

City of Mesa, Arizona



Comprehensive Annual

FINANCIAL REPORT

for the Fiscal Year ended June 30, 2004



City of Mesa, Arizona

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

Janie Thom
Councilmember, District 6

Mike Hutchinson
City Manager

Debra Dollar
Deputy City Manager

Paul Wenbert
Deputy City Manager

Bryan Raines
Financial Services Manager

Issued by

Financial Services Department
P.O. Box 1466
85211-1466
(480) 644.2275
www.cityofmesa.org

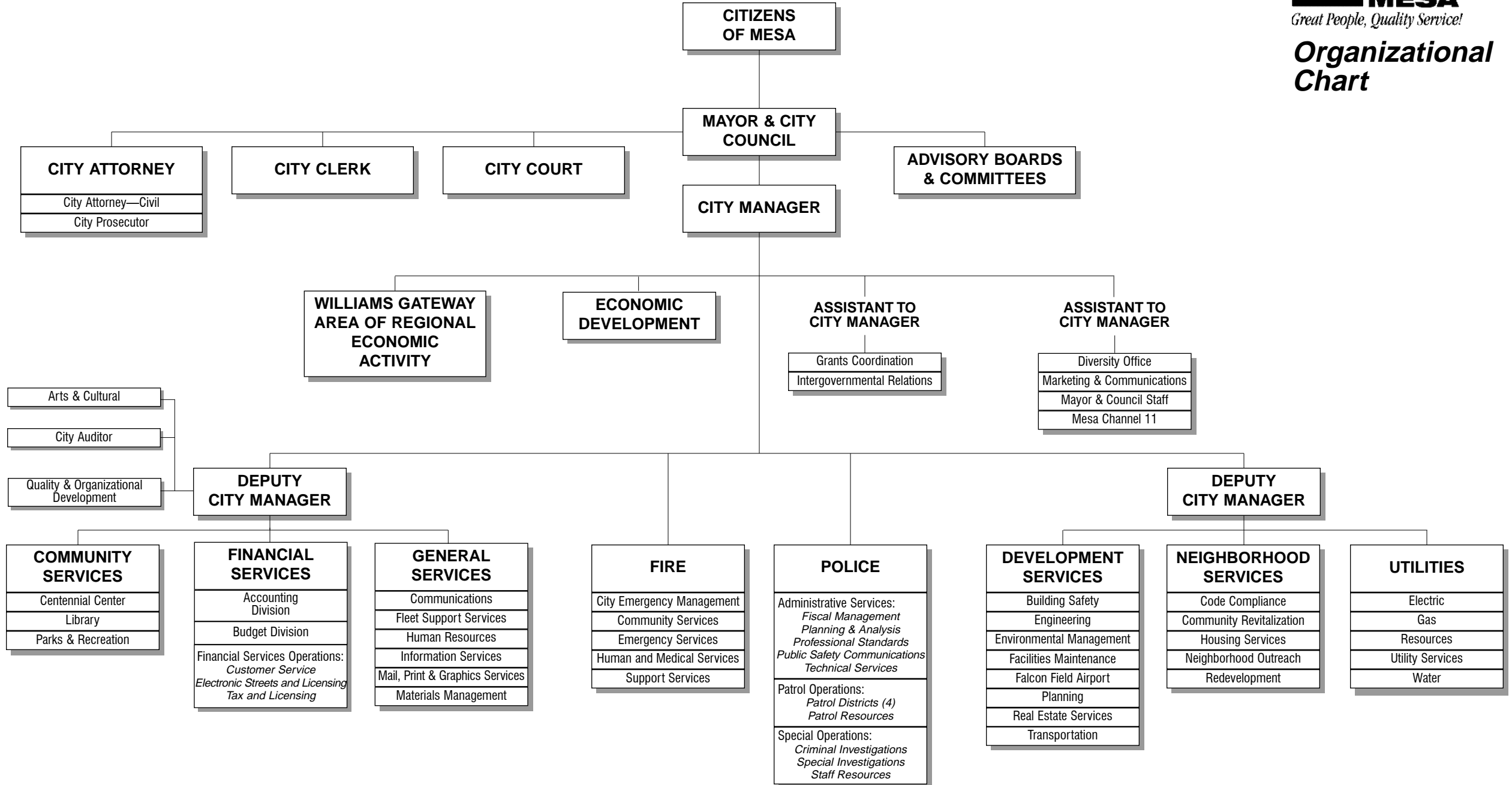
Comprehensive Annual

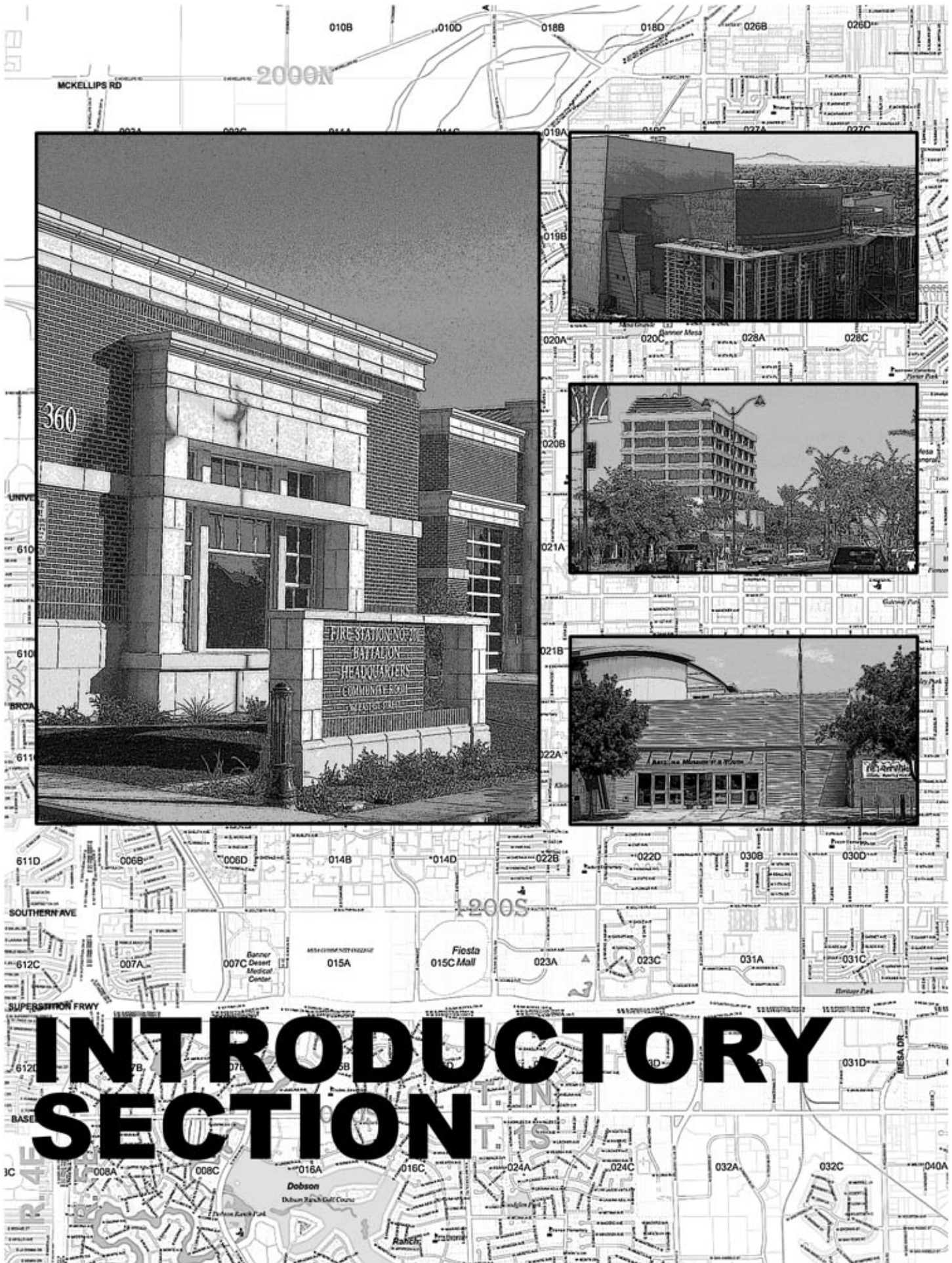
FINANCIAL REPORT

for the Fiscal Year ended June 30, 2004



Organizational Chart





INTRODUCTORY SECTION

TABLE OF CONTENTS

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

TABLE OF CONTENTS (Continued)

	<u>Exhibits</u>	<u>Page</u>
Notes to Combined Financial Statements		
Note 1 - Summary of Significant Accounting Policies		32
Note 2 - Reconciliation of the Governmental Fund Financial Statement to Government-wide Financial Statements		49
Note 3 - Post Employment Benefits		55
Note 4 - Retirement and Pension Plans		55
Note 5 - Long-Term Obligations		60
Note 6 - Demand Bonds		70
Note 7 - Refunding Bonds		71
Note 8 - Lease Obligations Refunding		73
Note 9 - Liabilities to be Paid From Assets Held in Escrow		73
Note 10 - Capital Contributions		75
Note 11 - Commitments and Contingent Liabilities		75
Note 12 - Enterprise Activities Operations Detail		76
Note 13 - Designated Net Assets		77
Note 14 - Joint Ventures		77
Required Supplementary Information		
Budgetary Comparison Schedules – General Fund and Major Special Revenue Funds:		
General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis)	B-1	80
Highway User Revenue Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis)	B-2	81
Note to Required Supplementary Information		82
Combining Financial Statements		
Non-major Governmental Funds		
Combining Balance Sheet	C-1	83
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	C-2	84
Non-major Special Revenue Funds		
Combining Balance Sheet	C-3	85
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	C-4	87
Non-major Debt Service Funds		
Combining Balance Sheet	C-5	89
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	C-6	91

TABLE OF CONTENTS (Continued)

	<u>Exhibits</u>	<u>Page</u>
Combining Financial Statements (Continued)		
Non-major Capital Project Funds		
Combining Balance Sheet	C-7	93
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	C-8	95
Internal Service Funds		
Combining Statement of Net Assets	C-9	97
Combining Statement of Revenues, Expenses and Changes in Net Assets	C-10	99
Combining Statement of Cash Flows	C-11	101
Agency Funds		
Combining Statement of Changes in Assets and Liabilities	C-12	103
Supplemental Information		
Budgetary Comparison Schedules – General Fund and Major Governmental Funds		
General Fund Schedule of Expenditures by Program – Budget and Actual (Budget Basis)	D-1	104
Highway User Revenue Fund Schedule of Expenditures by Program – Budget and Actual (Budget Basis)	D-2	106
Budgetary Comparison Schedules – Other Non-major Governmental Funds		
Non-major Special Revenue Funds Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis)	D-3	107
Non-major Special Revenue Funds Schedule of Expenditures by Program - Budget and Actual (Budget Basis)	D-4	113
Non-major Capital Project Funds Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis)	D-5	116
Budgetary Comparison Schedules – Proprietary Funds		
Enterprise Fund Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual (Budget Basis)	D-4	117
Enterprise Fund Reconciliation of Budget to GAAP Changes in Net Assets	D-5	118
Internal Service Funds Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual (Budget Basis)	D-6	119
Internal Service Funds (Management Budgeted Only) Schedule of Revenues Expenses and Changes in Net Assets – Budget to Actual (Budget Basis)	D-7	120
Internal Service Funds Reconciliation of Budget to GAAP Changes in Net Assets	D-8	124

	<u>Exhibits</u>	<u>Page</u>
Capital Assets Used in the Operation of Governmental Funds		
Capital Assets Used in the Operation of Governmental Funds, Schedule by Source	D-11	125

SECTION III - STATISTICAL SECTION

General Governmental, Enterprise and Internal Service Expenditures By Function - Last Ten Fiscal Years (GAAP Basis)	I	126
General Governmental and Enterprise Expenditures By Function - Last Ten Fiscal Years (Budget Basis)	IA	128
Revenues By Source and Fund - Last Ten Fiscal Years (GAAP Basis)	II	130
Revenues By Source and Fund - Last Ten Fiscal Years (Budget Basis)	IIA	132
General Revenues By Source - Last Ten Fiscal Years (Budget Basis)	III	134
Tax Revenues By Source - Last Ten Fiscal Years (Budget Basis)	IV	136
Assessed and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	V	138
Property Tax Rates and Tax Levies (Direct and Overlapping Governments) - Last Ten Fiscal Years	VI	140
2003-04 Property Tax Levies Applicable to Mesa Property Owners - City, County and State Schools	VII	142
Special Assessment Collections - Last Ten Fiscal Years	VIII	143
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita - Last Ten Fiscal Years	IX	144
Computation of Direct and Overlapping Bonded Debt and Assessed Valuation, June 30, 2004	X	145
Principal Requirements to Maturity – General Obligation Bonds	XI	146
Computation of Legal Debt Margin - General Obligation Bonds	XII	147
Ratio of Annual Debt Service Expenditures For General Bonded Debt to Total General Expenditures - Last Ten Fiscal Years	XIII	148
Schedule of Revenue Bond Coverage (Electric, Gas, Water, Wastewater and Solid Waste Systems) - Last Ten Fiscal Years	XIV	149
Demographic Statistics	XV	150
Building Permits, Construction, Property Value and Bank Deposits	XVI	151
Miscellaneous Statistical Data	XVII	152



November 9, 2004

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, 2004 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 Deloitte & Touche, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City’s for the fiscal year ended June 30, 2004, 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, 2004, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor’s report is presented as the first component of the financial section of this report.

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

(Continued)

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

Profile of the City

The City was founded in 1878 and incorporated July 15, 1883 with an approximate population of 300 and an area of one square mile. Today, the City's estimated population is over 445,000 within an area of approximately 129 square miles. The City is the 40th largest city in the United States as well as the third largest in the State of Arizona and is located 16 miles east of Phoenix, the State Capitol. The City operates under a charter form of government with citizens electing a Mayor and six Councilmembers to set policy for the City. City Councilmembers are elected from districts and serve terms of four years, with three members being elected every two years. The Mayor is elected at-large every four years. The Mayor and Council are elected on a non-partisan basis, and the Vice Mayor is selected by the City Council.

The Mayor and City Council are responsible for appointing the City Manager, City Attorney, City Clerk and the Presiding City Magistrate. The City Manager has full responsibility for carrying out City Council policies and administering City operations and is responsible for the hiring of City employees. Hiring of the City's Department Managers requires concurrence of the City Council. Additionally, City employees are hired under merit system procedures as specified in the City Charter. A staff of 3,794 full-time City employees working within eleven different City departments undertakes the various functions of Mesa's city government and its operations.

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

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

The annual budget serves as the foundation for the City's financial planning and control. Each year, the City Manager issues a budget calendar giving specific completion dates for various phases of the budget preparation process. The final adoption of the operating budget is by ordinance.

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

(Continued)

The legally adopted budget consists of all funds except Agency, Property and Public Liability, Workers' Compensation, and Employee Benefit Self-Insurance. Capital Projects (both General Government and Proprietary) are budgeted as one item (as shown in Exhibit D-3). General Government debt service expenditures are budgeted in the General Fund and Special Revenue Funds. A Budget is established, however, for management purposes for the three Self-Insurance Funds. Budget schedules for the major governmental funds (General and Highway User Revenue Fund) are presented in the Required Supplementary Section, and the Other Funds are located in the Supplementary Information Section.

Factors Affecting Financial Condition

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

Local Economy

The City experienced positive economic growth during this past year. Evidence of the City's growing economy can be found in the construction and sales tax areas. During fiscal year 2003-04, the City issued 1,689 new residential building permits, a decrease of 806 permits issued during the previous fiscal year. The corresponding dollar valuation associated with these permits decreased from \$390.8 million in fiscal year 2002-03 to \$360.6 million this past fiscal year.

Revenues subject to City sales tax increased when compared to the previous fiscal year reflecting a 6.6 percent growth. Sales tax receipts from construction activity grew by 9.79 percent during the past year, compared to the prior year when taxable sales from construction activity decreased by 20.2 percent.

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

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

(Continued)

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

Major Initiatives

The City was able to take advantage of low interest rates by refunding existing debt to help meet the challenges of providing services to a growing community. During fiscal year 2003-04, the City completed three refundings that provided savings in future debt service payments of approximately \$3 million.

In addition to the refundings, the City has taken other action to address the shortfall in revenues that the city is experiencing from the current recession. This includes a selective hiring freeze, delays or reduction in scope of various capital projects and decreases in travel, training and equipment budgets.

Despite the current economic conditions, the City realized a number of major accomplishments the past fiscal year. Some of these accomplishments were:

- The City initiated development of the Greenfield Water Reclamation Plant. Located in the Town of Gilbert this plant is being developed by the City of Mesa under the joint ownership of the Towns of Gilbert and Queen Creek and the City of Mesa. The first phase of this 16 millions-gallon-per-day facility is scheduled to be operational in December 2006.
- Voters approved eight separate bond measures totaling \$330,850,000, updates to a variety of Charter provisions and a four-year extension of the City's Home Rule budget authority.
- A project to increase the capacity of the City's Central Arizona Project (CAP) Water Treatment Plant from 48 to 72 millions-gallon-per-day was initiated. This project is scheduled for completion in March 2006.
- In November 2003 the City's new utility billing system designated as the Customer Information System (CIS) became operational. As a replacement for the previous legacy system, the CIS represents the largest integrated system ever implemented by the City of Mesa. With this system customers will see a variety of billing improvements including the ability to pay-by-phone or over the internet, select a preferred billing date, and request large print or a utility bills in Spanish.

(Continued)

- Attendance at the City owned, Spring Training, home of the Chicago Cubs set Major League spring training attendance records with 187,692 fans over their 16 dates surpassing the previous record of 172,254 set by the New York Yankees in 1996.
- During the year construction of the new Mesa Arts Center continued to move closer to completion. Funded through a combination of Quality-of-Life sale tax revenues, Cultural impact fees and private contributions, this \$94.5 million, 200,000 square foot performing and visual arts center is nearing completion. The facility, which will include four theaters, is planned to open in 2005.
- The City continues to provide new or expanded facilities to meet customer service needs. During the fiscal year ending June 2004 the City dedicated the Fire Station 201 project which houses three response units and one battalion office and also includes a park-like open space with lighted pathways and a community room that can be served for neighborhood meetings. A new, updated Transportation Operations Center and staff office facility was also opened at the City's 6th Street Service Center facility.

Long-term Financial Planning

As a result of the economic downturn over the past several years, City departments have reduced their operating budgets, staffing and service levels and/or frequencies.

The City has implemented a long-range financial forecast system designed to assist the City Council and City Management in making informed financial decisions. This system provides essential information necessary for making decisions about the City's financial future and whether or not a particular course of action is financially appropriate and sustainable over time. Initially developed as a seven-year financial forecast designed to coincide with the City's Capital Improvement Program, the ultimate extension of the forecast system to a 25-year horizon will allow the City to look at the future towards build-out.

Overwhelmingly approved by residents in November 2002, Mesa's General Plan update *Mesa 2025: A Shared Vision* provides a long-range vision for the City beyond the scope of the typical two-year municipal budget. The vision outlined in this plan is designed to ensure that the City's growth does not inhibit its ability to be a well-thought-out, sustainable community 25 to 50 years from now.

Utilizing the capabilities of the forecasting system to model the vision outlined in the General Plan update, the City has initiated an intensive City Council/Citizen committee process designed to review and make recommendations relating to the future financial and service structure of the City. Designated as *Mesa 2025: Financing the Future*, the members of this committee will become conversant in the basic financial operations of the City allowing them ultimately to formulate recommendations that will be considered by the entire City Council as to potential changes to the City's future revenue streams and/or expenditure plans. This process is anticipated to continue well into 2005 with aims towards presenting items to the March 2006 primary election ballot if necessary.

(Continued)

Cash Management Policies and Practices

The principal investment vehicle utilized by the City during the past fiscal year was participation in the Local Government Investment Pool of the Arizona State Treasurer's Office. Other securities in which the City invests includes collateralized certificates of deposit, repurchase agreements, obligations of the U.S. government and its agencies, and obligations of the State of Arizona and its counties, incorporated cities, towns or duly organized school districts.

