 1.50%                 | 1.50%                 | 1.75%              |

CITY OF MESA, ARIZONA

**TABLE VI**

DIRECT AND OVERLAPPING SALES TAX RATES  
LAST TEN FISCAL YEARS

|         | <b>City<br/>Direct<br/>Rate</b> | <b>Maricopa<br/>County</b> | <b>State of<br/>Arizona</b> |
|---------|---------------------------------|----------------------------|-----------------------------|
| 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                        |
| 2006-07 | 1.75                            | 0.70                       | 5.60                        |

Source: City of Mesa Tax & Licensing Division

CITY OF MESA, ARIZONA

**TABLE VII**

RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS

| Year | Governmental Activities  |   |                            |                          |                | Utility System Revenue Bonds |
|------|--------------------------|---|----------------------------|--------------------------|----------------|------------------------------|
|      | General Obligation Bonds | Municipal Development Corporation Bonds | Highway User Revenue Bonds | Special Assessment Bonds | Capital Leases |                              |
| 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                  |
| 2007 | 223,115,128              | 9,970,000                               | 142,460,000                | 8,797,840                | 22,988,632     | 723,185,000                  |

(1) Information on personal income and population is presented on Table XII.  
Personal income information not available for years 1998, 1999 & 2001.

**TABLE VII**  
(Continued)

| <b>Business-type Activities</b>         |  |                          |                           |   |  |                           |
|---|--|--------------------------|---------------------------|---|--|---------------------------|
| <b>General<br/>Obligation<br/>Bonds</b> | <b>Municipal<br/>Development<br/>Corporation<br/>Bonds</b> | <b>Notes<br/>Payable</b> | <b>Capital<br/>Leases</b> | <b>Total<br/>Primary<br/>Government</b> | <b>Percentage<br/>of Personal<br/>Income (1)</b> | <b>Per<br/>Capita (1)</b> |
| \$ 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                     |
| 3,289,872                               | 5,100,000  | 589,462                  | 2,869,497                 | 1,142,365,431                           | 10.54  | 2,483                     |

CITY OF MESA, ARIZONA

**TABLE VIII**

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

| Year | General Bonded Debt Outstanding    |                                |                             |                                  | Percentage<br>Of<br>Secondary<br>Assessed<br>Value | Per<br>Capita (3) |
|------|------------------------------------|--------------------------------|-----------------------------|----------------------------------|--|-------------------|
|      | Secondary<br>Assessed<br>Value (2) | General<br>Obligation<br>Bonds | Less:<br>Current<br>Portion | Net<br>General<br>Bonded<br>Debt |  |                   |
| 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            |
| 2007 | 3,083,070,290                      | 227,065,000                    | 660,000                     | 226,405,000                      | 7.34   | 492.02            |