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. All collateral on deposits was held either by the City, its agent or a financial institution's trust department in the City's name. For further detail on the City's investments as of June 30, 2004, see Note 1.f. to the basic financial statements.

Risk Management

The City has been largely self-insured for many years in the following areas: 1) Property and Public Liability; 2) Worker's Compensation; and 3) Employee Benefits (medical, dental and optical insurance coverage for employees).

The City is self-insured for all public risks up to a maximum of \$3,000,000 per occurrence for the current policy year under the Property and Public Liability Insurance Program. In addition, the City carries full property insurance with a \$50,000 per occurrence deductible. Under the Worker's Compensation Program, the City is subject to a maximum of \$500,000 liability per occurrence. In the Employee Benefit Fund, the City has excess insurance coverage when total claims exceed 125 percent of the contracted projected claims for the policy year. Additionally, individual excess insurance applies when an individual's claim exceeds \$150,000 per contract year. For further details on the City's self-insurance internal service funds, see Note 1.o. to the basic financial statements.

Pension and Other Post-Employment Benefits

All full-time employees of the City are covered by one of three pension plans. The 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 Retirement System that is an agent multiple-employer plan. In addition, the Mayor and Councilmembers contribute to the State's Elected Officials plan that is also a multiple-employer cost-sharing pension plan.

The City also provides post-retirement health and dental care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were approximately 860 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. Accounting principles generally accepted in the United States of America do not require governments to

(Continued)

report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information on the City's pension arrangements and post-employment benefits can be found in Notes 3 and 4 in the notes to the basic financial statements.

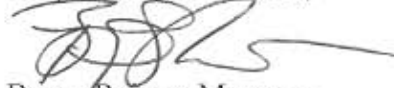
Awards and Acknowledgements

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, 2003. This was the twenty-second 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 Raines, Manager
Financial Services Department

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Mesa,
Arizona

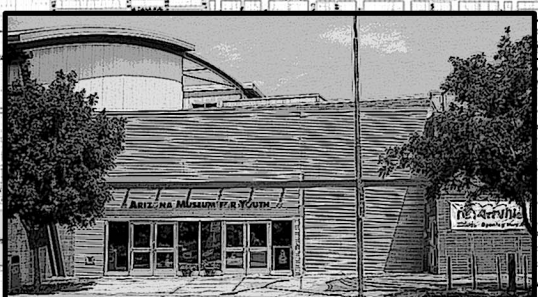
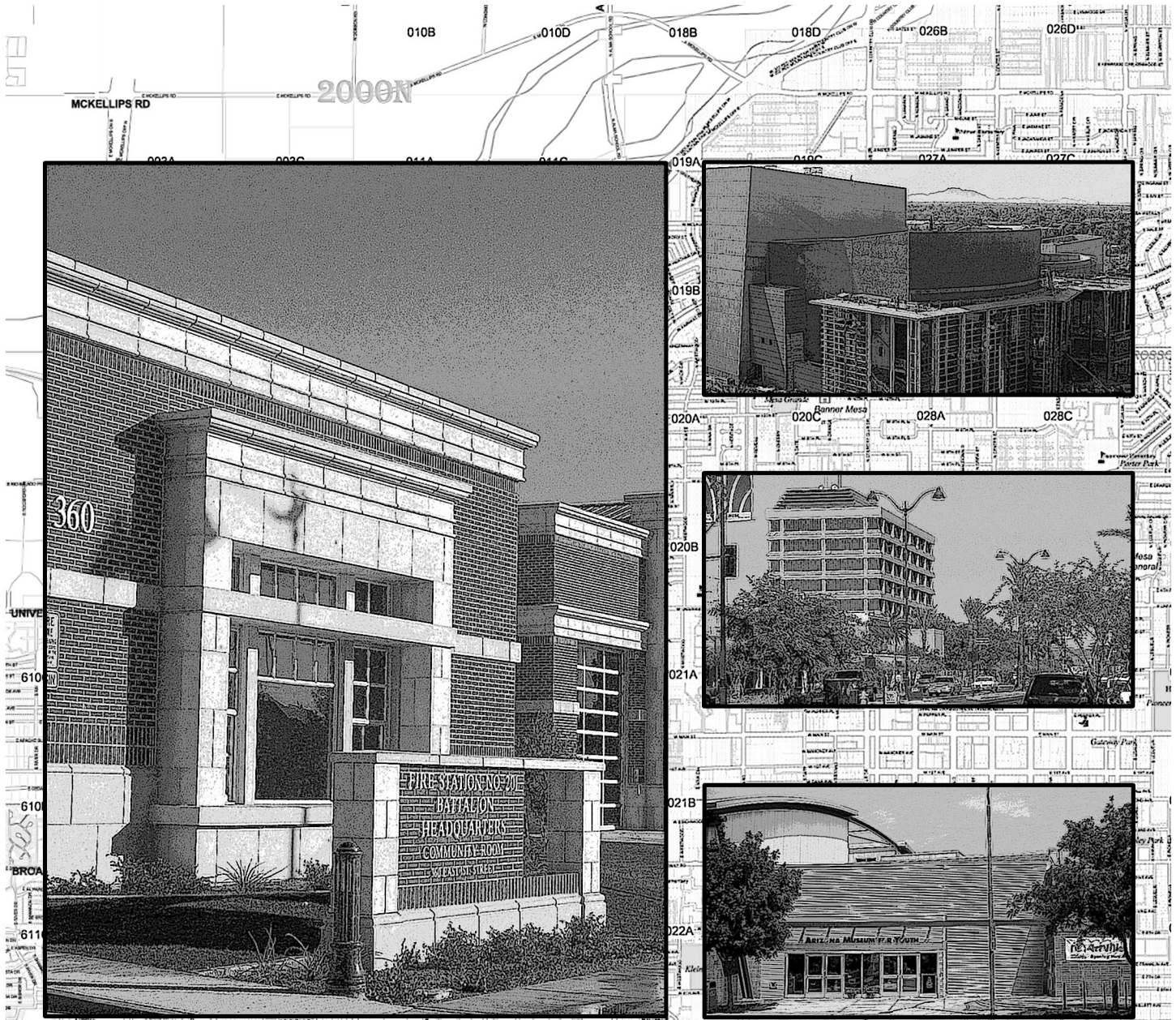
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

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



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Honorable Mayor
Members of the City Council
City of Mesa
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 as of and for the year ended June 30, 2004, 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 of Mesa's management. Our responsibility is to express an opinion on the respective 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 respective financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements. An audit also includes assessing the accounting principles used and 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Mesa, Arizona as of June 30, 2004, and the respective changes in financial position and respective 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 and budgetary comparison information as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the City's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the City's respective financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, non-major budgetary schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of the City of Mesa's management. The combining and individual nonmajor fund financial statements and budgetary schedules have been subjected to the auditing procedures applied by us 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 tables 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 November 9, 2004 on our consideration of the City's internal control over financial reporting and our tests of its compliance and other matters. The purpose of that report is to describe the scope of our 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 read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

November 9, 2004

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, 2004. 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–XI, 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 \$84.1 million in fiscal year 2004, a \$56.3 million increase in the governmental activities and \$27.8 million increase in the business-type activities. Total net assets of the City are \$1.620 billion, of which \$262.2 million are unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors compared to \$1.536 billion, of which \$235.5 was unrestricted for fiscal year 2003. However, \$171.7 million of the unrestricted net assets are invested in joint ventures for fiscal year 2004 compared to \$156.7 million for fiscal year 2003.
- Total governmental activities program and general revenues increased \$43.6 million (14%) from \$311.4 million to \$355.1 million, while the total governmental activities expenses increased by \$25.4 million (7.4%) from \$341.1 million to \$366.5 million.
- Total business-type activities program and general revenues decreased by \$35.8 million (12%) from \$302 million to \$266.2 million, while the business-type activities total expenses increased by \$14.9 million (9.6%) from \$155.7 million to \$170.6 million.
- As of the end of fiscal year 2004, the City's governmental funds reported a combined ending fund balance of \$98.6 million, a \$13.8 million decrease from the previous year. A complete reconciliation of the governmental funds' fund balance to the governmental activities' net assets is on page 24.
- At the end of the fiscal year, the City's unreserved fund balance for the General Fund was \$25.8 million, or 8.5% of total General Fund expenditures, compared to \$11.3 million, or 3.8% of total General Fund expenditures the previous year.

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 and community center. 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 49-54).

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 benefit 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 97–102).

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 32–79) 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 80.

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, 2004 and as of and for the year ended June 30, 2003.

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, 2004 and 2003.

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

	Governmental		Business-type		Total		Change	
	Activities		Activities		Primary Government		Dollars	Percent
	2004	2003	2004	2003	2004	2003		
Cash and Other Assets	\$ 175,435	\$ 207,379	\$ 307,340	\$ 257,494	\$ 482,775	\$ 464,873	\$ 17,902	3.85 %
Capital Assets	1,118,095	1,030,471	983,385	936,181	2,101,480	1,966,652	134,828	6.86
Total Assets	<u>1,293,530</u>	<u>1,237,850</u>	<u>1,290,725</u>	<u>1,193,675</u>	<u>2,584,255</u>	<u>2,431,525</u>	<u>152,730</u>	6.28
Non-current Liabilities,								
Outstanding	351,309	336,874	500,720	436,796	852,029	773,670	78,359	10.13
Other Liabilities	54,987	70,031	57,495	52,208	112,482	122,239	(9,757)	(7.98)
Total Liabilities	<u>406,296</u>	<u>406,905</u>	<u>558,215</u>	<u>489,004</u>	<u>964,511</u>	<u>895,909</u>	<u>68,602</u>	7.66
Net Assets:								
Invested in Capital Assets,								
Net of Related Debt	781,519	692,577	451,550	477,878	1,233,069	1,170,455	62,614	5.35
Restricted	61,750	85,299	62,693	44,403	124,443	129,702	(5,259)	(4.05)
Unrestricted	43,965	53,069	218,267	182,390	262,232	235,459	26,773	11.37
Total Net Assets	<u>\$ 887,234</u>	<u>\$ 830,945</u>	<u>\$ 732,510</u>	<u>\$ 704,671</u>	<u>\$ 1,619,744</u>	<u>\$ 1,535,616</u>	<u>\$ 84,128</u>	5.48

In the case of the City, the combined net assets (governmental activities and business-type activities) exceeded liabilities by \$1.62 billion at the close of the most recent year.

The net assets increased \$84.1 million (5.5%) in fiscal year 2004. The governmental activities increased \$56.3 million, a 6.8% increase, while the business-type activities increased \$27.8 million, a 3.9% increase.

The largest portion of net assets (76%) 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.

\$124.4 million of the City's net assets represent resources that are subject to external restrictions on how they may be used. The unrestricted net assets of \$262.2 million may be used to meet the City's ongoing obligations to citizens and creditors. However, \$171.7 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, 2004 and 2003. Certain amounts as presented in the 2003 financial statements have been reclassified to conform to the 2004 presentation.

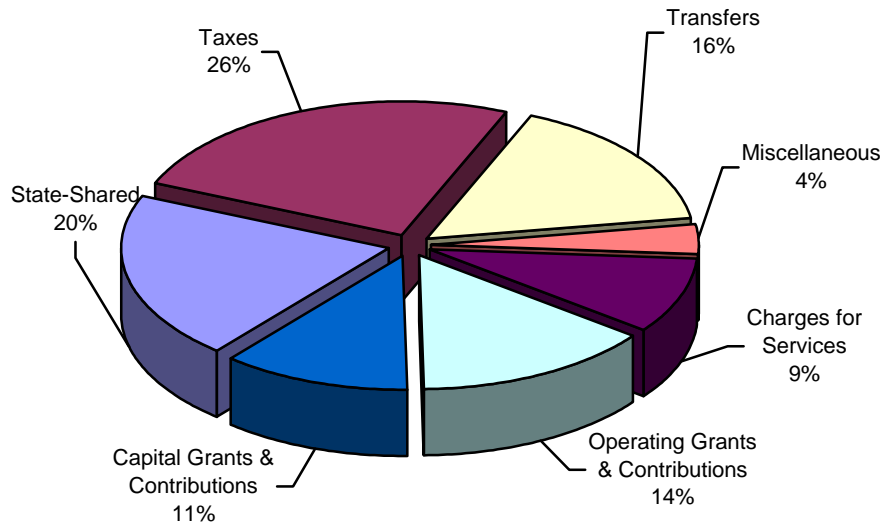
Changes in Net Assets
(In thousands of dollars)

	Governmental		Business-type		Total Primary		Change	
	Activities		Activities		Government		Dollars	Percent
	2004	2003	2004	2003	2004	2003		
REVENUES								
Program Revenues:								
Charges for Services	\$ 39,561	\$ 33,384	\$ 228,633	\$ 206,807	\$ 268,194	\$ 240,191	\$ 28,003	11.66 %
Operating Grants & Contributions	60,346	55,503	248	321	60,594	55,824	4,770	8.54
Capital Grants & Contributions	48,400	25,473	35,374	94,630	83,774	120,103	(36,329)	(30.25)
General Revenues:								
Sales & Occupancy Taxes	106,417	99,658			106,417	99,658	6,759	6.78
State-Shared	85,470	86,900			85,470	86,900	(1,430)	(1.65)
Contributions	8,203	5,363			8,203	5,363	2,840	52.96
Investment Income	1,202	2,499	947	1,231	2,149	3,730	(1,581)	(42.39)
Loss on Investment in LGIP		(4,442)		(1,734)		(6,176)	6,176	100.00
Miscellaneous	5,462	7,109	925	800	6,387	7,909	(1,522)	(19.24)
Total Revenues	355,061	311,447	266,127	302,055	621,188	613,502	7,686	1.25
EXPENSES								
Governmental Activities:								
General Government	44,013	48,919			44,013	48,919	(4,906)	(10.03) %
Public Safety	181,856	169,666			181,856	169,666	12,190	7.18
Cultural-Recreational	53,201	52,778			53,201	52,778	423	0.80
Community Environment	72,984	55,886			72,984	55,886	17,098	30.59
Interest on Long-term Debt	14,491	13,891			14,491	13,891	600	4.32
Business-type Activities:								
Electric			24,390	21,810	24,390	21,810	2,580	11.83
Gas			25,990	22,433	25,990	22,433	3,557	15.86
Water			49,543	46,247	49,543	46,247	3,296	7.13
Wastewater			39,673	36,177	39,673	36,177	3,496	9.66
Solid Waste			21,827	21,737	21,827	21,737	90	0.41
Airport			2,087	1,941	2,087	1,941	146	7.52
Golf Course			2,781	2,297	2,781	2,297	484	21.07
Centennial Center			4,224	3,013	4,224	3,013	1,211	40.19
Total Expenses	366,545	341,140	170,515	155,655	537,060	496,795	40,265	8.10
Increase (decrease) in Net Assets Before Transfers	(11,484)	(29,693)	95,612	146,400	84,128	116,707	(32,579)	(27.92)
Transfers	67,773	59,719	(67,773)	(59,719)	-	-	-	-
Change in Net Assets	56,289	30,026	27,839	86,681	84,128	116,707	(32,579)	(27.92)
Net Assets-Beginning	830,945	800,919	704,671	617,990	1,535,616	1,418,909	116,707	8.23
Net Assets-Ending	\$ 887,234	\$ 830,945	\$ 732,510	\$ 704,671	\$ 1,619,744	\$ 1,535,616	\$ 84,128	5.48

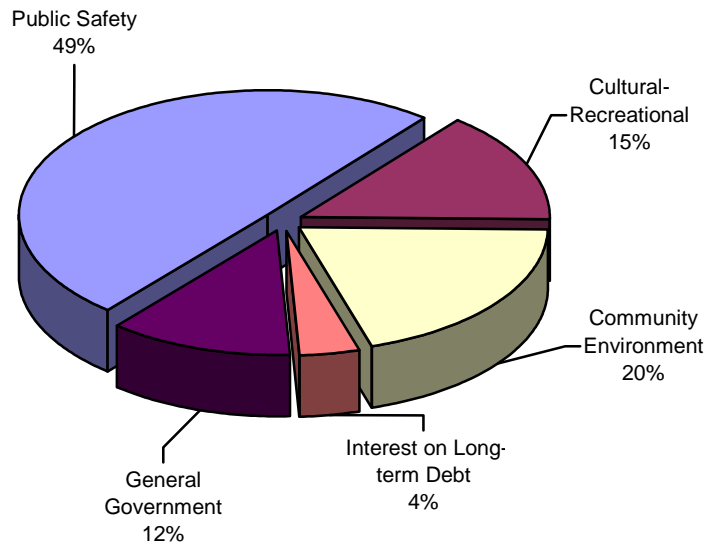
Governmental Activities

As presented in the following two graphs, the largest funding sources, including transfers, for the governmental activities are taxes (26%) and state-shared revenues (20%). The largest users of resources for the governmental activities are Public Safety (49%), Community Environment (20%), Cultural-Recreational (15%), and General Government (12%).

Revenues by Source Including Transfers – Governmental Activities
For the Fiscal Year Ended June 30, 2004

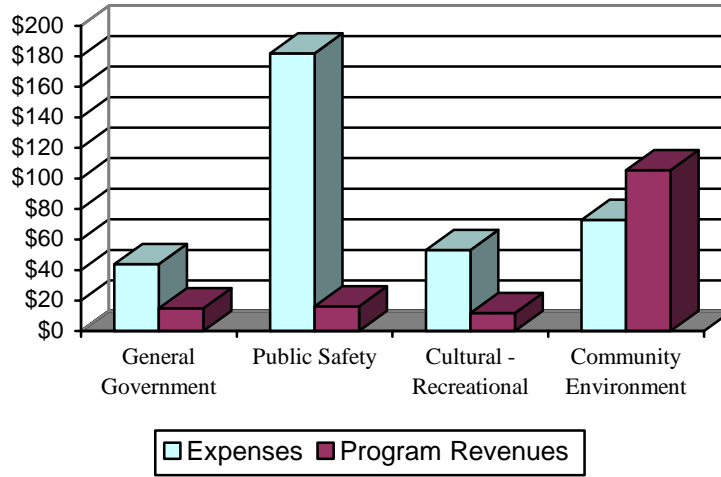


Functional Expenses – Governmental Activities
For the Fiscal Year Ended June 30, 2004



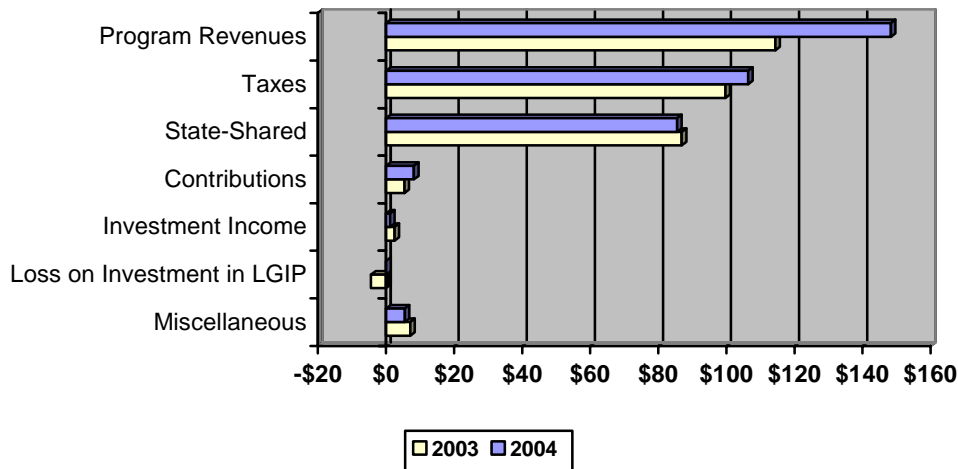
The following graph shows the functional revenues and expenses of the governmental activities to demonstrate the extent to which the governmental functions produce direct revenues to offset the program costs. It should be noted that this is not intended to represent the full cost allocation to these functions. General revenues of the City, including a \$70 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, 2004
(In millions of dollars)



Governmental activities increased the net assets of the City by \$56.3 million accounting for 6.8% of the total growth in the City’s net assets. Governmental activities accounted for 57% of the total revenues and 68% of the total expenses of the City in fiscal year 2004. This compares to 51% of total revenues and 69% of the total expenses in fiscal year 2003.

Governmental Activities Revenues
For Fiscal Years 2003 and 2004
(In millions of dollars)



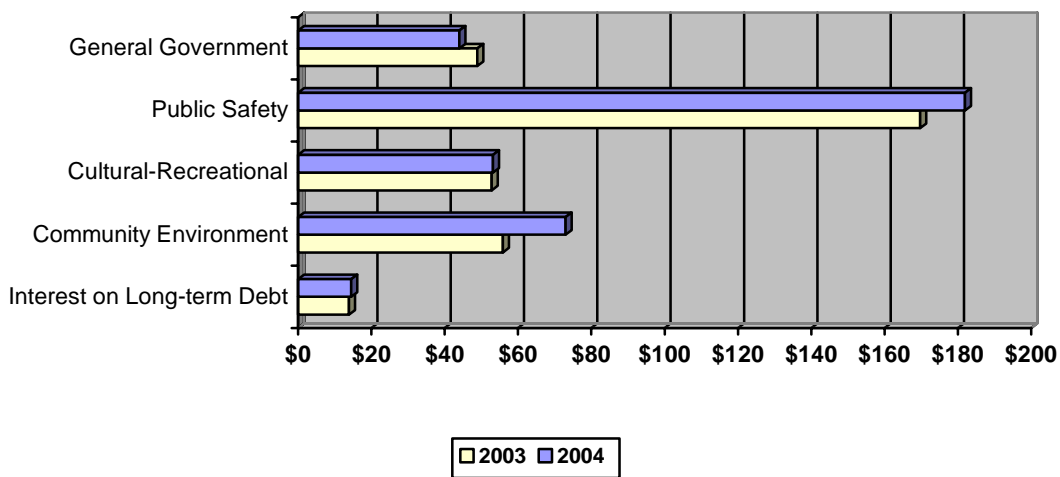
The graph above compares governmental activities revenues from fiscal year 2004 to fiscal year 2003. Total governmental activities revenues increased \$43.6 million (14%) over the previous year. Key factors in this change includes:

- The program revenues (charges for services, grants and contributions that are clearly identifiable to an operating activity) of the governmental activities increased \$33.9 million (29.7%) over the previous year. Most of this increase is related to an additional

\$34.5 million of streets, storm sewers and retention basins contributed by developers over the previous year.

- Taxes increased by \$6.8 million (6.8%) over the previous year, reflecting the economic recovery occurring locally and nationally.
- Investment income decreased by \$1.3 million reflecting both the decrease in interest rates available to the City and the reduction in the cash balances available to invest.

Governmental Activities Functional Expenses
For Fiscal Years 2003 and 2004
(In millions of dollars)



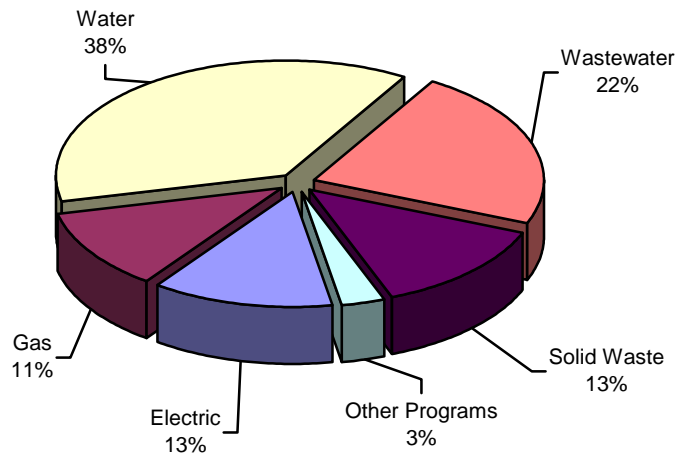
The graph above compares governmental activities expenses from fiscal year 2004 to fiscal year 2003. Total governmental expenses increased by \$25.4 million (7.4%) over the previous year. Key factors in this change include:

- Public Safety expenses increased by \$12.2 million and was caused by increases in the required contributions made by the City to the public safety retirement plans, hiring of additional law enforcement personnel to meet the growing demand of the City and increases in the allocation of depreciation and internal charges.
- Changes in depreciation expense due to evaluation of the depreciable lives of specific assets in the prior year. Depreciation expense decreased by \$6.3 million in General Government and increased by \$12.8 million in Community Environment from that recorded in the prior year as a result of the changes made to depreciable lives.

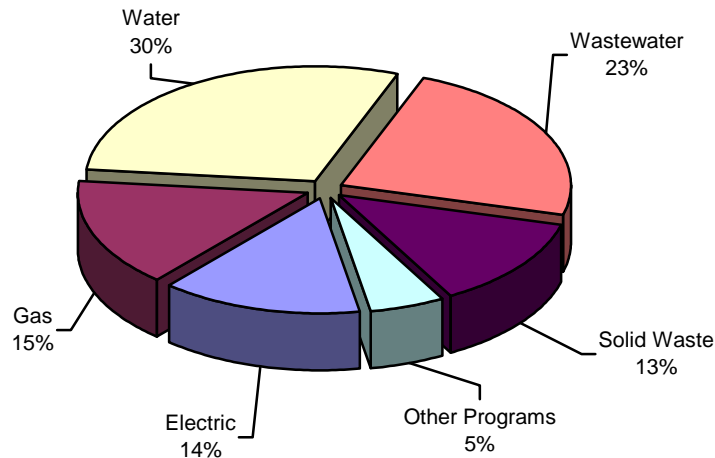
Business-type Activities

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

Revenues by Source – Business-type Activities



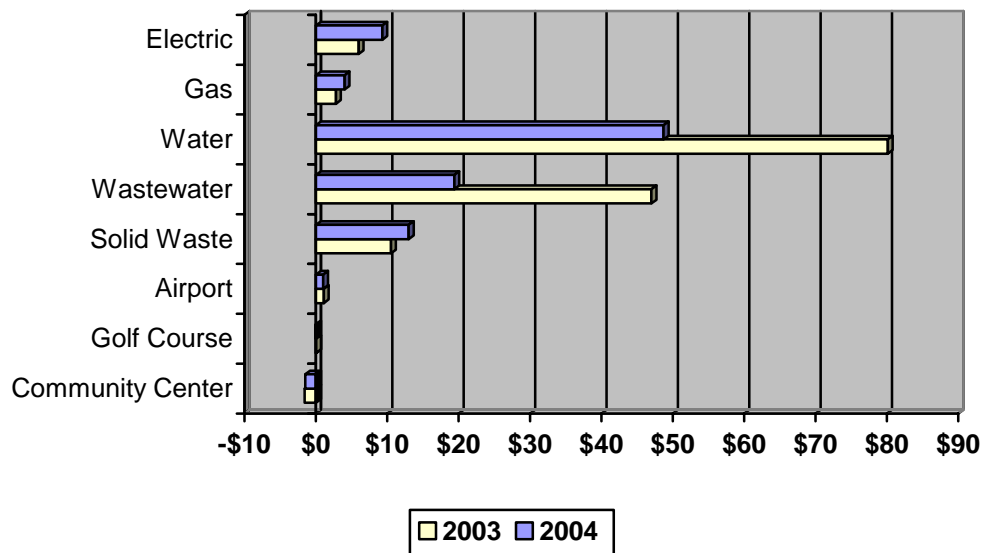
Functional Expenses – Business-type Activities



Business-type activities increased the City's net assets by \$27.8 million accounting for 3.9% of the total growth in the City's net assets. Business-type activities accounted for 43% of the total revenues and 32% of the total expenses of the City in fiscal year 2004. This compares to 49% of total revenues and 31% of the expenses in fiscal year 2003.

The graph on the following page compares the business-type activities increase (decrease) in net assets before transfers from fiscal year 2004 to fiscal year 2003.

Business-type Activities
Increase (Decrease) in Net Assets Before Transfers
For Fiscal Years 2003 and 2004
(In millions of dollars)



Total business-type activities revenues decreased by \$35.8 million (11.9%) while the business-type activities total expenses increased by \$14.9 million (9.6%) 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 an \$8.2 million increase in net assets.

Charges for services increased by \$21.8 million as a result of increases in utility rates and in the customer base. Also, a one-time \$5.2 million payment from an electric commodity supplier for the assignment of a long-term contract to another supplier was received during the year.

Operating expenses increased as a result of the City spending an additional \$2.9 million in interest expense for utility revenue bonds, the City’s required contribution to the retirement system increased by 160% over the previous year and higher commodity purchases for the electric and gas utility. Gas cost increases are passed through to customers as a rate adjustment; however, electric cost increases is not currently subject to a rate adjustment.

- Capital contributions decreased by 63% from the previous year, however, they continue to be a major revenue source for the business-type activities. Total capital contributions decreased \$59.3 million from the previous year. The decrease from the previous year can be attributed to fewer water and wastewater lines contributed by developers.

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 \$98.6 million, a \$13.8 million decrease from the previous year. \$59.8 million of this total amount is in unreserved fund balance, available for spending in the coming year. The remainder of fund balance (\$38.7 million) is reserved to indicate it is not available for new spending as it is already committed. These fund balance reservations include \$31.3 million committed to liquidate contracts and purchase orders of the prior fiscal year, \$7.2 million reserved for Quality of Life Projects and the remaining \$0.2 million is reserved for prepaid costs.

The General Fund is the chief operating fund of the City and accounts for many of the major functions of the government including general government, public safety, cultural-recreational and community environment services. At the end of the current fiscal year, total fund balance of the General Fund was \$56 million, while unreserved fund balance was \$25.8 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 2004, unreserved fund balance represents 8.5% of total General Fund expenditures of \$304.3 million, while total fund balance represents 18.4% of the same amount. For 2003, unreserved fund balance was 3.8% of total General Fund expenditures of \$298.7 million, while total fund balance was 21.7% of the same amount.

The fund balance of the City's General Fund decreased by \$8.9 million during the current fiscal year. Total revenues of \$242.5 million were \$13 million more than the previous year, while total expenditures of \$304.3 were \$5.6 million more than the previous year. Taxes collected were \$6.8 million more than the previous year reflecting the economic recovery occurring. Licenses and Permits increased by \$2.9 million as a result of an increase in fees charged and additional building permits issued in the current year. Investment income was \$1.1 million less as a result of lower interest rates available to the City.

The increase in General Fund expenditures was caused by several factors. The increase of \$6.4 million in Public Safety expenditures resulted from the hiring of additional law enforcement personnel funded by the Quality of Life sales tax and an increase in fringe benefits as the required contribution to the public safety retirement plan was raised. Fringe benefit increases affected all functions of the City as the required contributions to the various retirement plans/systems were increased by as much as 160%. Community Environment expenditures decreased \$1.7 million as the expenditures for street maintenance were recorded in the Highway User Revenue Fund for this year.

The transfer in of \$70 million from the Enterprise Fund was reduced by \$17.7 million in transfers out to other funds, compared with a transfer in from the Enterprise Fund of \$60 million that was reduced by \$20.1 million in transfers out to other funds in the previous year.

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 \$27.8 million in fiscal year 2004 from \$704.8 million to \$732.7

million. The unrestricted net assets of the Enterprise Fund amounted to \$218.4 million. However, \$171.7 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 80–81. 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 104-124.

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 \$764 million occurred during fiscal year 2004. However, budgeted contingencies of \$106,613 and \$282,281 were transferred from the General Fund to the Development Impact Fees Special Revenue Fund and the Warehouse Maintenance and Services Internal Service Fund to cover programs during the year. Several programs received contingency allocations for prior year encumbrances that were outstanding as of July 1, 2003. These are summarized as follows:

General Fund	\$1.96 million
Highway User Revenue Fund	\$0.13 million
Enterprise Fund	\$0.72 million
Internal Service Fund	\$0.07 million

Year-end contingency allocations were also made at fiscal year-end to cover programs in the General Fund of \$3.2 million, \$0.5 million in the Highway User Revenue Fund, \$6.9 million in the Enterprise Fund and \$0.06 million in the Warehouse Maintenance and Service Internal Service Fund.

General Fund revenues of \$241.3 million, on a budgetary basis, fell short of budgeted revenues of \$248.8 million by \$7.5 million (3%) while expenditures of \$316.2 million were only 83.1% of budgeted expenditures. The shortfall in revenues is primarily due to less Federal grant funding received than was budgeted. Reduced expenditures resulted from a selective hiring freeze and a delay in capital spending in addition to unspent contingencies.

Capital Asset and Debt Administration

Capital Assets – The City's investment in capital assets for its governmental and business-type activities amounts to \$2.1 billion (net of accumulated depreciation/amortization) as of June 30, 2004. 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, 2004 and 2003.

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
	2004	2003	2004	2003	2004	2003		
Land	\$ 210,051	\$ 185,458	\$ 58,074	\$ 60,632	\$ 268,125	\$ 246,090	\$ 22,035	8.95 %
Water Rights	-	-	10,098	9,713	10,098	9,713	385	3.96
Buildings	134,435	127,502	17,206	17,882	151,641	145,384	6,257	4.30
Other Improvements	83,234	82,101	710,132	701,859	793,366	783,960	9,406	1.20
Machinery & Equipment	44,237	40,259	5,652	7,414	49,889	47,673	2,216	4.65
Infrastructure	424,183	374,383			424,183	374,383	49,800	13.30
Excess of Cost over								
Net Assets Acquired			6,328	6,794	6,328	6,794	(466)	(6.86)
Construction-in-Progress	221,955	220,768	175,895	131,887	397,850	352,655	45,195	12.82
Total	<u>\$ 1,118,095</u>	<u>\$ 1,030,471</u>	<u>\$ 983,385</u>	<u>\$ 936,181</u>	<u>\$ 2,101,480</u>	<u>\$ 1,966,652</u>	<u>\$ 134,828</u>	<u>6.86</u>

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

- The City continued construction of the Mesa Arts Center with an additional \$29.9 million spent during fiscal year 2004. This is the largest capital project in the City's history and represents a substantial investment to the City's downtown. The new \$94.5 million Mesa Arts Center is a three-building complex with 206,500 square feet and will feature national and international touring entertainment and gallery exhibits and is funded by Quality of Life sales tax revenue. The construction is proceeding as scheduled with the grand opening planned for 2005.
- The City completed construction on a new \$6.9 million Fire Station Number 201. The 26,000 square foot facility houses the Battalion 201 headquarters and is equipped with six bays and a community room.
- The City began construction on the expansion of the Central Arizona Water Project Treatment Plant with \$4.5 million spent during fiscal year 2004. The \$46.6 million expansion will increase the capacity of the plant from 48 million gallons per day (MGD) to 72 MGD. 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.

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 \$769 million. Of this amount, \$187 million comprises debt backed by the full faith and credit of the City and \$582 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 \$818.2 million at June 30, 2004. \$326.4 million of this total was in governmental activities and \$491.8 million was in business-type activities. The City's outstanding long-term debt

(considering new borrowings, debt retirements and refunding) increased \$68.3 million. New borrowings during the fiscal year included \$9.6 million in street and highway user revenue bonds and \$64.6 million in utility system revenue bonds.

The following schedule shows the outstanding long-term debt of the City as of June 30, 2004 and 2003.

Outstanding Long-term Debt
(In thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Change	
	2004	2003	2004	2003	2004	2003	Dollars	Percent
General Obligation Bonds	\$ 183,724	\$ 186,719	\$ 3,316	\$ 13,717	\$ 187,040	\$ 200,436	\$ (13,396)	(6.68) %
Utility System Revenue Bonds	-	-	447,347	387,147	447,347	387,147	60,200	15.55
Highway User Revenue Fund Bonds	107,698	99,177	-	-	107,698	99,177	8,521	8.59
Municipal Development Corp. Bonds	9,970	10,970	16,900	19,800	26,870	30,770	(3,900)	(12.67)
Special Assessment Bonds								
with Governmental Commitment	48	133	-	-	48	133	(85)	(63.91)
Capital Leases	24,929	21,282	23,190	9,682	48,119	30,964	17,155	55.40
Notes Payable	-	-	1,074	1,219	1,074	1,219	(145)	(11.89)
Total	\$ 326,369	\$ 318,281	\$ 491,827	\$ 431,565	\$ 818,196	\$ 749,846	\$ 68,350	9.12

During the current fiscal year, the City refinanced \$104.2 million of its existing debt to take advantage of favorable interest rates. These new refinancing included: (all amounts shown in millions of dollars)

Debt Issued	Debt Refunded	Debt Service Savings
\$17.8 Highway User Revenue Bond	\$17.7 Highway User Revenue Bonds	\$0.5
\$46.4 General Obligation Bonds	\$46.4 General Obligation Bonds	\$1.2
\$40.3 Utility System Revenue Bonds	\$29.7 Utility System Revenue Bonds \$10.4 General Obligation Bonds	\$1.2

The City's current bond ratings on its general obligation bond issues are as follows:

Standards and Poor's Corporation	AA-
Moody's Investors Service	A1

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

The total debt margin available July 1, 2004 is:

6% Bonds	\$ 56,174,797
20% Bonds	<u>441,412,657</u>
Total Available	<u>\$497,587,454</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:

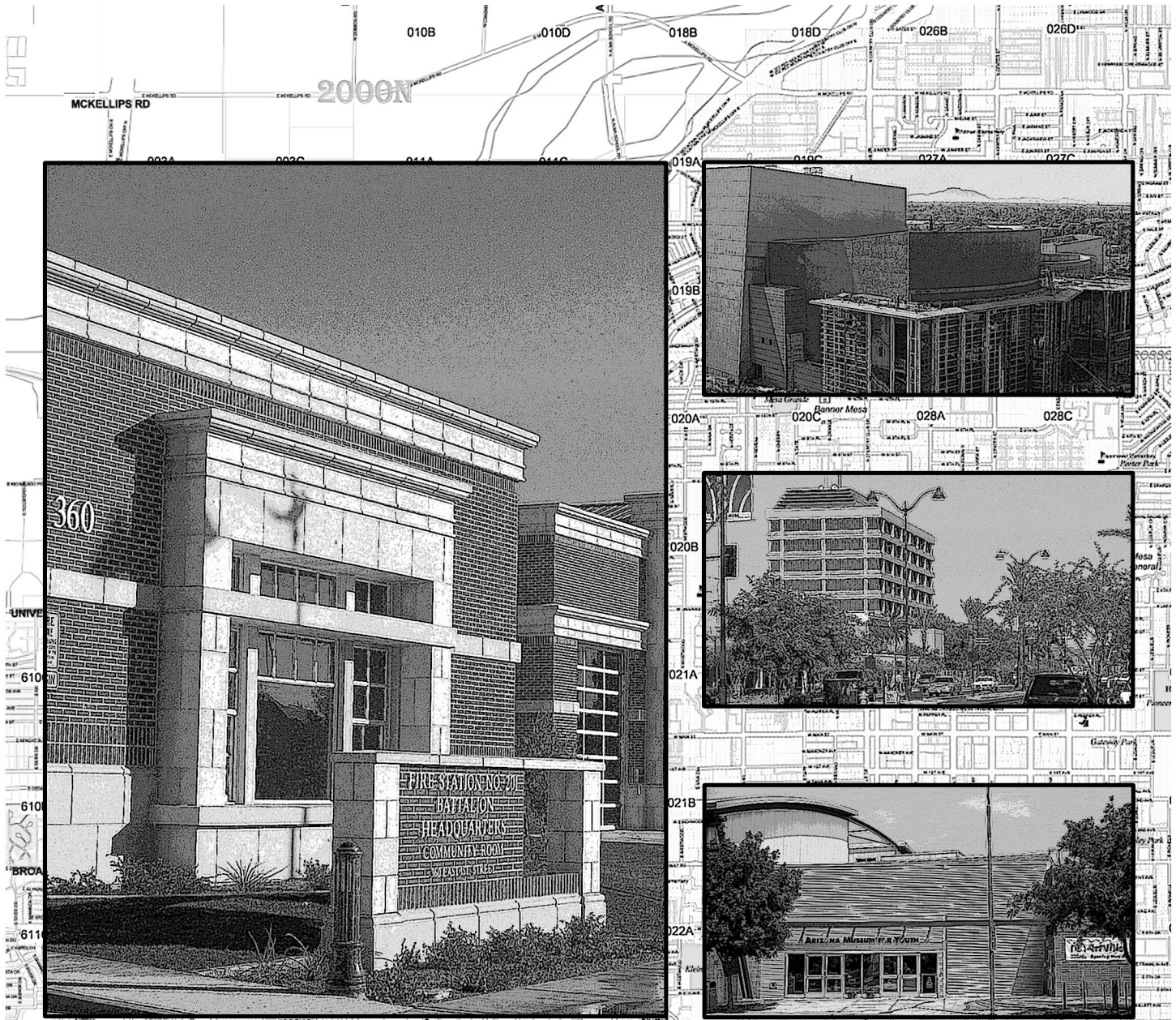
- The City's unemployment rate of 4.2% compares favorably to the state unemployment rate of 5.1% and the national average rate of 5.6%.
- New residential building permits decreased 32% compared to the previous fiscal year. This corresponded to a dollar valuation decrease in residential building permits of \$30 million. This continues a trend of five consecutive years 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.