(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, 2007

| <u>Governmental Unit</u>                                | <u>Debt<br/>Outstanding (2)</u> | <u>Proportion Applicable<br/>to the City of Mesa</u> |                              |
|---|---------------------------------|--|------------------------------|
|   |                                 | <u>Percent (3)</u>                                   | <u>Amount</u>                |
| <b>Debt repaid with property taxes</b>                  |                                 |  |                              |
| Maricopa County   | -0-                             | 8.49   | -0-                          |
| Maricopa County Community College District              | 609,320,000                     | 8.49   | 51,731,268                   |
| 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                      | 260,675,000                     | 85.80  | 223,659,150                  |
| Gilbert Unified School District                         | 124,210,000                     | 26.48  | 32,890,808                   |
| Queen Creek Unified School District No. 95              | 34,165,000                      | 16.84  | 5,753,386                    |
| Higley Elementary School District No. 60                | 30,400,000                      | 2.24   | 680,960                      |
| Tempe Union High School District No. 213                | 135,925,000                     | 0.28   | 380,590                      |
| Tempe Elementary School District No. 3                  | 92,850,000                      | 0.62   | 575,670                      |
| East Valley Institute of Technology<br>District No. 401 | -0-                             | 19.57  | -0-                          |
| <b>Other Debt:</b>                                      |                                 |  |                              |
| Maricopa County   | 236,040,000                     | 8.81   | <u>20,795,124</u>            |
| Subtotal, overlapping debt                              |                                 |  | 336,466,956                  |
| <b>City direct debt</b>                                 |                                 |  | <u>\$ 409,934,267</u>        |
| <b>Total Direct and Overlapping Debt</b>                |                                 |  | <u><u>\$ 746,401,223</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 2006/07 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>1997-98</u>        | <u>1998-99</u>        | <u>1999-00</u>        | <u>2000-01</u>        |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>6% Limitation</b>  |                       |                       |                       |                       |
| Legal Debt Limitation Equal to<br>6% of Assessed Valuation  | \$ 88,248,869         | \$ 92,490,203         | \$ 103,610,929        | \$ 115,194,950        |
| Total Net Debt Applicable to 6% Limit   | <u>61,644,000</u>     | <u>61,304,000</u>     | <u>64,340,000</u>     | <u>86,180,000</u>     |
| Margin Available for Future<br>General Obligation Bond Issues<br>for 6% Bonds                     | <u>\$ 26,604,869</u>  | <u>\$ 31,186,203</u>  | <u>\$ 39,270,929</u>  | <u>\$ 29,014,950</u>  |
| Total Net Debt Applicable to the<br>6% Limit as a Percentage of the<br>6% Legal Debt Limitation   | 69.85%                | 66.28%                | 62.10%                | 74.81%                |
| <b>20% Limitation</b>   |                       |                       |                       |                       |
| Legal Debt Limitation Equal to<br>20% of Assessed Valuation                                       | \$ 294,162,897        | \$ 308,300,675        | \$ 345,369,763        | \$ 383,983,165        |
| Total Net Debt Applicable to 20% Limit  | <u>164,551,000</u>    | <u>132,801,000</u>    | <u>134,650,000</u>    | <u>132,545,000</u>    |
| Margin Available for Future<br>General Obligation Bond Issues<br>for 20% Bonds                    | <u>\$ 129,611,897</u> | <u>\$ 175,499,675</u> | <u>\$ 210,719,763</u> | <u>\$ 251,438,165</u> |
| Total Net Debt Applicable to the<br>20% Limit as a Percentage of the<br>20% Legal Debt Limitation | 55.94%                | 43.08%                | 38.99%                | 34.52%                |
| Total Margin Available  | <u>\$ 156,216,766</u> | <u>\$ 206,685,878</u> | <u>\$ 249,990,692</u> | <u>\$ 280,453,115</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.

**Legal Debt Margin Calculation for Fiscal**

|   |                              |    |
|---|------------------------------|----|
| Secondary Assessed Value                                      |                              | \$ |
|   | <b>6% Bonds (1)</b>          |    |
| Legal Debt Limitation   | \$ 184,984,217               | \$ |
| Debt Applicable to Limit:                                     |                              |    |
| General Obligation Bonds                                      | 22,833,291                   |    |
| Less: Cash With Fiscal Agents                                 | <u>(379,925)</u>             |    |
| Total Net Debt Applicable to Limit                            | <u>22,453,366</u>            |    |
| Margin Available for Future General<br>Obligation Bond Issues | \$ <u><u>162,530,851</u></u> | \$ |
| Total Margin Available  |                              | \$ |

| <u>2001-02</u>               | <u>2002-03</u>               | <u>2003-04</u>               | <u>2004-05</u>               | <u>2005-06</u>               |
|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| \$ 128,578,840               | \$ 136,334,693               | \$ 147,832,694               | \$ 158,889,797               | \$ 175,319,935               |
| <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>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>  |
| 68.63%                       | 75.48%                       | 69.48%                       | 69.28%                       | 65.82%                       |
| \$ 428,596,133               | \$ 454,448,977               | \$ 492,775,647               | \$ 529,632,657               | \$ 584,399,783               |
| <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>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> |
| 27.10%                       | 21.70%                       | 17.90%                       | 17.37%                       | 16.38%                       |
| \$ <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> |

**TABLE X**  
(Continued)

**cal Year 2006-07**

3,083,070,290

**20% Bonds (2)**

616,614,058

204,231,709

(280,075)

203,951,634

412,662,424

575,193,275

**2006-07**

184,984,217

22,453,366

162,530,851

12.14%

616,614,058

203,951,634

412,662,424

33.08%

575,193,275

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     |                |
| 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           |
| 2006-07 | 270,069,593            | 175,941,671        | 94,127,922                             | 340,000      | 29,304,976   | 3.18           |