In June 2004, the City Council approved a \$809.1 million budget, which is approximately a 6% increase from the prior year's budget. The fiscal year 2004 – 05 budget includes \$658.6 million for operations and \$150.5 million for scheduled bond capital improvements.

As with many organizations, the City has experienced challenges with its budget development due to the national economic downturn and lower-than-expected revenue collections. The 2004 – 05 budget, however, reflects a slight improvement in the City's financial picture. This new budget continues to emphasize and fund public safety services and utility services; neighborhood programs; parks, recreation and library services; and a variety of other programs. It also contains funding, through Quality of Life sales tax, for the voter-approved Mesa Arts Center, which is set to open in 2005.

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.



CITY OF MESA, ARIZONA
EXHIBIT A-1
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 126,514,164	\$ 20,215,380	\$ 146,729,544
Investments	-	1,111,690	1,111,690
Receivables:			
Accounts and Miscellaneous (Net of Allowances)	15,913,330	21,145,154	37,058,484
Accrued Interest	220,156	109,909	330,065
Due From Other Governments	16,050,079	898,919	16,948,998
Internal Balances	161,357	(161,357)	-
Inventory	3,600,553	-	3,600,553
Prepaid Costs	535,985	228,852	764,837
Deposits	441,211	11,628,859	12,070,070
Restricted Assets:			
Cash and Cash Equivalents	10,281,222	76,316,114	86,597,336
Accounts Receivable	158,093	-	158,093
Customer Deposits	-	1,971,064	1,971,064
Unamortized Bond Issue Costs	1,559,467	2,190,079	3,749,546
Investment in Joint Ventures	-	171,686,043	171,686,043
Capital Assets:			
Non-Depreciable	432,006,190	244,066,302	676,072,492
Depreciable, Net	686,088,308	739,318,314	1,425,406,622
Total Assets	1,293,530,115	1,290,725,322	2,584,255,437
LIABILITIES			
Warrants Outstanding	3,364,519	-	3,364,519
Accounts Payable	17,288,374	10,065,839	27,354,213
Other Accrued Expenses	17,613,557	-	17,613,557
Customer and Defendant Deposits	4,810,655	-	4,810,655
Liabilities Payable From Restricted Assets	11,910,176	48,662,169	60,572,345
Noncurrent Liabilities:			
Due Within One Year	17,641,146	310,269	17,951,415
Due in More Than One Year	333,667,960	499,176,783	832,844,743
Total Liabilities	406,296,387	558,215,060	964,511,447
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	781,518,870	451,550,515	1,233,069,385
Restricted For:			
Quality of Life Projects	29,887,251	-	29,887,251
Capital Projects	21,842,023	34,894,812	56,736,835
Debt Service	-	24,857,877	24,857,877
Bond Indentures	-	2,648,023	2,648,023
Grant Programs	1,078,945	-	1,078,945
Transportation Programs	8,941,693	-	8,941,693
Water, Wastewater & Solid Waste Improvements	-	292,260	292,260
Unrestricted	43,964,946	218,266,775	262,231,721
Total Net Assets	\$ 887,233,728	\$ 732,510,262	\$ 1,619,743,990

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, 2004

Functions/Programs	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Government	\$ 44,012,723	\$ 14,311,356	\$ 661,479	\$ -
Public Safety	181,856,295	12,489,395	3,471,167	206,480
Cultural-Recreational	53,201,350	11,313,584	475,992	-
Community Environment	72,984,342	1,446,727	55,737,812	48,193,858
Interest on Long-Term Debt	14,490,474	-	-	-
Total Government Activities	<u>366,545,184</u>	<u>39,561,062</u>	<u>60,346,450</u>	<u>48,400,338</u>
Business-type Activities:				
Electric	24,390,551	33,694,077	-	-
Gas	25,990,497	29,941,402	-	79,025
Water	49,542,568	80,036,607	198,295	18,033,008
Wastewater	39,673,430	43,643,144	50,000	15,691,051
Soild Waste	21,826,949	34,460,114	-	341,938
Airport	2,087,395	1,873,185	-	1,229,462
Golf Course	2,781,273	2,298,163	-	-
Centennial Center	4,224,151	2,686,799	-	-
Total Business-type Activities	<u>170,516,814</u>	<u>228,633,491</u>	<u>248,295</u>	<u>35,374,484</u>
Total Primary Government	<u>\$ 537,061,998</u>	<u>\$ 268,194,553</u>	<u>\$ 60,594,745</u>	<u>\$ 83,774,822</u>

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

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements

EXHIBIT A-2 (Continued)

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

Governmental Activities	Business-type Activities	Total
\$ (29,039,888)	\$ -	\$ (29,039,888)
(165,689,253)	-	(165,689,253)
(41,411,774)	-	(41,411,774)
32,394,055	-	32,394,055
(14,490,474)	-	(14,490,474)
<u>(218,237,334)</u>	<u>-</u>	<u>(218,237,334)</u>
-	9,303,526	9,303,526
-	4,029,930	4,029,930
-	48,725,342	48,725,342
-	19,710,765	19,710,765
-	12,975,103	12,975,103
-	1,015,252	1,015,252
-	(483,110)	(483,110)
-	(1,537,352)	(1,537,352)
-	<u>93,739,456</u>	<u>93,739,456</u>
<u>\$ (218,237,334)</u>	<u>\$ 93,739,456</u>	<u>\$ (124,497,878)</u>
106,417,064	-	106,417,064
85,469,452	-	85,469,452
8,202,920	-	8,202,920
1,202,348	947,498	2,149,846
5,461,757	925,291	6,387,048
67,772,618	(67,772,618)	-
<u>274,526,159</u>	<u>(65,899,829)</u>	<u>208,626,330</u>
56,288,825	27,839,627	84,128,452
<u>830,944,903</u>	<u>704,670,635</u>	<u>1,535,615,538</u>
<u>\$ 887,233,728</u>	<u>\$ 732,510,262</u>	<u>\$ 1,619,743,990</u>

CITY OF MESA, ARIZONA
EXHIBIT A-3
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 JUNE 30, 2004

	<u>General Fund</u>	<u>Highway User Revenue Fund</u>	<u>Other Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 45,931,882	\$ 6,330,321	\$ 40,079,026	\$ 92,341,229
Accounts Receivable (Net of Allowances)	15,022,967	-	22,397	15,045,364
Accrued Interest Receivable	114,846	6,777	25,777	147,400
Due From Other Governments	12,727,215	2,913,409	392,232	16,032,856
Due From Other Funds	325,100	-	-	325,100
Prepaid Costs	236,364	141	72	236,577
Deposits	441,211	-	-	441,211
Restricted Assets:				
Cash and Cash Equivalents	-	-	10,281,222	10,281,222
Accounts Receivable	138,557	-	19,536	158,093
Total Assets	<u>\$ 74,938,142</u>	<u>\$ 9,250,648</u>	<u>\$ 50,820,262</u>	<u>\$ 135,009,052</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants Outstanding	\$ 3,364,519	\$ -	\$ -	\$ 3,364,519
Accounts Payable	8,984,928	305,050	6,904,304	16,194,282
Customer and Defendant Deposits	4,781,624	-	29,031	4,810,655
Payable From Restricted Assets:				
Accounts Payable	-	-	3,099	3,099
Accrued Lease Interest Payable	-	-	227,502	227,502
Accrued Bond Interest Payable	-	-	6,795,961	6,795,961
Deferred Revenue	1,767,511	-	19,536	1,787,047
General Obligation Bonds Payable	-	-	194,730	194,730
Highway User Revenue Bonds Payable	-	-	40,000	40,000
Municipal Development Corporation Bonds Payable	-	-	1,000,000	1,000,000
Capital Leases Payable	-	-	2,019,930	2,019,930
Total Liabilities	<u>18,898,582</u>	<u>305,050</u>	<u>17,234,093</u>	<u>36,437,725</u>
Fund Balances				
Reserved For Encumbrances	22,766,612	258,419	8,284,207	31,309,238
Reserved For Prepaid Costs	236,364	141	72	236,577
Reserved For Quality of Life Projects	7,192,139	-	-	7,192,139
Unreserved, reported in:				
General Fund	25,844,445	-	-	25,844,445
Special Revenue Funds	-	8,687,038	11,528,204	20,215,242
Capital Project Funds	-	-	13,773,686	13,773,686
Total Fund Balances	<u>56,039,560</u>	<u>8,945,598</u>	<u>33,586,169</u>	<u>98,571,327</u>
Total Liabilities and Fund Balances	<u>\$ 74,938,142</u>	<u>\$ 9,250,648</u>	<u>\$ 50,820,262</u>	<u>\$ 135,009,052</u>

The accompanying notes are an integral part of the financial statements

CITY OF MESA, ARIZONA
EXHIBIT A-4
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 GOVERNMENTAL FUNDS
 JUNE 30, 2004

Fund Balances - total governmental funds balance sheet	\$ 98,571,327
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	1,113,692,797
Other assets used in governmental activities are not financial resources and therefore not reported in the governmental funds	1,559,467
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore not reported in the governmental funds.	(351,277,319)
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.	158,093
Internal service funds are used by management to charge the costs of certain activities to individual funds.	<u>24,529,363</u>
Net assets of the governmental activities - statement of net assets	<u>\$ 887,233,728</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, 2004

	<u>General Fund</u>	<u>Highway User Revenue Fund</u>	<u>Other Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 106,417,064	\$ -	\$ -	\$ 106,417,064
Special Assessments	-	-	57,567	57,567
Licenses and Permits	12,856,918	-	6,962,252	19,819,170
Intergovernmental	98,139,886	33,640,946	17,255,649	149,036,481
Charges For Services	10,614,149	42,635	495,885	11,152,669
Fines and Forfeitures	8,526,066	10,187	-	8,536,253
Investment Income	733,677	23,710	127,801	885,188
Miscellaneous	5,178,050	945	89,930	5,268,925
Total Revenues	<u>242,465,810</u>	<u>33,718,423</u>	<u>24,989,084</u>	<u>301,173,317</u>
Expenditures:				
Current:				
General Government	36,328,122	-	-	36,328,122
Public Safety	166,576,022	-	-	166,576,022
Cultural-Recreational	47,366,458	-	-	47,366,458
Community Environment	10,684,598	20,279,718	20,556,287	51,520,603
Debt Service:				
Principal Retirement	-	-	7,145,591	7,145,591
Interest on Bonds	-	-	13,421,469	13,421,469
Interest on Leases	-	-	659,662	659,662
Service Charges	-	-	62,131	62,131
Capital Outlay	43,334,872	47,023	38,442,000	81,823,895
Total Expenditures	<u>304,290,072</u>	<u>20,326,741</u>	<u>80,287,140</u>	<u>404,903,953</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(61,824,262)	13,391,682	(55,298,056)	(103,730,636)
Other Financing Sources (Uses):				
Transfers In	70,658,651	341,817	27,213,230	98,213,698
Transfers Out	(17,745,763)	(4,788,242)	(5,459,693)	(27,993,698)
Face Amount of Bonds Issued	-	-	9,585,000	9,585,000
Proceeds From Obligations of Capital Leases	-	-	9,322,015	9,322,015
Proceeds From Refunding Issue	-	-	139,441,539	139,441,539
Payment to Refunded Bond Escrow Agent	-	-	(138,661,071)	(138,661,071)
Total Other Financing Sources and (Uses)	<u>52,912,888</u>	<u>(4,446,425)</u>	<u>41,441,020</u>	<u>89,907,483</u>
Net Change in Fund Balances	(8,911,374)	8,945,257	(13,857,036)	(13,823,153)
Fund Balances - Beginning	64,950,934	341	47,443,205	112,394,480
Fund Balances - Ending	<u>\$ 56,039,560</u>	<u>\$ 8,945,598</u>	<u>\$ 33,586,169</u>	<u>\$ 98,571,327</u>

The accompanying notes are an integral part of the financial statements

CITY OF MESA, ARIZONA

EXHIBIT A-6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds \$ (13,823,153)

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

Revenues in the statement of activities that do not provide current financial
resources are not reported in the governmental funds. The subsequent collection
of these revenues in the governmental funds will reduce revenue in the statement
of activities. (121,311)

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. (711,244)

Governmental funds report capital outlays as expenditures. However, in the statement
of activities, the costs of those assets is allocated over their estimated useful lives
and reported as depreciation expense. This is the amount by which capital outlays
(\$81,823,895) exceeded depreciation (\$35,609,420) in the current period. 46,214,475

The net effect of miscellaneous transactions involving capital assets (e.g., donations,
transfers and disposals) is to increase net assets. 41,589,445

The issuance of long-term debt (e.g., bonds and capital leases) provides current financial
resources to governmental funds, while the repayment of principal of long-term debt
consumes financial resources of governmental funds. Neither transaction has any
effect on net assets. (12,541,892)

Governmental funds report the effect of bond issuance costs, premiums and deferred loss
related to refunding when the new debt is first issued, whereas these amounts are
deferred and amortized in the statement of activities. (569,360)

Internal service funds are used by management to charge the costs of certain activities
to individual funds. The net revenue (expense) of certain internal service funds is reported
with governmental activities. (3,748,135)

Change in net assets of the governmental activities - statement of activities \$ 56,288,825

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, 2004

	<u>Business-type Activities</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>Enterprise Fund</u>	
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 20,215,380	\$ 34,172,935
Investments	1,111,690	-
Accounts Receivable (Net of Allowances of \$1,351,700)	21,145,154	117,687
Accrued Premiums Receivable	-	750,279
Accrued Interest Receivable	109,909	72,756
Due From Other Governments	898,919	17,223
Inventory	-	3,600,553
Prepaid Costs	228,852	299,408
Deposits	11,628,859	-
Restricted Assets:		
Cash and Cash Equivalents	38,478,676	-
Customer Deposits	1,971,064	-
Total Current Assets	<u>95,788,503</u>	<u>39,030,841</u>
Noncurrent Assets:		
Restricted Assets:		
Impact & Development Fees:		
Cash and Cash Equivalents	292,260	-
Bond Replacement, Extensions and Reserves:		
Cash and Cash Equivalents	2,650,365	-
Capital Projects:		
Cash and Cash Equivalents	34,894,813	-
Unamortized Bond Issue Costs	2,190,079	-
Total Restricted Assets	<u>40,027,517</u>	<u>-</u>
Capital Assets:		
Land	58,074,260	-
Water Rights	10,097,500	-
Buildings	29,726,571	1,685,753
Other Improvements	949,085,869	4,468,046
Machinery and Equipment	27,391,257	870,620
Construction in Progress	175,894,542	52,134
Excess of Cost Over Net Assets Acquired	13,982,586	-
Less Accumulated Depreciation and Amortization	<u>(280,867,969)</u>	<u>(2,674,852)</u>
Total Capital Assets, Net	983,384,616	4,401,701
Investment in Joint Ventures	171,686,043	-
Total Noncurrent Assets	<u>1,195,098,176</u>	<u>4,401,701</u>
Total Assets	<u>\$ 1,290,886,679</u>	<u>\$ 43,432,542</u>

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, 2004

	<u>Business-type Activities</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>Enterprise Fund</u>	
LIABILITIES		
Current Liabilities-Payable From Current Assets:		
Accounts Payable	\$ 10,065,839	\$ 1,094,092
Other Accrued Expenses	-	17,613,557
Due To Other Funds	-	325,100
Current Portion of Capital Leases	-	5,996
Total Current Liabilities-Payable From Current Assets	<u>10,065,839</u>	<u>19,038,745</u>
Current Liabilities-Payable From Restricted Assets:		
Impact & Development Fees-Accounts Payable	9,037	-
Bond Replacement, Extensions and Reserves-Accounts Payable	23,765	-
Capital Projects-Accounts Payable	8,746,489	-
Accrued Notes Interest Payable	10,245	-
Accrued Capital Lease Interest Payable	348,970	-
Accrued Bond Interest Payable	11,194,233	-
Current Portion of Revenue Bonds Payable	14,010,000	-
Current Portion of General Obligation Bonds Payable	270	-
Current Portion of Municipal Development Bonds Payable	3,400,000	-
Current Portion of Notes Payable	152,733	-
Capital Projects-Current Portion of Leases Payable	3,953,855	-
Customer Deposits and Prepayments	6,812,572	-
Total Current Liabilities-Payable From Restricted Assets	<u>48,662,169</u>	<u>-</u>
Long-Term Liabilities:		
Revenue Bonds Payable, Net of Deferred Loss on Refundings	447,347,489	-
General Obligation Bonds Payable	3,316,108	-
Municipal Development Corporation Bonds Payable	13,500,000	-
Notes Payable	921,377	-
Capital Leases	20,451,346	25,791
Unamortized Bond Premium	13,950,732	-
Total Long-Term Liabilities	<u>499,487,052</u>	<u>25,791</u>
Total Liabilities	<u>558,215,060</u>	<u>19,064,536</u>
NET ASSETS		
Invested In Capital Assets, Net of Related Debt	451,550,515	4,369,914
Restricted For:		
Capital Projects	34,894,812	-
Debt Service	24,857,877	-
Bond Indentures	2,648,023	-
Water, Wastewater & Solid Waste Improvements	292,260	-
Unrestricted	218,428,132	19,998,092
Total Net Assets	<u>\$ 732,671,619</u>	<u>\$ 24,368,006</u>
Adjustment to reflect the consolidation of the internal service funds related to the enterprise fund.	<u>(161,357)</u>	
Total net assets of the business-type activities	<u>\$ 732,510,262</u>	

The accompanying notes are an integral part of the financial statements

CITY OF MESA, ARIZONA
EXHIBIT A-8
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Business-type Activities</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>Enterprise Fund</u>	<u>Funds</u>
Operating Revenues:		
Electric Sales Pledged as Security for Revenue Bonds	\$ 33,694,077	\$ -
Gas Sales Pledged as Security for Revenue Bonds	29,941,402	-
Water Sales Pledged as Security for Revenue Bonds	80,036,607	-
Wastewater Charges Pledged as Security for Revenue Bonds	43,643,144	-
Solid Waste Charges Pledged as Security for Revenue Bonds	34,460,114	-
Airport Fees	1,873,185	-
Golf Course Fees	2,298,163	-
Centennial Center Fees	2,686,799	-
Charges For Services	-	16,815,218
Self-Insurance Contributions	-	29,020,885
Other	-	192,832
	<u>228,633,491</u>	<u>46,028,935</u>
Total Operating Revenues		
Operating Expenses:		
Electric	21,814,046	-
Gas	23,911,386	-
Water	26,602,763	-
Wastewater	17,031,129	-
Solid Waste	20,342,309	-
Airport	1,468,572	-
Golf Course	2,177,747	-
Centennial Center	3,993,391	-
Warehouse, Maintenance & Services	-	16,835,672
Self-Insurance	-	32,866,559
	<u>117,341,343</u>	<u>49,702,231</u>
Total Operating Expenses		
Operating Income (Loss) Before Depreciation and Amortization	111,292,148	(3,673,296)
Depreciation and Amortization	<u>(23,879,846)</u>	<u>(235,229)</u>
Operating Income (Loss)	<u>87,412,302</u>	<u>(3,908,525)</u>
		(Continued)

The accompanying notes are an integral part of the financial statements

CITY OF MESA, ARIZONA
EXHIBIT A-8 (Continued)
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Business-type Activities	Governmental Activities - Internal Service Funds
	Enterprise Fund	Funds
Nonoperating Revenues (Expenses):		
Investment Income Pledged as Security for Revenue Bonds	946,741	-
Investment Income Unpledged	758	370,130
Intergovernmental	248,295	-
Interest Expense:		
Revenue Bonds	(18,024,483)	-
General Obligation Bonds	(520,768)	-
Municipal Development Corporation Bonds	(751,250)	-
Notes Payable	(64,992)	-
Capital Leases	(308,214)	-
Amortization of Bond Issuance and Administrative Costs	(345,047)	-
Loss on Disposal of Fixed Assets	(1,777,745)	-
Equity Interest in Joint Ventures	(6,567,577)	-
Total Nonoperating Revenues (Expenses)	<u>(27,164,282)</u>	<u>370,130</u>
Income (Loss) before Transfers and Capital Contributions	60,248,020	(3,538,395)
Capital Contributions	37,601,867	-
Transfers Out	<u>(70,000,000)</u>	<u>(220,000)</u>
Change in Net Assets	27,849,887	(3,758,395)
Total Net Assets - Beginning	<u>704,821,732</u>	<u>28,126,401</u>
Total Net Assets - Ending	<u><u>\$ 732,671,619</u></u>	<u><u>\$ 24,368,006</u></u>
Adjustment to reflect consolidation of internal service funds related to the enterprise fund.	<u>(161,357)</u>	
Total net assets of the business-type activities	<u><u>\$ 732,510,262</u></u>	

The accompanying notes are an integral part of the financial statements

CITY OF MESA, ARIZONA

EXHIBIT A-9

COMBINED STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Business-type Activities	Governmental Activities - Internal Service
	Enterprise Fund	Funds
Cash Flows From Operating Activities:		
Cash Received From Customers	\$ 222,819,046	\$ 45,808,237
Cash Received From Users	5,910,994	(36,613,981)
Cash Payments to Suppliers	(73,980,453)	(8,523,751)
Cash Payments to Employees	(43,466,137)	
Net Cash Provided By Operating Activities	<u>111,283,450</u>	<u>670,505</u>
Cash Flows From Noncapital Financing Activities:		
Intergovernmental	248,295	
Transfers Out to Other Funds	(70,000,000)	(220,000)
Net Cash Used For Noncapital Financing Activities	<u>(69,751,705)</u>	<u>(220,000)</u>
Cash Flows From Capital and Related Financing Activities:		
Proceeds From Leases	16,454,083	31,787
Proceeds From Bond Sales	111,117,260	
Payment to Refunded Bond Escrow Agent	(44,351,351)	
Acquisition and Construction of Capital Assets	(37,831,711)	(54,619)
Investment in Joint Ventures	(21,565,875)	
Proceeds From Sale of Assets	925,291	
Principal Paid on Bond and Note Maturities	(22,098,765)	
Interest Paid on Bonds and Notes	(22,770,246)	
Bond Issuance and Administrative Expenses	(6,988)	
Capital Contributed by Other Governments	2,913,709	
Capital Contributed by Subdividers	8,560,402	
Net Cash Used For Capital and Related Financing Activities	<u>(8,654,191)</u>	<u>(22,832)</u>
Cash Flows From Investing Activities:		
Purchase of investment securities	(14,537)	
Interest Received on Investments	1,231,710	393,397
Net Cash Provided By Investing Activities	<u>1,217,173</u>	<u>393,397</u>
Net Increase in Cash and Cash Equivalents	34,094,727	821,070
Cash and Cash Equivalents at Beginning of Year	<u>62,436,767</u>	<u>33,351,865</u>
Cash and Cash Equivalents at End of Year	<u>\$ 96,531,494</u>	<u>\$ 34,172,935</u>

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

CITY OF MESA, ARIZONA
EXHIBIT A-9 (Continued)
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Business-type Activities</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>Enterprise Fund</u>	
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Operating Income (Loss)	\$ 87,412,302	\$ (3,908,525)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Depreciation and Amortization	23,879,846	235,229
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	96,549	(220,698)
Decrease in Inventory		262,623
(Increase) in Prepaid Costs	(642,642)	(285,556)
Increase in Accounts Payable	537,395	583,815
Increase in Other Accrued Expense		4,224,517
(Decrease) in Due to Other Funds		(220,900)
Total Adjustments	<u>23,871,148</u>	<u>4,579,030</u>
Net Cash Provided By Operating Activities	<u>\$ 111,283,450</u>	<u>\$ 670,505</u>
Noncash Transactions Affecting Financial Position:		
Contributions of Capital Assets from Developers	\$ 23,900,375	
Transfers of Capital Assets from Governmental Funds	2,227,382	
Loss on Disposal of Fixed Assets	2,703,037	
Amortization of Bond Premium	1,582,799	
Amortization of Debt Issuance Costs	338,058	
Amortization of Deferred Revenue-Debt	854,604	

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

CITY OF MESA, ARIZONA
EXHIBIT A-10
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2004

	<u>Payroll Agency</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 21,635,047</u>
Total Assets	<u><u>\$ 21,635,047</u></u>
LIABILITIES	
Accrued Payroll Payable	<u>\$ 21,635,047</u>
Total Liabilities	<u><u>\$ 21,635,047</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, 2004

The City of Mesa (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 445,354 within an area of approximately 129 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 and community center.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. **Reporting Entity**

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

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

b. **Jointly Governed Organizations**

Williams Gateway Airport Authority (“WGAA”) is a nonprofit corporation established and funded by the City of Mesa, the Towns of Gilbert and Queen Creek, and the Gila River Indian Community. The purpose of the entity is the redevelopment of Williams Air Force Base that was closed in September 1993 to become WGAA. The Board of Directors consists of the mayors for the respective municipalities and the governor of the tribal community. Mesa contributed \$2.5 million to the WGAA operating and capital budget during this fiscal year.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Regional Public Transportation Authority (“RPTA”) is a voluntary association of local governments, including 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 \$205,000. 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.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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 general long-term debt is not allocated to the various functions. Program revenues include charges to customers or applicants who directly benefit from goods, services or privileges provided by a given function or segment. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment, including special assessments. Taxes and other items not properly included as program revenues are reported as general revenues. The general revenues support the net costs of the functions and segments not covered by program revenues. Historically, the previous reporting model did not summarize or present net cost by function or activity.

Fund Financial Statements: The fund financial statements are, in substance, very similar to the financial statements presented in the previous model. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. However, the fiduciary funds are not included in the government-wide statements. The focus of the fund financial statements is on major funds, as defined by 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. Other non-major governmental funds, as well as the internal service funds, are summarized into a single column on the fund financial statements and are detailed in combining statements included as supplementary information after the basic financial statements.

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

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

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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

In applying the susceptible to accrual concept to intergovernmental revenues pursuant to GASB Statement No. 33 – *Recipient Reporting for Certain Non-exchange Transactions*, receivable 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 statements' governmental activities column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund-based financial statements into the governmental activities column of the government-wide presentation. 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 No. 20 requires that governments' proprietary activities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins. Governments are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

conflict with or contradict GASB pronouncements. The City has elected not to implement FASB Statements and Interpretations issued after November 30, 1989.

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

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

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

e. **Fund Accounting**

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

The City reports the following major governmental funds:

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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

The City reports the following non-major governmental funds:

Five 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 general and long-term obligation principal interest and service charges.

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

The City reports the following major proprietary fund:

The **Enterprise Fund** has been established to account for all enterprise functions. This includes the City-owned Electric, Gas, Water, Wastewater and Solid Waste Systems, as well as the City-owned Airport, Golf Courses and Centennial Center.

Additionally, the City reports the following fund types:

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

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

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

At year-end, City cash totaled \$1,771,118 of which \$229,670 was petty cash. The City's bank deposits were \$1,541,448 and the bank balance was \$940,936. Of the bank balance, \$200,003 was covered by federal depository insurance and \$740,933 was covered by collateral held in the pledging bank's trust department in the City's name.

Interest Rate Risk. The City has no formal policy limiting its exposure from rising interest rates. Historically, the City has limited its investments to maturities of less than three years in order to protect itself from rising interest rates.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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 is overseen according to Arizona State Statute by the State Board of Deposit. The fair value of each share as of June 30, 2004, is equal to \$1.00. The State Treasurer's Investment Pool does not receive a credit quality rating.

The City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The City's investments that are reflected in the financial statements as cash equivalents total \$253,190,809.

The City's investments and cash equivalents (all with maturities of less than one year) at June 30, 2004 are as follows:

	<u>Fair Value</u>
<u>Investments:</u>	
Investments in State Treasurer's Plan 6 Pool	\$ <u>1,111,690</u>
 Total Investments as Reported in the Financial Statements	 <u>1,111,690</u>
<u>Cash Equivalents:</u>	
Money Market Mutual Funds	21,212,396
Repurchase Agreement	10,500,000
Investments in State Treasurer's Local Government Investment Pool	<u>221,478,413</u>
 Total Cash Equivalents	 <u>253,190,809</u>
 Total Investments and Cash Equivalents	 <u>\$ 254,302,499</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.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Income from investments within these funds is recorded in the General or Enterprise Fund based upon their general governmental or enterprise related function.

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

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

<u>Fund</u>	<u>Receivables</u>	<u>Allowance</u>	<u>Net</u>
Governmental Activities:			
General Fund:			
Taxes	\$ 9,973,345	\$ (515,800)	\$ 9,457,545
Courts	35,098,597	(32,118,856)	2,979,741
Other Customers	3,119,581	(533,900)	2,585,681
Restricted	138,557		138,557
Due from Other Governments:			
State Shared Revenues	7,582,721		7,582,721
Other	5,144,494		5,144,494
Highway User Revenue Fund:			
Due from Other Governments:			
State Shared Revenues	2,913,409		2,913,409
Internal Service Funds:			
Customers	867,966		867,966
Due from Other Governments:	17,223		17,223
Other Governmental Funds:			
Customers	22,397		22,397
Restricted	19,536		19,536
Due from Other Governments:	<u>392,232</u>		<u>392,232</u>
Total Governmental Activities	<u>\$ 65,290,058</u>	<u>\$ (33,168,556)</u>	<u>\$ 32,121,502</u>
Business-Type Activities:			
Utility Customers	\$ 21,614,500	\$ (1,050,000)	\$ 20,564,500
Other Customers	882,354	(301,700)	580,654
Due from Other Governments:	<u>898,919</u>		<u>898,919</u>
Total Business-Type Activities	<u>\$ 23,395,773</u>	<u>\$ (1,351,700)</u>	<u>\$ 22,044,073</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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)	\$ 155,224
Surcharges included in Court Receivables (general fund)	1,048,873
Special assessments not yet due (debt service fund)	19,536
Grants received prior to meeting all eligibility requirements (general fund)	<u>563,414</u>
Total deferred revenue for governmental funds	<u>\$1,787,047</u>

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

The following interfund activities are included in the fund financial statements at June 30, 2004:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds:		
General Fund	\$ <u>325,100</u>	\$ _____
Total governmental funds	<u>325,100</u>	_____
Internal Service Funds	_____	<u>325,100</u>
Total	<u>\$ 325,100</u>	<u>\$ 325,100</u>

The interfund balances at June 30, 2004 are short-term loans to cover temporary cash deficits in various funds. All interfund balances outstanding at June 30, 2004 are expected to be repaid within one year.

The net transfers of \$67,772,618 from Business-type activities to Governmental activities on the Government-wide statement of activities are primarily operational subsidies from the Enterprise Fund to the General Fund and capital assets with a book value of \$2,227,382 that were transferred from the Governmental Funds to the Enterprise Fund (see Note 10). The following interfund transfers are reflected in the fund financial statements for the year ended June 30, 2004:

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Governmental funds:		
General Fund	\$ 17,745,763	\$ 70,658,651
Highway User Revenue Fund	4,788,242	341,817
Other Governmental Funds	<u>5,459,693</u>	<u>27,213,230</u>
Total governmental funds	<u>27,993,698</u>	<u>98,213,698</u>
Enterprise Fund	<u>70,000,000</u>	<u> </u>
Internal Service Funds	<u>220,000</u>	<u> </u>
Total	<u>\$ 98,213,698</u>	<u>\$ 98,213,698</u>

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

j. **Inventory**

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

k. **Unbilled Accounts Receivable**

Unbilled utility service receivables are recorded in the year in which the services are provided. At June 30, 2004, unbilled utility service receivables are recorded in the Enterprise Fund as follows:

Electric	\$ 2,368,648
Gas	1,037,014
Water	4,611,665
Wastewater	2,045,345
Solid Waste	<u>1,438,256</u>
	<u>\$11,500,928</u>

l. **Capital Assets**

Capital assets, including infrastructure (streets, sidewalks, street lighting, storm drainage and other assets that are immovable and of value only to the City) are defined as assets with an initial costs of \$5,000 or more and an estimated useful life of more than one year. All capital assets, whether owned by governmental activities or business-type activities are required to be recorded and depreciated in the government-wide financial statements.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2004 follows:

	Balance July 1, 2003	Additions	Retirements	Transfers	Balance June 30, 2004
Governmental Activities:					
Non-depreciable Assets:					
Land	\$ 185,457,671	\$ 25,189,335	\$ (595,857)		\$ 210,051,149
Construction-in-Progress	<u>220,768,485</u>	<u>81,878,514</u>	<u>(80,691,958)</u>		<u>221,955,041</u>
Total Non-depreciable Assets	406,226,156	107,067,849	(81,287,815)		432,006,190
Depreciable Assets:					
Buildings	160,880,549	10,790,690	(729,563)		170,941,676
Other Improvements	109,223,933	6,996,957	(233,298)	(2,148,809)	113,838,783
Machinery & Equipment	107,873,433	15,543,812	(2,152,098)	(114,756)	121,150,391
Infrastructure	<u>529,807,036</u>	<u>67,414,666</u>	<u>(868,924)</u>	<u>36,183</u>	<u>596,388,961</u>
Total Depreciable Assets	907,784,951	100,746,125	(3,983,883)	(2,227,382)	1,002,319,811
Less Accumulated Depreciation for:					
Buildings	(33,378,698)	(3,362,372)	234,241		(36,506,829)
Other Improvements	(27,122,626)	(3,551,731)	69,357		(30,605,000)
Machinery & Equipment	(67,614,680)	(11,305,013)	2,006,006		(76,913,687)
Infrastructure	<u>(155,423,915)</u>	<u>(17,625,533)</u>	<u>843,461</u>		<u>(172,205,987)</u>
Total Accum. Depreciation	<u>(283,539,919)</u>	<u>(35,844,649)</u>	<u>3,153,065</u>		<u>(316,231,503)</u>
Total Depreciable Assets, net	<u>624,245,032</u>	<u>64,901,476</u>	<u>(830,818)</u>	<u>(2,227,382)</u>	<u>686,088,308</u>
Governmental Activities					
Capital Assets, net	<u>\$ 1,030,471,188</u>	<u>\$ 171,969,325</u>	<u>\$ (82,118,633)</u>	<u>\$ (2,227,382)</u>	<u>\$ 1,118,094,498</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Balance July 1, 2003	Additions	Retirements	Transfers	Balance June 30, 2004
Business-type Activities:					
Non-depreciable Assets:					
Land	\$ 60,631,888	\$ 15,673	\$ (2,573,301)		\$ 58,074,260
Water Rights	9,712,500	385,000			10,097,500
Construction-in-Progress	<u>131,887,763</u>	<u>47,921,376</u>	<u>(3,914,597)</u>		<u>175,894,542</u>
Total Non-depreciable Assets	202,232,151	48,322,049	(6,487,898)		244,066,302
Depreciable Assets:					
Buildings	29,722,542	4,029			29,726,571
Other Improvements	921,976,418	27,108,757	(2,111,932)	2,112,626	949,085,869
Machinery & Equipment	27,609,961	711,843	(1,045,303)	114,756	27,391,257
Excess of Cost over Net Assets					
Acquired	<u>13,982,586</u>				<u>13,982,586</u>
Total Depreciable Assets	993,291,507	27,824,629	(3,157,235)	2,227,382	1,020,186,283
Less Accum. Depr. & Amort. for:					
Buildings	(11,840,431)	(679,771)			(12,520,202)
Other Improvements	(220,117,399)	(20,157,397)	1,321,309		(238,953,487)
Machinery & Equipment	(20,195,632)	(2,576,592)	1,032,999		(21,739,225)
Excess of Cost over Net Assets					
Acquired	<u>(7,188,969)</u>	<u>(466,086)</u>			<u>(7,655,055)</u>
Total Accum. Depr. & Amort.	<u>(259,342,431)</u>	<u>(23,879,846)</u>	<u>2,354,308</u>		<u>(280,867,969)</u>
Total Depreciable Assets, net	<u>733,949,076</u>	<u>3,944,783</u>	<u>(802,927)</u>	<u>2,227,382</u>	<u>739,318,314</u>
Business-type Activities					
Capital Assets, net	<u>\$ 936,181,227</u>	<u>\$ 52,266,832</u>	<u>\$ (7,290,825)</u>	<u>\$ 2,227,382</u>	<u>\$ 983,384,616</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

	<u>Construction in Progress</u>	<u>Commitments</u>
Parks, Recreation & Cultural	\$ 3,997,381	\$ 485,011
Arts & Entertainment Center	69,997,743	21,246,402
Public Safety	23,581,962	2,049,853
Downtown/Community Revitalization	16,446,960	238,337
Mesa City Plaza Remodel	192,193	91,297
Library Expansion & Upgrades	1,173,359	
Computer Equipment	207,800	202,163
6th Street Facility Construction	6,462,095	193,983
Streets	60,284,697	7,437,048
Transit Maint. Facility/Light Rail	18,783,496	252,945
Storm Sewer	17,134,135	59,910
Telecommunications System	3,502,920	
Warehouse, Maintenance & Services	52,133	
Miscellaneous	138,167	130,005
Total	<u>\$ 221,955,041</u>	<u>\$ 32,386,954</u>

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

General Government	\$ 5,479,492
Public Safety	6,690,018
Cultural – Recreational	3,909,018
Community Environment	19,530,892
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>235,229</u>
Total Depreciation	<u>\$35,844,649</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-

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

line method over 30 years. The total of this asset and the accumulated amortization through June 30, 2004 was \$13,982,586 and \$7,655,056, respectively.

n. **Capitalization of Interest**

For the year ended June 30, 2004, the City capitalized net interest costs of \$2,230,254 (interest expense of \$2,369,613, reduced by interest income of \$139,359 in the Business-type Activities Enterprise Fund). Total interest expense and income in the Business-type Activities Enterprise Fund before capitalization was \$22,039,320 and \$1,086,858, respectively.

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

The Property and Public Liability, Workers' Compensation and Employee Benefit Internal Service Funds have been established to account for the costs of claims incurred by the City under self-insurance programs. The City is fully self-insured for all public liability risks, up to a maximum of \$3,000,000 per occurrence, for the current policy year under the Property and Public Liability Insurance program. In addition, the City carries full property insurance with a \$50,000 per occurrence deductible. Under the Workers' Compensation Program, the City is subject to a maximum deductible of \$500,000 liability per occurrence. In the Employee Benefit Fund, the City has excess insurance coverage when total claims exceed 125 percent of the contracted projected claims for the policy year. Additionally, individual excess insurance applies when an individual's claims exceed \$150,000 per contract year. There were no changes in insurance coverage during this fiscal year for any of the self-insurance funds.