**Highway User Revenue Fund Revenue Bonds**

|         | Highway User Tax Revenue | Debt Service |            | Coverage Ratio |
|---------|--------------------------|--------------|------------|----------------|
|         |                          | Principal    | Interest   |                |
| 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           |
| 2006-07 | 40,974,923               | 135,000      | 6,401,428  | 6.27           |

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

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

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

**TABLE XI**  
(Continued)

| <b>Special Assessment Bonds</b> |   |                     |                 |                           |
|---------------------------------|---|---------------------|-----------------|---------------------------|
|                                 | <b>Special<br/>Assessment<br/>Collections</b> | <b>Debt Service</b> |                 | <b>Coverage<br/>Ratio</b> |
|                                 |   | <b>Principal</b>    | <b>Interest</b> |                           |
| \$                              | 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                      |
|                                 | 850,926                                       | 343,000             | 357,384         | 1.21                      |

| <b>Municipal Development Corporation Bonds</b> |  |                     |                 |                           |
|--|--|---------------------|-----------------|---------------------------|
|  | <b>Excise<br/>Tax<br/>Revenues (2)</b> | <b>Debt Service</b> |                 | <b>Coverage<br/>Ratio</b> |
|  |  | <b>Principal</b>    | <b>Interest</b> |                           |
| \$   | 127,736,413                            | \$ 780,000          | \$ 131,165      | 140.19                    |
|  | 140,380,913                            | 810,000             | 115,955         | 151.61                    |
|  | 152,316,444                            | 845,000             | 99,755          | 161.22                    |
|  | 147,509,279                            | 875,000             | 82,010          | 154.14                    |
|  | 152,643,664                            | 910,000             | 126,832         | 147.22                    |
|  | 149,774,369                            | 1,755,000           | 910,270         | 56.19                     |
|  | 153,456,415                            | 3,900,000           | 796,250         | 32.68                     |
|  | 162,555,789                            | 3,400,000           | 625,250         | 40.38                     |
|  | 187,580,165                            | 3,900,000           | 479,250         | 42.83                     |
|  | 216,896,723                            | 4,500,000           | -               | 48.20                     |

## 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> |
|-------------|-----------------------|----------------------------|---------------------------------------|-----------------------|-------------------------------------|------------------------------|
| 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                          |
| 2007        | 460,155               | 10,840,791,645             | 23,559                                | 32.9                  | 74,128                              | 2.9                          |

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), 2005-2007 Claritas (estimate)
- (3) 2000-2004 Census Bureau, 2005-2007 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 SEVEN YEARS AGO

| Employer                       | 2007          |      |                                     | 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                         | 4,600         | 3    | 2.39                                | 4,100         | 4    | 2.21                                |
| City of Mesa                   | 3,851         | 4    | 2.00                                | 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                                |
| Empire Southwest Machinery     | 1,025         | 7    | 0.53                                | 1,000         | 8    | 0.54                                |
| Bashas'                        | 1,000         | 8    | 0.52                                | 860           | 9    | 0.46                                |
| The Kroger Company             | 1,000         | 8    | 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                                |
| <b>Total</b>                   | <b>32,406</b> |      | <b>16.80 %</b>                      | <b>33,611</b> |      | <b>18.10</b>                        |

(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 SIX FISCAL YEARS (1)

| <b>Function/Program</b> | <b>2001-02</b> | <b>2002-03</b> | <b>2003-04</b> | <b>2004-05</b> | <b>2005-06</b> |
|-------------------------|----------------|----------------|----------------|----------------|----------------|
| 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             |
| <b>Total</b>            | <b>3,832</b>   | <b>3,795</b>   | <b>3,794</b>   | <b>3,878</b>   | <b>3,742</b>   |

(1) Information from earlier fiscal years not available

Source: City of Mesa Budget and Research Division

**TABLE XIV**  
(Continued)

| <u>2006-07</u> |
|----------------|
| 857            |
| 1,332          |
| 468            |
| 122            |
| 426            |
| 183            |
| 44             |
| 80             |
| 113            |
| 64             |
| 132            |
| 10             |
| 19             |
| <hr/>          |
| <u>3,851</u>   |