The various funds of the City include, as expenditures, amounts contributed to each of the self-insurance funds during the fiscal year. The Property and Public Liability and the Employee Benefit 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 2004.

The Stop Loss Receivable balance for the Workers' Compensation Fund at June 30, 2004 is \$117,626 of which \$104,331 was established this current fiscal year. Over the past three fiscal years the Fund has received settlements in excess of insurance coverage of \$354,165 with \$121,080 received this current fiscal year. The Property and Public Liability Fund does not have a Stop Loss Receivable at June 30, 2004, and the Fund has not received any settlements in excess of insurance coverage over the past three fiscal years. The Employee Benefit Fund does not have a Stop Loss Receivable at June 30, 2004. Over the past three fiscal years the Fund has received settlements in excess of insurance coverage of \$363,249 with \$93,068 received this current fiscal year.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

	<u>Property & Public Liability</u>	<u>Workers' Compensation</u>	<u>Employee Benefit</u>	<u>Total</u>
Unpaid Claims, 7/1/02	\$ 7,039,759	\$ 6,601,636	\$ 1,031,299	\$ 14,672,694
Incurred Claims-FY 02-03	380,987	542,396	12,537,616	13,460,999
Claim Payments-FY 02-03	<u>(920,746)</u>	<u>(1,257,748)</u>	<u>(12,566,159)</u>	<u>(14,744,653)</u>
Unpaid Claims, 6/30/03	\$ 6,500,000	\$ 5,886,284	\$ 1,002,756	\$ 13,389,040
Incurred Claims-FY 03-04	\$ 5,850,479	\$ 3,239,460	\$ 21,024,589	\$ 30,114,528
Claim Payments-FY 03-04	<u>(3,450,479)</u>	<u>(2,592,863)</u>	<u>(19,846,669)</u>	<u>(25,890,011)</u>
Unpaid Claims, 6/30/04	<u>\$ 8,900,000</u>	<u>\$ 6,532,881</u>	<u>\$ 2,180,676</u>	<u>\$ 17,613,557</u>

p. **Compensated Absences**

Only the current portion of the accrued vacation and sick leave benefits payable are shown as a liability in the Payroll Agency Fund in the governmental fund financial statements. The entire amount of accumulated unpaid vested vacation pay is accrued in the Proprietary fund financial statements and the government-wide financial statement as incurred as well as an estimate for sick leave (see Note 11 for additional disclosure of sick leave 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 due to the fact that the City may deposit or withdraw cash at any time without prior notice or penalty.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

r. **Budgets and Budgetary Accounting**

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

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

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

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

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

The legally adopted budget consists of all funds except Agency, Property and Public Liability, Workers' Compensation, and Employee Benefit Self-Insurance. Capital Projects (both General Government and Proprietary) are budgeted as one item (as shown in Exhibit D-5). General Government debt service expenditures are budgeted in the General Fund and Special Revenue Funds. Budgets are established, however, for management purposes for the three Self-Insurance Funds.

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

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

Budgets for all funds are adopted in accordance with the requirements of the Arizona Constitution, Arizona Revised Statutes and the Mesa City Charter. There are certain 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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

note to required supplementary information and the individual budget schedules in the Supplemental Information Exhibits.

Budgeted amounts are as originally adopted by the City Council on June 30, 2003.

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, 2004 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 fund financial statement. Additional reconciliations are provided on the next page.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

	Total Governmental Funds	Long-term Assets/ Liabilities(1)	Internal Service Funds(2)	Reclassifications and Eliminations	Statement of Net Assets Total
Assets					
Cash and Cash Equivalents	\$ 92,341,229	\$	\$ 34,172,935	\$	\$ 126,514,164
Accounts Receivable, net	15,045,364		867,966		15,913,330
Interest Receivable	147,400		72,756		220,156
Due From Other Governments	16,032,856		17,223		16,050,079
Due From Other Funds	325,100		161,357	(325,100)	161,357
Inventories			3,600,553		3,600,553
Prepaid Costs	236,577		299,408		535,985
Deposits	441,211				441,211
Restricted Cash and Cash Equivalents	10,281,222				10,281,222
Restricted Accounts Receivable - Deferred	158,093				158,093
Unamortized Bond Issuance Costs		1,559,467			1,559,467
Capital Assets		1,113,692,797	4,401,701		1,118,094,498
Total Assets	<u>\$ 135,009,052</u>	<u>\$ 1,115,252,264</u>	<u>\$ 43,593,899</u>	<u>\$ (325,100)</u>	<u>\$ 1,293,530,115</u>
Liabilities					
Warrants Outstanding	\$ 3,364,519	\$	\$	\$	\$ 3,364,519
Accounts Payable	16,194,282		1,094,092		17,288,374
Other Accrued Expenses			17,613,557		17,613,557
Due To Other Funds			325,100	(325,100)	-
Customer and Defendant Deposits	4,810,655				4,810,655
Restricted Accounts Payable	3,099				3,099
Restricted Lease Interest Payable	227,502				227,502
Restricted Bond Interest Payable	6,795,961				6,795,961
Restricted Deferred Revenue	1,787,047	(158,093)			1,628,954
HURF Bonds Payable - Current	40,000				40,000
G.O. Bonds Payable - Current	194,730				194,730
M.D.C. Bonds Payable - Current	1,000,000				1,000,000
Capital Leases Payable - Current	2,019,930				2,019,930
Long-term Liabilities		351,277,319	31,787		351,309,106
Total Liabilities	<u>\$ 36,437,725</u>	<u>\$ 351,119,226</u>	<u>\$ 19,064,536</u>	<u>\$ (325,100)</u>	<u>\$ 406,296,387</u>
Fund Balance/Net Assets					
Total Fund Balance/Net Assets	<u>\$ 98,571,327</u>	<u>\$ 764,133,038</u>	<u>\$ 24,529,363</u>	<u>\$ -</u>	<u>\$ 887,233,728</u>
Total Liabilities and Fund Balance/Net Assets	<u>\$ 135,009,052</u>	<u>\$ 1,115,252,264</u>	<u>\$ 43,593,899</u>	<u>\$ (325,100)</u>	<u>\$ 1,293,530,115</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 in governmental funds, and thus a reduction in fund balance. However, the

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

statement of net assets includes those capital assets among the assets of the City as a whole.

Costs of capital assets	\$1,427,249,448
Accumulated depreciation	<u>(313,556,651)</u>
	<u>\$1,113,692,797</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>1,559,467</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	\$ 301,440,005
Capital leases	24,929,038
Compensated absences	16,412,457
Unamortized bond premium	<u>8,527,606</u>
	<u>\$ 351,309,106</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	\$ 19,536
Deferred rehabilitation loan revenue	<u>138,557</u>
	<u>\$ 158,093</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 fund balance sheet.

Total	\$ <u>24,529,363</u>
-------	----------------------

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

	Total Governmental Funds	Long-term Revenues/ Expenses(1)	Capital - Related Items(2)	Internal Service Funds(3)	Long-term Debt Transactions(4)	Eliminations and Adjustments(5)	Statement of Activities
Revenues and Other Sources							
Taxes	\$ 106,417,064	\$	\$	\$	\$	\$	\$ 106,417,064
Special Assessments	57,567	(57,567)					-
Licenses and Permits	19,819,170						19,819,170
Intergovernmental	149,036,481	(63,744)					148,972,737
Charges for Services	11,152,669						11,152,669
Contributions				8,202,920			8,202,920
Fines and Forfeitures	8,536,253						8,536,253
Investment Income	885,188			370,130			1,255,318
Miscellaneous	5,268,925			192,832			5,461,757
Other Sources:							
Capital Contributions			45,243,503				45,243,503
Transfers In	98,213,698			(220,000)		(27,993,698)	70,000,000
Face Amount of Bond Sales	9,585,000				(9,585,000)		-
Proceeds From Capital Leases	9,322,015				(9,322,015)		-
Proceeds From Refunding Issue	139,441,539				(139,441,539)		-
Total Revenues and Other Sources	\$ 557,735,569	\$ (121,311)	\$ 45,243,503	\$ 8,545,882	\$ (158,348,554)	\$ (27,993,698)	\$ 425,061,391
Expenditures/Expenses							
Current:							
General Government	\$ 36,328,122	\$ 99,601	\$ 6,095,736	\$ 1,454,825	\$ 34,439	\$	\$ 44,012,723
Public Safety	166,576,022	475,756	6,804,898	7,965,358	34,261		181,856,295
Cultural-Recreational	47,366,458	148,099	4,032,945	1,617,791	36,057		53,201,350
Community Environment	51,520,603	49,919	20,102,517	1,256,043	55,260		72,984,342
Debt Service:							
Principal Payments	7,145,591				(7,145,591)		-
Interest on Bonds	13,421,469				364,702		13,786,171
Interest on Capital Leases	659,662				44,641		704,303
Service Charges	62,131	(62,131)					-
Capital Outlay	81,823,895		(81,823,895)				-
Total Expenditures/Expenses	\$ 404,903,953	\$ 711,244	\$ (44,787,799)	\$ 12,294,017	\$ (6,576,231)	\$ -	\$ 366,545,184
Other Financing Uses/ Changes in Net Assets							
Transfers Out	27,993,698		2,227,382			(27,993,698)	2,227,382
Payment to Refunded Bond Escrow Agent	138,661,071				(138,661,071)		-
Total Expenditures/Expenses & Other Financing Uses	571,558,722	711,244	(42,560,417)	12,294,017	(145,237,302)	(27,993,698)	368,772,566
Net Change for the Year	\$ (13,823,153)	\$ (832,555)	\$ 87,803,920	\$ (3,748,135)	\$ (13,111,252)	\$ -	\$ 56,288,825

(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	\$ (57,567)
Rehabilitation loan revenue	(63,744)
Total	<u>\$ (121,311)</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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	\$ (711,244)
Total	<u>\$ (711,244)</u>

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

Capital outlay	\$ 81,823,895
Depreciation expense	<u>(35,609,420)</u>
Total	<u>\$ 46,214,475</u>

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

Donation of capital assets	\$ 45,243,503
Loss on disposal of capital assets	(1,426,676)
Transfer of capital assets	<u>(2,227,382)</u>
Total	<u>\$ 41,589,445</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	\$ 8,765,882
Expenditures and other uses	(12,294,017)
Transfers out	<u>(220,000)</u>
Change in net assets	<u>\$ (3,748,135)</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

New debt issued (including refunded debt)	
General Obligation bond proceeds	\$(100,713,325)
Revenue bond proceeds	(48,313,214)
Capital lease proceeds	(9,322,015)
Principal repayments	7,145,591
Payment to refunded bond escrow agent	<u>138,661,071</u>
Total	\$ <u>(12,541,892)</u>

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

Amortization of revenue	\$ 28,090
Amortization of premium	628,165
Amortization of bond issue costs	(160,016)
Amortization of deferred loss	(982,166)
Accretion of certificates	<u>(83,433)</u>
Total	\$ <u>(569,360)</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	\$ 27,993,698
Transfers in	<u>(27,993,698)</u>
Total	\$ <u>-</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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. As of June 30, 2004 approximately 860 former employees were eligible for these benefits.

The benefits provided by the group health insurance are the same as those offered to active employees. Retirees may select single or family coverage and are offered three health insurance plans: Participation in the City's self-insurance plan, where 80 percent of the amount of validated claims are reimbursed, or health maintenance organization (HMO) plan.

The City's cost for retiree health insurance for the fiscal year ended June 30, 2004 was \$2,360,406. This cost represents actual claims paid for retirees under the self-insurance program and premiums paid to HMO and vision care providers; 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 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 Retirement System that is an agent multiple-employer plan. In addition, the Mayor and Councilmembers contribute to the State's Elected Officials 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, 2004

b. **Funding Policy**

Covered employees were required by state statute to contribute 5.70 percent of their salary to the System during fiscal year 2003-04 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, 2004, 2003 and 2002 were \$7,559,156, \$3,262,528 and \$3,244,921, respectively, equal to the required contributions for each year. The City’s employees contributed equal amounts to the Plan for the same time period.

Elected Officials Retirement Plan:

a. **Plan Description**

The City’s Mayor and Councilmembers participate in the Elected Officials Retirement System (“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 2003-04 was 13.49 percent. The City’s contributions to EORP for the fiscal years ending June 30, 2004, 2003 and 2002 were \$19,062, \$9,805 and \$10,374, respectively, equal to the required contributions for each year. The City’s employees contributed \$9,891, \$9,847 and \$10,419 for the same time period.

Public Safety Personnel Retirement System:

a. **Plan Description**

The City contributes to the Public Safety Personnel Retirement System (“PSPRS”), an agent multiple-employer public safety employee retirement system that acts as a common

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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 2003-04 was 6.76 percent for fire personnel and 8.97 percent for police members. Benefit and contribution provisions are established by state law and may be amended only by the State of Arizona Legislature. (A.R.S. Section 38-843)

c. **Annual Pension Cost**

Police personnel contributed \$3,811,823 and fire personnel \$1,781,594 during fiscal year 2003-04. For 2004, the City's annual pension cost of \$4,469,549 for police and \$1,574,427 for fire was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 9 percent investment rate of return, (b) projected salary increases of 6.5 percent per year compounded annually attributable to inflation and other across-the-board increases, (c) additional projected salary increases ranging from 0.0 percent to 3.0 percent per year, attributable to seniority/merit. The actuarial value of PSPRS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 7-year period. 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, 2004

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

Police

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2001	\$ 2,989,979	100 %	-
2002	3,143,787	100	-
2003	3,267,907	100	-

Fire

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2001	\$ 1,168,788	100 %	\$ -
2002	835,170	100	-
2003	1,162,926	100	-

e. **Required Supplementary Information**

Schedule of Funding Progress (Latest Information Available):

POLICE

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a % of Covered Payroll
1996	\$ 88,796,871	\$ 86,487,738	102.7%	\$ (2,309,133)	\$ 27,244,348	- %
1997	107,257,407	96,853,824	110.7%	(10,403,583)	30,118,564	-
1998	120,765,775	108,157,318	111.7%	(12,608,457)	32,659,519	-
1999	143,165,304	119,519,031	119.8%	(23,646,273)	34,913,388	-
2000	168,065,424	138,558,410	121.3%	(29,507,014)	41,356,041	-
2001	187,280,489	151,987,452	123.2%	(35,293,037)	44,675,271	-
2002	191,200,945	170,390,053	112.2%	(20,810,892)	48,128,704	-
2003	199,339,444	190,290,565	104.8%	(9,048,879)	48,854,068	-

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

FIRE

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a % of Covered Payroll
1996	\$ 64,501,566	\$ 54,347,247	118.7%	\$ (10,154,319)	\$ 14,785,955	- %
1997	76,602,958	60,384,792	126.9%	(16,218,166)	15,573,320	-
1998	84,034,496	69,351,133	121.2%	(14,683,363)	17,324,713	-
1999	98,666,741	78,166,154	126.2%	(20,500,587)	19,069,238	-
2000	115,297,435	88,631,745	130.1%	(26,665,690)	20,882,521	-
2001	127,968,471	96,981,661	132.0%	(30,986,810)	23,072,687	-
2002	130,154,053	110,765,627	117.5%	(19,388,426)	22,823,965	-
2003	135,273,964	127,311,489	106.3%	(7,962,475)	22,625,122	-

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

5. LONG-TERM OBLIGATIONS

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

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 187,839,000	\$ 46,230,300	\$ (46,425,030)	\$ 187,644,270	\$ 579,731
Municipal Development Corp. Bonds	10,970,000		(1,000,000)	9,970,000	
Highway User Revenue Bonds	101,190,000	27,345,000	(17,765,000)	110,770,000	135,000
Special Assessment Bonds with Governmental Commitment	133,000		(85,000)	48,000	12,000
Add Certificates of Supplemental Interest	2,499,096	83,433		2,582,529	
Less Deferred Amounts on Refundings	<u>(5,631,625)</u>	<u>(5,612,086)</u>	<u>1,668,917</u>	<u>(9,574,794)</u>	
Total Bonds Payable	<u>296,999,471</u>	<u>68,046,647</u>	<u>(63,606,113)</u>	<u>301,440,005</u>	<u>726,731</u>
Capital Leases	21,665,643	9,353,802	(5,825,859)	25,193,586	6,953,012
Less Deferred Amounts on Refundings	(383,466)	(149,056)	267,974	(264,548)	
Unamortized Bond Premiums	2,891,418	6,264,353	(628,165)	8,527,606	
Compensated Absences	<u>15,701,213</u>	<u>12,915,182</u>	<u>(12,203,938)</u>	<u>16,412,457</u>	<u>9,961,403</u>
Governmental Activities Total	<u>\$ 336,874,279</u>	<u>\$ 96,430,928</u>	<u>\$ (81,996,101)</u>	<u>\$ 351,309,106</u>	<u>\$ 17,641,146</u>
Business-type Activities:					
Bonds Payable:					
Utility System Revenue Bonds	\$ 397,315,000	\$ 104,970,000	\$ (43,760,000)	\$ 458,525,000	\$ 310,000
General Obligation Bonds	13,706,000	214,700	(10,629,970)	3,290,730	269
Municipal Development Corp. Bonds	19,800,000		(2,900,000)	16,900,000	3,400,000
Add Certificates of Supplemental Interest	91,700	3,062		94,762	
Less Deferred Amounts on Refundings	<u>(10,248,033)</u>	<u>(4,211,384)</u>	<u>3,212,522</u>	<u>(11,246,895)</u>	
Total Bonds Payable	<u>420,664,667</u>	<u>100,976,378</u>	<u>(54,077,448)</u>	<u>467,563,597</u>	<u>3,710,269</u>
Notes Payable	1,218,660		(144,550)	1,074,110	152,733
Capital Leases	10,092,842	15,808,198	(2,427,554)	23,473,486	2,738,785
Less Deferred Amounts on Refundings	(410,725)	(159,581)	286,951	(283,355)	
Unamortized Bond Premiums	<u>10,702,773</u>	<u>4,830,958</u>	<u>(1,582,999)</u>	<u>13,950,732</u>	
Business-type Activities Total	<u>\$ 442,268,217</u>	<u>\$ 121,455,953</u>	<u>\$ (57,945,600)</u>	<u>\$ 505,778,570</u>	<u>\$ 6,601,787</u>

The government-wide statement of net assets includes \$6,291,518 of the long-term liabilities due within one year for business-type activities in “liabilities payable from restricted assets.” The remaining amount of \$310,269 is displayed as “noncurrent liabilities, due within one year” on that same statement.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

b. **Bonds Payable**

At June 30, 2004, long-term bonds payable consisted of:

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

General Obligation Bonds

<p>\$20,060,000 1995 general obligation serial bonds (partially refunded by general obligation refunding bonds, series 2002 & 2004), due in annual principal installments ranging from \$360,000 to \$9,500,000, plus semi-annual interest ranging from 5.25 percent to 6.75 percent (5.33 percent effective rate) through July 1, 2010.</p>	<p>\$ 1,200,000</p>
<p>\$24,000,000 1997 general obligation serial bonds (partially refunded by general obligation refunding bonds, series 2002A), due in annual principal installments ranging from \$6,650,000 to \$10,350,000, plus semi-annual interest ranging from 5.0 percent to 6.50 percent (5.36 percent effective rate) through July 1, 2011.</p>	<p>6,650,000</p>
<p>\$30,000,000 1998 general obligation serial bonds, (partially refunded by general obligation refunding bonds, series 2004), due in annual principal installments ranging from \$2,000,000 to \$28,000,000, plus semi-annual interest ranging from 5.00 percent to 6.75 percent (5.05 percent effective rate) through July 1, 2018.</p>	<p>2,000,000</p>
<p>\$18,100,000 1998 general obligation refunding serial bonds, due in annual principal installments ranging from \$105,000 to \$16,875,000, plus semi-annual interest ranging from 3.65 percent to 4.50 percent (4.43 percent effective rate) through July 1, 2008.</p>	<p>17,360,000</p>
<p>\$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), due in annual principal installments ranging from \$702,225 to \$2,262,725, plus semi-annual interest ranging from 5.00 percent to 6.50 percent (5.54 percent effective rate) through July 1, 2018.</p>	<p>3,564,290</p>
<p>\$36,500,000 2000 general obligation serial bonds (partially refunded by general obligation refunding bonds, series 2002A & 2004), due in annual principal installments ranging from \$2,500,000 to \$4,250,000, plus semi-annual interest ranging from 5.00 percent to 6.50 percent (5.21 percent effective rate) through July 1, 2019.</p>	<p>12,000,000</p>
<p>\$25,375,000 2002 general obligation serial bonds (partially refunded by general obligation refunding bonds, series 2002A & 2004), due in annual principal installments ranging from \$1,670,900 to \$2,625,700, plus semi-annual interest</p>	

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

ranging from 4.50 percent to 6.00 percent (4.81 percent effective rate) through July 1, 2020.	12,723,900
\$24,720,000 2002 general obligation refunding serial bonds, due in annual principal installments ranging from \$54,730 to \$9,498,229, plus semi-annual interest ranging from 2.75 percent to 5.375 percent (5.10 percent effective rate) through July 1, 2015.	23,436,315
\$41,680,611 2002A general obligation refunding serial bonds, due in annual principal installments ranging from \$1,515,000 to \$10,655,000, plus semi-annual interest ranging from 3.75 percent to 4.20 percent (3.82 percent effective rate) through July 1, 2016. Of the total bonds outstanding at June 30, 2004, \$2,995,101 are certificates of ownership of supplemental interest payments maturing in 2010.	39,377,116
\$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 4.375 percent (4.16 percent effective rate) through July 1, 2022.	22,565,000
\$46,230,300 2004 general obligation refunding serial bonds, due in annual installments ranging from \$35,000 to \$32,000,000, plus semi-annual interest ranging from 2.4 percent to 5.0 percent (3.92 percent effective rate) through July 1, 2016.	<u>42,847,599</u>
Total General Obligation Bonds	\$183,724,220
Deferred loss on advanced refunding	6,502,579
Certificates of Supplemental Interest	<u>(2,582,529)</u>
Total General Obligation Bonds not including deferred loss on advanced refunding	<u>\$187,644,270</u>

Municipal Development Corp. Bonds

\$9,970,000 1996 City of Mesa Municipal Development Corp. special tax updates bonds, series 1996B, 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>
Total Municipal Development Corp. Bonds	\$ <u>9,970,000</u>

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 in annual principal installments ranging from \$1,650,000 to \$2,500,000, plus semi-annual interest ranging from 4.80 percent to 6.75 percent (5.09 percent effective rate) through July 1, 2017.	\$ 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), due in annual principal installments ranging from \$725,000 to \$1,125,000, plus semi-annual interest ranging from 5.00 percent to 6.50 percent (5.46 percent effective rate) through July 1, 2017.	1,475,000
\$20,000,000 2000 street and highway user revenue bonds (partially refunded by street and highway user revenue refunding bonds, series 2002A & 2004), due in	

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

annual principal installments ranging from \$1,500,000 to \$2,500,000, plus semi-annual interest ranging from 5.00 percent to 6.50 percent (5.28 percent effective rate) through July 1, 2019.	5,500,000
\$25,800,000 2002 street and highway user revenue bonds (partially refunded by street and highway user revenue refunding bonds, series 2002A & 2004), due in annual principal installments ranging from \$800,000 to \$8,000,000, plus semi-annual interest ranging from 4.75 percent to 6.25 percent (5.00 percent effective rate) through July 1, 2020.	16,050,000
\$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 (4.09 percent effective rate) through July 1, 2017.	30,115,555
\$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 (4.53 percent effective rate) through July 1, 2022.	26,805,000
\$9,585,000 2004 street and highway user revenue bonds, due in annual principal installments ranging from \$100,000 to \$8,000,000, plus semi-annual interest ranging from 4.00 percent to 5.125 percent (5.02 percent effective rate) through July 1, 2023.	9,585,000
\$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 (3.91 percent effective rate) through July 1, 2018.	<u>16,517,230</u>
Total Street and Highway User Revenue Bonds	\$107,697,785
Deferred loss on advance refunding	<u>3,072,215</u>
Total Street and Highway User Revenue Bonds not including deferred loss on advanced refunding	<u>\$110,770,000</u>
<u>Special Assessment Bonds (payable from special assessments levied on the benefited properties)</u>	
\$40,127 1996 special assessment district bonds, due in annual principal installments ranging from \$4,000 to \$4,127, plus semi-annual interest of 6.25 percent, through January 1, 2006.	\$ 8,000
\$77,976 1999 special assessment district bonds, due in annual principal installments ranging from \$6,976 to \$8,000, plus semi-annual interest of 6.00 percent, through January 1, 2009.	<u>40,000</u>
Total Special Assessment Bonds	\$ <u>48,000</u>
Total bonds payable recorded in governmental activities	<u>\$301,440,005</u>

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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

General Obligation Bonds

\$27,041,000 1999 general obligation serial bonds (partially refunded by 2002 utility systems revenue refunding bonds & 2002A & 2004 general obligation refunding bonds), due in annual principal installments ranging from \$1,547,775 to \$4,987,275, plus semi-annual interest ranging from 5.00 percent to 6.50 percent (5.54 percent effective rate) through July 1, 2018.	935,710
\$1,200,000 2002 & 2004 general obligation serial bonds (partially refunded by 2002A & 2004 general obligation refunding bonds), due in annual principal installments ranging from \$79,100 to \$124,300, plus semi-annual interest ranging from 4.50 percent to 6.00 percent (4.81 percent effective rate) through July 1, 2020.	601,100
\$120,000 2002 general obligation refunding serial bonds, due in annual principal installments ranging from \$270 to \$46,771, plus semi-annual interest ranging from 2.75 percent to 5.375 percent (5.10 percent effective rate) through July 1, 2015.	119,731
\$1,529,379 2002A general obligation refunding serial bonds, due in annual principal installments ranging from \$1,515,000 to \$10,655,000, plus semi-annual interest ranging from 3.75 percent to 4.20 percent (3.82 percent effective rate) through July 1, 2016. Of the total bonds outstanding at June 30, 2003, \$9,889 are certificates of ownership of supplemental interest payments maturing in 2010.	1,444,867
\$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 (3.92 percent effective rate) through July 1, 2016.	<u>214,700</u>
Total General Obligation Bonds	\$ 3,316,108
Deferred loss on advanced refunding	69,384
Certificates of Supplemental Interest	<u>(94,762)</u>
Total General Obligation Bonds not including deferred loss on advanced refunding	\$ <u>3,290,730</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 (4.03 percent effective rate) through January 1, 2008.	\$ <u>16,900,000</u>
--	----------------------

Total Municipal Development Corp. Bonds **\$ 16,900,000**

Utility Systems Revenue Bonds

\$40,000,000 1995 utility systems revenue serial bonds (partially refunded by 2002 & 2002A utility systems revenue refunding bonds), due in annual principal installments ranging from \$7,000,000 to \$9,000,000, plus semi-annual interest ranging from 5.125 percent to 7.125 percent (5.62 percent effective rate) through July 1, 2015.	\$ 7,000,000
--	--------------

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

<p>\$94,730,000 1997 utility systems revenue serial bonds (partially refunded by 1998 and 2002 utility systems revenue refunding bonds), due in annual principal installments ranging from \$11,000,000 to \$24,300,000, plus semi-annual interest ranging from 5.25 percent to 7.25 percent (5.62 percent effective rate) through July 1, 2017.</p>	11,000,000
<p>\$34,600,000 1998 utility systems revenue serial bonds (partially refunded by 2002A utility systems revenue 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 (4.89 percent effective rate) through July 1, 2018.</p>	21,665,000
<p>\$32,500,000 1998 utility systems revenue refunding serial bonds (partially refunded by 2002A utility systems revenue bonds), due in annual principal installments ranging from \$175,000 to \$18,600,000, plus semi-annual interest ranging from 4.00 percent to 5.00 percent (4.67 percent effective rate) through July 1, 2013.</p>	25,915,774
<p>\$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 \$8,000,000, plus semi-annual interest ranging from 5.00 percent to 6.50 percent (5.26 percent effective rate) through July 1, 2019.</p>	14,450,000
<p>\$57,950,000 2002 utility systems revenue serial bonds (partially refunded by 2004 utility systems revenue refunding bonds), due in annual principal installments ranging from \$950,000 to \$18,000,000, plus semi-annual interest ranging from 4.25 percent to 5.75 percent (5.03 percent effective rate) through July 1, 2021.</p>	43,950,000
<p>\$129,000,000 2002 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$60,000 to \$29,550,000, plus semi-annual interest ranging from 3.00 percent to 5.25 percent (4.75 percent effective rate) through July 1, 2017.</p>	124,565,478
<p>\$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 (3.98 percent effective rate) through July 1, 2017.</p>	46,289,601
<p>\$50,470,000 2003 utility systems revenue serial bonds, due in annual principal installments ranging from \$970,000 to \$25,500,000, plus semi-annual interest ranging from 3.50 percent to 5.00 percent (4.55 percent effective rate) through July 1, 2022.</p>	50,470,000
<p>\$64,625,000 2004 utility systems revenue serial bonds, due in annual principal installments ranging from \$1,125,000 to \$11,000,000, plus semi-annual interest ranging from 5.00 percent to 6.00 percent (5.07 percent effective rate) through July 1, 2028.</p>	64,625,000
<p>\$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 (4.03 percent effective rate) through July 1, 2019.</p>	<u>37,416,636</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Total Utility Systems Revenue Bonds	\$447,347,489
Deferred loss on advanced refunding	<u>11,177,511</u>
Total Utility System Revenue Bonds not including deferred loss on advanced refunding	<u>458,525,000</u>

Total bonds payable recorded in business-type activities **\$467,563,597**

The following tables summarize the City's debt service requirements to maturity for its long term bonds payable at June 30, 2004. The Municipal Development Corporation variable rate debt issue, the accretion of certificates of ownership of supplementary Interest Payments and the deferred loss amounts on advanced refunding are not included.

Governmental Activities

General Obligation Bonds				Highway User Revenue Bonds			
Fiscal Year	Principal	Interest	Total	Fiscal Year	Principal	Interest	Total
2005	\$ 579,731	\$ 9,143,499	\$ 9,723,230	2005	\$ 135,000	\$ 5,400,476	\$ 5,535,476
2006	619,706	9,308,178	9,927,884	2006	135,000	5,357,293	5,492,293
2007	659,706	8,996,337	9,656,043	2007	140,000	5,353,580	5,493,580
2008	16,939,682	9,234,427	26,174,109	2008	145,000	5,349,380	5,494,380
2009	23,658,770	8,472,546	32,131,316	2009	2,525,000	5,344,668	7,869,668
2010-14	63,289,709	23,313,619	86,603,328	2010-14	31,375,000	22,643,732	54,018,732
2015-19	72,705,076	9,978,363	82,683,439	2015-19	39,540,000	14,522,757	54,062,757
2020-22	<u>9,191,890</u>	<u>704,876</u>	<u>9,896,766</u>	2020-23	<u>36,775,000</u>	<u>4,276,525</u>	<u>41,051,525</u>
TOTALS	<u>\$ 187,644,270</u>	<u>\$ 79,151,845</u>	<u>\$ 266,796,115</u>	TOTALS	<u>\$ 110,770,000</u>	<u>\$ 68,248,411</u>	<u>\$ 179,018,411</u>

Special Assessment Bonds

Fiscal Year	Principal	Interest	Total
2005	\$ 12,000	\$ 2,535	\$ 14,535
2006	12,000	1,805	13,805
2007	8,000	1,200	9,200
2008	8,000	720	8,720
2009	<u>8,000</u>	<u>240</u>	<u>8,240</u>
TOTALS	<u>\$ 48,000</u>	<u>\$ 6,500</u>	<u>\$ 54,500</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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>
2005	\$ 269	\$ 170,815	\$ 171,084	2005	\$ 310,000	\$ 23,696,476	\$ 24,006,476
2006	294	178,063	178,357	2006	340,000	23,409,776	23,749,776
2007	294	454,244	454,538	2007	340,000	23,396,211	23,736,211
2008	318	178,042	178,360	2008	18,705,000	23,382,314	42,087,314
2009	591,230	178,029	769,259	2009	6,490,000	22,448,758	28,938,758
2010-14	1,860,291	3,823,133	5,683,424	2010-14	130,785,000	99,000,163	229,785,163
2015-19	714,924	3,861,881	4,576,805	2015-19	162,555,000	56,117,012	218,672,012
2020-22	<u>123,110</u>	<u>5,593</u>	<u>128,703</u>	2020-24	98,000,000	22,128,125	120,128,125
				2025-28	<u>41,000,000</u>	<u>5,250,000</u>	<u>46,250,000</u>
TOTALS	\$ <u>3,290,730</u>	\$ <u>8,849,800</u>	\$ <u>12,140,530</u>	TOTALS	\$ <u>458,525,000</u>	\$ <u>298,828,835</u>	\$ <u>757,353,835</u>

**Municipal Development
 Corporation Bonds**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 3,400,000	\$ 625,250	\$ 4,025,250
2006	3,900,000	479,250	4,379,250
2007	4,500,000	309,000	4,809,000
2008	<u>5,100,000</u>	<u>108,375</u>	<u>5,208,375</u>
TOTALS	\$ <u>16,900,000</u>	\$ <u>1,521,875</u>	\$ <u>18,421,875</u>

Special Assessment Bonds

The City acts as trustee for special assessment districts whereby it collects the assessments levied against owners of property within established districts and disburses the amounts so collected to retire the bonds issued to finance the improvements. At June 30, 2004, 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.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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, 2004 are \$48,000.

General Obligation Bonds

The general obligation bonds are backed by the ultimate taxing power and general revenues of the City; however, \$3,316,108 of these bonds at June 30, 2004 are carried as a long-term liability of the Enterprise Fund to reflect the intention of retirement from resources of that fund.

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

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

The total debt margin available July 1, 2004 is:

6% Bonds	\$ 56,174,797
20% Bonds	<u>441,412,657</u>
Total Available	<u>\$497,587,454</u>

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

c. **Reserves for Bond Indentures**

Pursuant to the provisions of the Bond Resolution of the City of Mesa Utility System Revenue and Refunding bonds, Replacement and Reserve Funds are required to be established, into which a sum equal to 2 percent of the gross revenues – as determined on a modified accrual basis – must be deposited until a sum equal to two percent of all tangible assets of the Utility System is accumulated. As of June 30, 2004, the amount

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

provided in the Replacement and Extension Funds equaled \$2,648,023 that 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, 2004, as presented in the business-type activities.

Fiscal Year	Principal	Interest	Total
<u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 152,733	\$ 58,142	\$ 210,875
2006	161,385	49,491	210,876
2007	170,530	40,345	210,875
2008	157,898	30,677	188,575
2009	98,376	23,295	121,671
2010-2013	<u>333,188</u>	<u>31,825</u>	<u>365,013</u>
TOTALS	\$ <u>1,074,110</u>	\$ <u>233,775</u>	\$ <u>1,307,885</u>

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, 2004. The deferred loss amounts on advanced refundings are not included.

Fiscal Year	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 6,953,012	\$ 788,602	\$ 7,741,614	\$ 2,738,785	\$ 698,203	\$ 3,436,988
2006	6,582,365	584,400	7,166,765	17,169,234	625,428	17,794,662
2007	4,040,966	395,712	4,436,678	1,157,457	102,072	1,259,529
2008	3,992,256	254,303	4,246,559	1,178,925	66,883	1,245,808
2009	3,034,072	101,876	3,135,948	1,229,085	29,190	1,258,275
2010-15	<u>590,915</u>	<u>30,258</u>	<u>621,173</u>			-
TOTALS	\$ <u>25,193,586</u>	\$ <u>2,155,151</u>	\$ <u>27,348,737</u>	\$ <u>23,473,486</u>	\$ <u>1,521,776</u>	\$ <u>24,995,262</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
Asset:		
Land	\$ 3,626,882	\$
Buildings	11,186,537	
Other Improvements	3,070,646	
Machinery & Equipment	16,010,592	569,952
Infrastructure	85,936	
Construction Work in Process	906,009	11,819,649
Less: Accumulated depreciation	<u>(6,048,391)</u>	<u>(251,434)</u>
Total	<u>\$ 28,838,211</u>	<u>\$ 12,138,167</u>

f. **Short-term Debt**

The City had no short-term debt activity for the fiscal year ended June 30, 2004.

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 of Mesa 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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Corporation. The Series A Bonds are secured solely by the City's obligation to make payments under the lease and its pledge of City excise taxes to secure such obligation.

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

The repayment of these bonds, assuming the interest rate of 1.09 percent at June 30, 2004, is as follows:

Fiscal Year			
<u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$	\$ 108,673	\$ 108,673
2006		108,673	108,673
2007		108,673	108,673
2008		108,673	108,673
2009	1,370,000	98,095	1,468,095
2010-2014	6,200,000	257,331	6,457,331
2015-2017	<u>2,400,000</u>	<u>33,789</u>	<u>2,433,789</u>
	<u>\$ 9,970,000</u>	<u>\$ 823,907</u>	<u>\$ 10,793,907</u>

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

The annual fee for the letter of credit is .24 percent per annum of the maximum amount available under the agreement. The agreement expires on the earlier of January 31, 2006 or the occurrence of certain specified events. As of June 30, 2004, 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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

The City issued \$17,760,000 of Highway User Revenue Refunding bonds on March 4, 2004 to advance refund \$17,725,000 of outstanding Highway User Revenue Bonds. The refunding bonds were issued at an average interest rate of 3.91 percent. The proceeds of \$17,760,000, plus an original issue premium of \$1,894,506, were used to pay cost of issuance, underwriting fees and bond insurance premiums of \$302,300 and a payment to the City of \$174,898. The balance of \$19,177,308 was used to provide cash and purchase United States Government securities. The cash and securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments of the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the debt of the City.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,452,308. The difference, reported in the accompanying financial statements as a deduction from Highway User Revenue bonds payable, is being charged to operations through the year 2018 using the effective interest method. The purpose of the refunding was to take advantage of lower interest rates, thereby reducing future debt service payments by the City. The refunding will reduce debt service payments by \$532,211 over the next 14 years producing an economic gain (difference between the percent value of old and new debt service payments) of \$497,293.

On March 4, 2004, the City issued \$46,445,000 of general obligation bonds with an original issue premium of \$4,869,847 to advance refund \$46,445,000 of outstanding general obligation bonds. The refunding bonds were issued at an average interest rate of 3.92 percent. The net proceeds of \$50,376,587 (after payment of \$438,260 of insurance premiums, underwriting fees and other issuance costs) were used to provide cash and purchase United States Government securities. The cash and securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the debt of the City.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$3,931,587. This difference, reported in the accompanying financial statements as a deduction from general obligation bonds payable, is being charged to operations through the year 2018 using the effective-interest method. The purpose of the refunding was to take advantage of lower interest rates thereby reducing future debt service payments by the City. The refunding will reduce debt service payments by \$1,204,583 over the next 14 years producing an economic gain (difference between the present value of old and new debt service payments) of \$1,066,722.

On March 4, 2004, the City issued \$40,345,000 of utility system revenue bonds with an original issue premium of \$4,213,919 to advance refund \$29,705,000 of outstanding utility system revenue bonds and \$10,415,000 of general obligation bonds. The refunding bonds were issued with an average interest rate of 4.03 percent. The net proceeds of \$44,124,048 (after payment of \$434,870 to the City) were provided to a refunding escrow agent to pay issuance costs of \$494,397 for insurance premiums, underwriting fees and other issuance

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

costs with the remaining \$43,629,662 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 \$3,464,652. This difference, reported in the accompanying financial statements as a deduction from revenue bonds payable, is being charged to operations through the year 2019 using the effective-interest method. The purpose of the refunding was to take advantage of lower interest rates thereby reducing future debt service payments by the City. The refunding will reduce debt service payments by \$1,234,501 over the next 15 years producing an economic gain (difference between the present value of old and new debt service payments) of \$1,151,874.