CITY OF MESA, ARIZONA

**TABLE XV**

OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS

| <b>Function/Program</b>               | <b>1997-98</b> | <b>1998-99</b> | <b>1999-00</b> | <b>2000-01</b> |
|---------------------------------------|----------------|----------------|----------------|----------------|
| Police                                |                |                |                |                |
| Major Crimes                          | 27,381         | 23,626         | 30,083         | 16,362         |
| Traffic Accidents                     | 14,134         | 14,955         | 12,419         | 16,432         |
| Fire                                  |                |                |                |                |
| Fires                                 | 1,202          | 1,354          | 1,374          | 1,271          |
| Rescue or Emergency                   | 29,214         | 30,464         | 33,016         | 34,405         |
| False Alarms                          | 1,621          | 1,865          | 2,173          | 2,213          |
| Hazardous Conditions                  |                |                |                | 778            |
| Other Calls                           | 6,116          | 6,695          | 7,980          | 7,172          |
| Libraries                             |                |                |                |                |
| Number of Registered Borrowers        | 133,141        | 132,630        | 131,049        | 144,773        |
| Total Attendance                      | 1,335,932      | 1,083,883      | 1,059,912      | 1,054,039      |
| Access to Electronic Resources        | 116,103        | 160,726        | 679,770        | 1,977,527      |
| Electric Connections                  | 15,629         | 15,680         | 15,949         | 15,901         |
| Gas Connections                       | 29,681         | 32,038         | 34,429         | 36,485         |
| Water                                 |                |                |                |                |
| Connections                           | 106,445        | 111,674        | 116,829        | 121,656        |
| Average Daily Consumption (mgd)*      | 85.4           | 87.6           | 90.4           | 87.5           |
| Peak Daily Consumption (mg)**         | 121.21         | 126.39         | 122.82         | 127.14         |
| Wastewater                            |                |                |                |                |
| Connections                           | 88,546         | 93,114         | 98,683         | 130,699        |
| Average Daily Sewage Treatment (mgd)* | 36.8           | 37.7           | 38.7           | 41.7           |
| Solid Waste                           |                |                |                |                |
| Customers Served                      | 92,979         | 108,509        | 121,830        | 129,339        |
| Refuse Collected (tons)               | 213,994        | 233,200        | 227,141        | 241,921        |
| Recyclables Collected (tons)          | 26,931         | 26,700         | 30,380         | 31,783         |
| Green Waste Collected (tons)          |                | 8,600          | 11,658         | 13,706         |
| Falcon Field                          |                |                |                |                |
| Average Number of Aircraft Based      | 854            | 865            | 893            | 904            |
| Aircraft Operations (annual)          | 213,684        | 245,606        | 270,844        | 270,731        |

\* mgd - millions of gallons per day

\*\* mg - millions of gallons

**TABLE XV**  
(Continued)

| <u>2001-02</u> | <u>2002-03</u> | <u>2003-04</u> | <u>2004-05</u> | <u>2005-06</u> | <u>2006-07</u> |
|----------------|----------------|----------------|----------------|----------------|----------------|
| 32,956         | 29,379         | 27,933         | 25,853         | 24,904         | 22,437         |
| 16,572         | 9,593          | 9,562          | 10,121         | 9,205          | 12,184         |
| 1,459          | 1,451          | 1,332          | 1,386          | 1,605          | 1,428          |
| 37,928         | 37,339         | 39,489         | 41,689         | 43,073         | 38,003         |
| 2,067          | 2,073          | 1,999          | 2,021          | 2,595          | 2,875          |
| 1,199          | 557            | 653            | 591            | 676            | 608            |
| 206            | 7,229          | 7,439          | 7,738          | 7,820          | 11,792         |
| 199,563        | 184,647        | 200,461        | 193,722        | 233,836        | 266,839        |
| 1,187,052      | 1,202,947      | 1,183,794      | 1,208,594      | 1,195,075      | 1,161,887      |
| 3,392,101      | 1,027,157      | 1,365,863      | 1,835,867      | 2,307,051      | 3,029,001      |
| 15,911         | 15,797         | 17,945         | 15,652         | 15,806         | 15,723         |
| 38,629         | 40,328         | 42,241         | 45,435         | 48,622         | 50,478         |
| 124,742        | 127,140        | 129,477        | 131,141        | 133,105        | 133,249        |
| 91.9           | 93.5           | 105.3          | 93.6           | 94.5           | 89.6           |
| 132.32         | 141.01         | 132.15         | 137.95         | 131.28         | 128.83         |
| 107,532        | 110,537        | 112,497        | 114,500        | 116,282        | 116,190        |
| 42.1           | 38.7           | 39.3           | 38.9           | 41.8           | 38.1           |
| 135,517        | 140,190        | 109,960        | 114,112        | 113,146        | 115,305        |
| 244,999        | 245,286        | 254,688        | 248,255        | 261,369        | 266,817        |
| 32,924         | 36,282         | 34,141         | 36,264         | 32,869         | 38,660         |
| 13,713         | 15,373         | 16,384         | 16,983         | 17,500         | 18,215         |
| 902            | 930            | 934            | 922            | 924            | 901            |
| 251,702        | 290,902        | 277,088        | 255,069        | 271,295        | 261,623        |

## CITY OF MESA, ARIZONA

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

| <b>Function/Program</b>                          | <b>1997-98</b> | <b>1998-99</b> | <b>1999-00</b> | <b>2000-01</b> |
|--|----------------|----------------|----------------|----------------|
| Police Stations                                  |                |                |                |                |
| Stations   | 4              | 4              | 4              | 4              |
| Vehicular Patrol Units                           | 282            | 243            | 287            | 255            |
| Fire Stations                                    | 15             | 15             | 15             | 15             |
| Libraries  | 3              | 3              | 3              | 3              |
| Parks and Recreation                             |                |                |                |                |
| Developed Parks (acres)                          | 1,066          | 1,077          | 1,082          | 1,089          |
| Undeveloped Acres                                | 1,292          | 1,175          | 1,887          | 1,971          |
| Swimming Pools                                   | 11             | 12             | 13             | 13             |
| Recreation Facilities                            | 6              | 6              | 6              | 6              |
| Community Environment                            |                |                |                |                |
| Streets (miles)                                  |                |                |                |                |
| Paved  | 960            | 1,008          | 1,037          | 1,070          |
| Unpaved  | 12             | 12             | 12             | 12             |
| Storm Sewers (miles)                             | 213            | 225            | 230            | 238            |
| Gas Mains (miles)                                | 802            | 834            | 880            | 909            |
| Water  |                |                |                |                |
| Mains (miles)                                    | 1,605          | 1,674          | 1,707          | 1,758          |
| Storage Capacity (millions of gallons)           | 97             | 97             | 97             | 97             |
| Wastewater                                       |                |                |                |                |
| Mains (miles)                                    | 1,149          | 1,209          | 1,625          | 1,311          |
| Treatment Capacity (millions of gallons per day) | 42             | 42             | 42             | 56             |
| Solid Waste                                      |                |                |                |                |
| Collection Trucks (1)                            |                |                |                |                |
| Golf Courses                                     | 2              | 2              | 2              | 2              |

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

**TABLE XVI**  
(Continued)

| <u>2001-02</u> | <u>2002-03</u> | <u>2003-04</u> | <u>2004-05</u> | <u>2005-06</u> | <u>2006-07</u> |
|----------------|----------------|----------------|----------------|----------------|----------------|
| 4              | 4              | 4              | 4              | 4              | 4              |
| 270            | 421            | 306            | 321            | 285            | 351            |
| 17             | 17             | 17             | 17             | 19             | 17             |
| 3              | 3              | 3              | 3              | 3              | 3              |
| 1,158          | 1,202          | 1,198          | 1,149          | 1,184          | 1,184          |
| 1,947          | 1,932          | 1,228          | 1,230          | 1,251          | 1,251          |
| 13             | 13             | 13             | 12             | 12             | 12             |
| 7              | 6              | 6              | 6              | 6              | 6              |
| 1,094          | 1,132          | 1,152          | 1,160          | 1,162          | 1,169          |
| 12             | 12             | 12             | 12             | 12             | 12             |
| 252            | 271            | 290            | 296            | 298            | 303            |
| 929            | 954            | 998            | 1,037          | 1,121          | 1,147          |
| 1,809          | 1,924          | 1,978          | 2,004          | 2,022          | 2,008          |
| 97             | 97             | 97             | 97             | 117            | 117            |
| 1,356          | 1,454          | 1,496          | 1,512          | 1,522          | 1,544          |
| 56             | 56             | 56             | 56             | 56             | 60             |
|                |                |                | 69             | 78             | 68             |
| 2              | 2              | 2              | 2              | 2              | 2              |

2007



City of Mesa, Arizona

**Comprehensive  
Annual Financial Report**

*For the Fiscal Year Ended June 30, 2007*