8. ESCROW RESTRUCTURINGS

On June 1, 2004, the City undertook the replacement of certain U.S. Government securities held in irrevocable trust by U.S. Bank, National Association, for payment of certain refunded bonds of the City related to the issuance of four of the City's Refunding Bonds. The City simultaneously sold securities and purchased replacement securities at a lower cost. After payment of costs related to these transactions, the City realized a net gain. This amount is being amortized over the remaining life of the refunding bonds.

The four refunding Bond Issues for which escrow restructurings were completed are as follows: *Utility Systems Revenue Funding Bonds, Series 2002* – Securities for the amount of \$144,431,445 were sold and replacement securities were purchased at a cost of \$143,327,821. The City realized a net gain of \$1,003,624; *Street and Highway User Revenue Refunding Bonds, Series 2004* – Securities for the amount of \$19,073,708 were sold and replacement securities costing \$18,882,300 were purchased resulting in a net gain of \$166,918; *Utility Systems Revenue Refunding Bonds, Series 2004* – Securities for the amount of \$43,375,021 were sold and replacement securities costing \$42,875,126 were purchased. The City realized a net gain of \$447,981; *General Obligation Refunding Bonds, Series 2004* – Securities for the amount of \$50,132,227 were sold and replacement securities costing \$49,641,572 were purchased. The City realized a net gain of \$438,651.

9. 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

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

trust deposits have been computed so that the securities in the trust, along with future cash flow generated by the securities, will be sufficient to service the previously issued bonds.

In accordance with GASB Statement No. 7, the refunded debt outstanding at June 30, 2004 as reflected below is not included in the City's financial statements.

Utility Systems Revenue Bond Issue dated September 1, 1995	\$ 33,000,000
General Obligation Bond Issue dated December 1, 1995	18,860,000
General Obligation Bond Issue dated April 1, 1997	17,350,000
Utility System Revenue Bond Issue dated April 1, 1997	83,730,000
Street and Highway User Revenue Bond Issue dated October 1, 1997	17,350,000
Utility System Revenue Refunding Bond Issue dated March 1, 1998	4,220,000
General Obligation Bond Issue dated March 1, 1998	28,000,000
Utility System Revenue Bond Issue dated March 1, 1998	12,935,000
General Obligation Bond Issue dated November 1, 1999	34,000,000
Street and Highway User Revenue Bond Issue dated November 1, 1999	6,425,000
General Obligation Bond Issue dated November 1, 2000	24,500,000
Utility System Revenue Bond Issue dated November 1, 2000	54,750,000
Street and Highway User Revenue Bond Issue dated November 1, 2000	14,500,000
General Obligation Bond Issue dated January 1, 2002	13,250,000
Utility System Revenue Bond Issue dated January 1, 2002	14,000,000
Street and Highway User Revenue Bond Issue dated January 1, 2002	<u>9,750,000</u>
Total Refunded Bonds Outstanding	<u>\$386,620,000</u>

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

10. CAPITAL CONTRIBUTIONS

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

	<u>Property Owners</u>	<u>Governmental Agencies</u>	<u>Developers</u>	<u>Total</u>
Governmental Activities:				
Federal Grants	\$	\$ 429,169	\$	\$ 429,169
Contributions - Capital Assets	155,458		45,088,045	45,243,503
Total	<u>155,458</u>	<u>429,169</u>	<u>45,088,045</u>	<u>45,672,672</u>
Business-Type Activities:				
Federal Grants		\$ 1,081,076	\$	\$ 1,081,076
State Grants		1,730,254		1,730,254
Developers - Impact and Development Fees			7,843,839	7,843,839
Developers - Contributions-In-Aid			716,563	716,563
Contributions - Mains and Lines			23,900,374	23,900,374
Intergovernmental Agreements		102,379		102,379
Total	<u>\$</u>	<u>\$ 2,913,709</u>	<u>\$ 32,460,776</u>	<u>\$ 35,374,485</u>

In addition, during the year existing capital assets with a book value of \$2,227,382 were transferred between governmental and business-type activities that are also recorded as capital contributions from governmental activities in the Proprietary funds' financial statements and as a transfer out in the government-wide statement of activities.

11. COMMITMENTS AND CONTINGENT LIABILITIES

a. **Pending Litigation**

The City is subject to a number of lawsuits, investigations, and other claims (some of which involve substantial amounts) that are incidental to the ordinary course of its operations, including those related to wrongful death and personal injury matters. Although the City Attorney does not currently possess sufficient information to reasonably estimate the amounts of the liabilities to be recorded upon the settlement of such claims and lawsuits, some claims could be significant to the City's operations. While the ultimate resolution of such lawsuits, investigations, and claims cannot be

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

determined at this time, in the opinion of City management, based on the advice of the City Attorney, the resolution of these matters will not have a material adverse effect on the City's financial position.

b. **Sick Leave Benefits**

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

The total sick leave balance at June 30, 2004, was \$37,221,192 of which \$8,430,117 is recorded as a liability.

c. **Light Rail Project**

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

The terms of the offer include an advance of \$4.5 million in federal monies by the City of Phoenix to assist the City with its projected LRT expenditures for FY 2002-03 and FY 2003-04. This advance would not have to be repaid in the event that the Central Phoenix/East Valley LRT Project does not receive a full funding grant agreement from the Federal Transit Administration (FTA), which provides for FTA to fund at least half of the cost of the project

As of June 30, 2004, Phoenix has advanced \$3,814,000 to Valley Metro Rail, Inc. for the City's share of expenditures for the LRT project. The expenditures and liabilities are not reported in the accompanying financial statements because the full funding grant agreement has not been received.

12. **ENTERPRISE ACTIVITIES OPERATIONS DETAIL**

The Enterprise Fund includes operations of electricity, gas, water, wastewater, solid waste, airport, golf course and community center. Although the City's Enterprise Fund does not meet the requirements for disclosing segment information, these services provided by the

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

City are of such significance as to warrant certain additional disclosures. Operating revenue, expenses and operating income for the year ended June 30, 2004 for these services are as follows:

<u>Functions</u>	<u>Operating Revenues</u>	<u>Operating Expenses</u>		<u>Operating Income (Loss)</u>
		<u>Depreciation and Amortization</u>	<u>Other</u>	
Electric	\$ 33,694,077	\$ 2,196,639	\$ 21,814,046	\$ 9,683,392
Gas	29,941,402	1,720,761	23,911,386	4,309,255
Water	80,036,607	11,411,080	26,602,763	42,022,764
Wastewater	43,643,145	6,027,460	17,031,129	20,584,556
Solid Waste	34,460,114	1,390,259	20,342,309	12,727,546
Airport	1,873,184	553,611	1,468,572	(148,999)
Golf Course	2,298,163	349,302	2,177,747	(228,886)
Centennial Center	2,686,799	230,734	3,993,391	(1,537,326)
Total	\$ <u>228,633,491</u>	\$ <u>23,879,846</u>	\$ <u>117,341,343</u>	\$ <u>87,412,302</u>

13. 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.

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.

(Continued)

CITY OF MESA, ARIZONA
NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

The City of Mesa's investment in the joint venture is reflected in the Enterprise Fund 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, 2003 (latest information available) is as follows:

Assets	
Equity in Pooled Cash and Investments	\$ 40,978,000
Receivables	21,607,000
Inventories at Average Cost	680,000
Capital Assets	<u>455,450,000</u>
 Total Assets	 \$ <u>518,715,000</u>
 Liabilities	 \$ <u>50,872,000</u>
 Net Assets	 \$ <u>467,843,000</u>
 Total Revenues	 \$ 102,136,000
Total Expenses	<u>(45,449,000)</u>
 Increase in Net Assets	 \$ <u>56,687,000</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 of Mesa's investment in the joint venture is reflected in the Enterprise Fund 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 2003 (latest information available) is as follows:

(Continued)

CITY OF MESA, ARIZONA
NOTES TO COMBINED FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Assets	
Equity in Pooled Cash and Investments	\$ 2,149,000
Receivables	2,554,000
Capital Assets, Net of Accumulated Depreciation	<u>155,457,000</u>
 Total Assets	 <u>\$ 160,160,000</u>
 Liabilities	 <u>\$ 2,152,000</u>
 Net Assets	 <u>\$ 158,008,000</u>
 Total Revenues	 \$ 18,328,000
Total Expenses	<u>(18,467,000)</u>
 Decrease in Net Assets	 <u>\$ (139,000)</u>

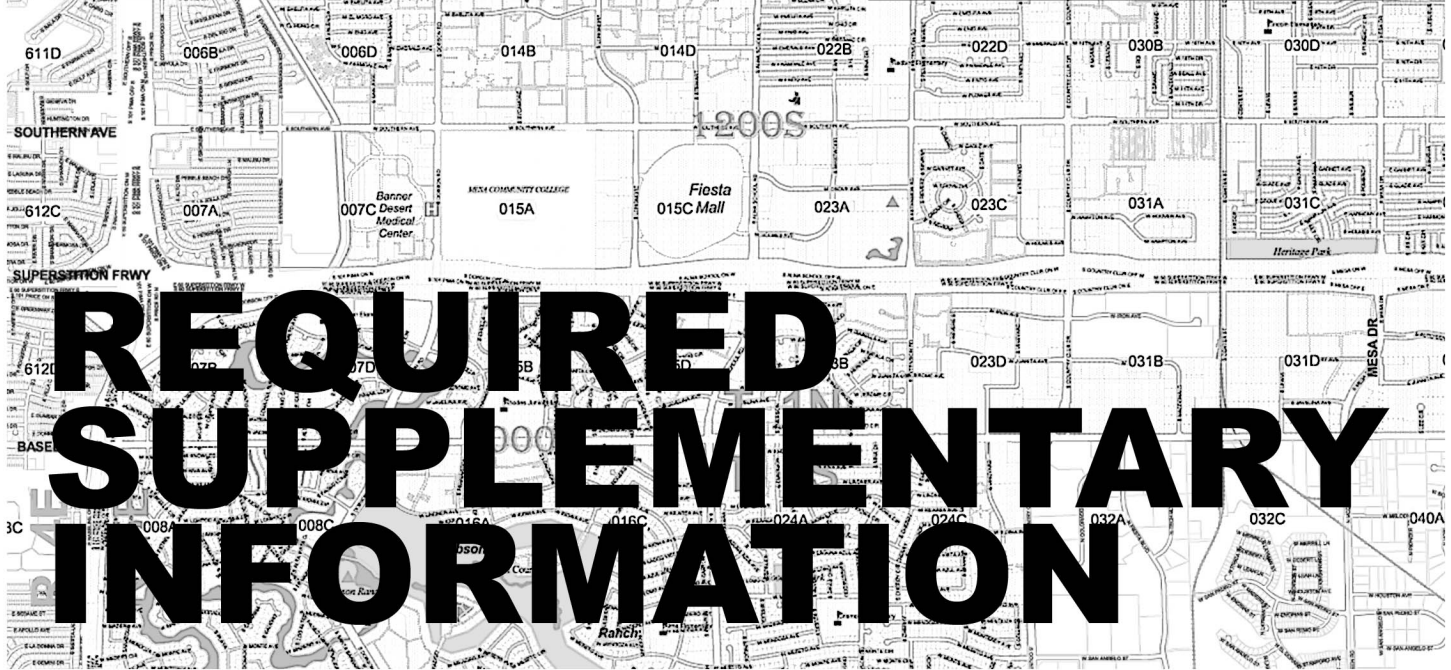
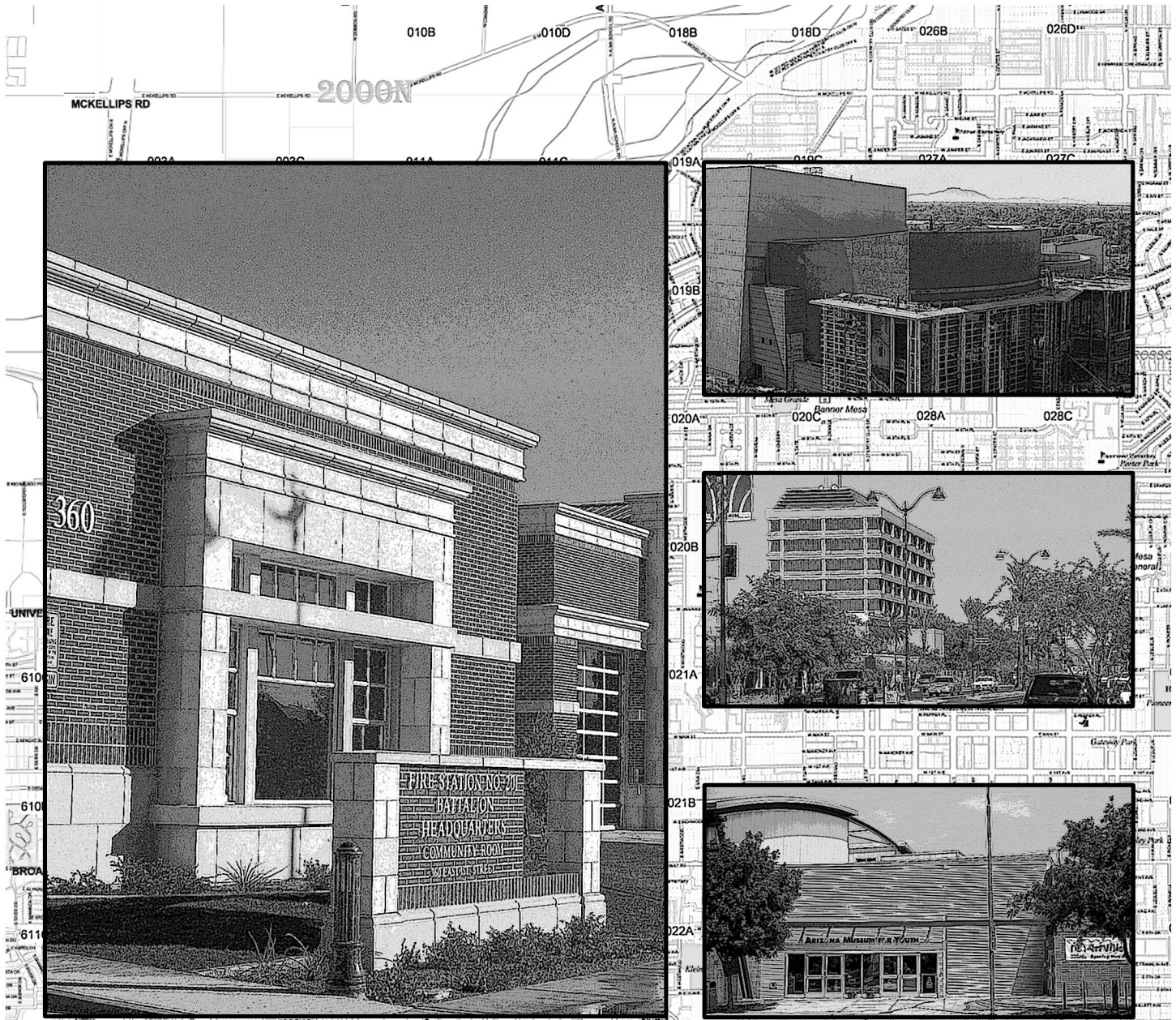
Separate financial statements for the activity can be obtained through the City of Phoenix at 305 W. Washington Street, Phoenix, Arizona, 85003.

The City is currently in the process of constructing a joint water reclamation plant with the Town of Gilbert. Mesa will act as the lead agency and be responsible for the planning, budgeting, construction, operation and maintenance of the plant. As lead agent, Mesa will provide all management personnel and financing arrangements. Mesa and Gilbert will participate in ownership of the plant and be charged for operating expenses based on gallons of flow. The City of Mesa's investment in the joint venture is reflected in the Enterprise Fund financial statements.

Total construction costs as of June 30, 2004 are:

Mesa's Share	\$19,096,875
Gilbert's Share	<u>14,311,674</u>
Total Construction	<u>\$33,408,549</u>

(Concluded)



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, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
Revenues:				
Taxes	\$ 99,892,000	\$ 99,892,000	\$ 106,402,736	\$ 6,510,736
Licenses and Permits	11,892,000	11,892,000	12,856,918	964,918
Intergovernmental	108,467,000	108,467,000	97,728,824	(10,738,176)
Charges For Services	9,734,000	9,734,000	10,621,581	887,581
Fines and Forfeitures	11,397,000	11,397,000	11,099,714	(297,286)
Investment Income	1,436,000	1,436,000	729,897	(706,103)
Miscellaneous	8,588,000	8,588,000	5,511,704	(3,076,296)
Total Revenues	251,406,000	251,406,000	244,951,374	(6,454,626)
Less: Bad Debts	2,600,000	2,600,000	3,619,611	(1,019,611)
Total Net Revenues	248,806,000	248,806,000	241,331,763	7,474,237
Expenditures:				
Current:				
General Government	41,865,717	43,856,616	39,807,828	4,048,788
Public Safety	168,960,731	169,387,001	167,435,997	1,951,004
Cultural-Recreational	49,147,631	49,775,000	47,759,528	2,015,472
Community Environment	12,861,244	13,322,224	10,689,027	2,633,197
Capital Outlay	63,661,927	65,349,953	46,394,637	18,955,316
Contingencies	38,243,000	32,660,562	-	32,660,562
Debt Service:				
Principal Retirement	86,182	86,182	59,996	26,186
Interest/Service Charges on Bonds	5,827,488	5,827,488	4,101,038	1,726,450
Total Expenditures	380,653,920	380,265,026	316,248,051	64,016,975
Deficiency of Revenues Under Expenditures	(131,847,920)	(131,459,026)	(74,916,288)	71,491,212
Other Financing Sources (Uses):				
Transfers In	69,587,000	69,587,000	70,220,000	633,000
Transfers Out	(6,243,000)	(6,243,000)	(5,903,000)	340,000
Total Other Financing Sources	63,344,000	63,344,000	64,317,000	973,000
Net Change in Fund Balance	(68,503,920)	(68,115,026)	(10,599,288)	72,464,212
Fund Balance - Beginning	20,448,783	20,448,783	14,202,298	(6,246,485)
Decrease in Unrestricted Fund Balance	48,055,137	48,055,137	15,318,685	(32,736,452)
Fund Balance - Ending	\$ -	\$ 388,894	\$ 18,921,695	\$ 33,481,275

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, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 33,215,000	\$ 33,215,000	\$ 33,640,946	\$ 425,946
Charges For Services	-	-	42,635	42,635
Fines and Forfeitures	-	-	10,187	10,187
Investment Income	84,000	84,000	23,710	(60,290)
Miscellaneous	12,000	12,000	342,762	330,762
Total Revenues	<u>33,311,000</u>	<u>33,311,000</u>	<u>34,060,240</u>	<u>749,240</u>
Expenditures:				
Current:				
Community Environment	21,849,863	21,849,863	20,279,718	1,570,145
Capital Outlay	228,244	354,735	47,023	307,712
Contingencies	6,744,000	6,617,509	-	6,617,509
Debt Service:				
Principal Retirement	40,000	40,000	40,000	-
Interest/Service Charges on Bonds	5,411,081	5,411,081	4,748,242	662,839
Total Expenditures	<u>34,273,188</u>	<u>34,273,188</u>	<u>25,114,983</u>	<u>9,158,205</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(962,188)	(962,188)	8,945,257	9,907,445
Fund Balance - Beginning	<u>969,244</u>	<u>969,244</u>	<u>341</u>	<u>(968,903)</u>
Fund Balance - Ending	<u>\$ 7,056</u>	<u>\$ 7,056</u>	<u>\$ 8,945,598</u>	<u>\$ 8,938,542</u>

See Note to Required Supplementary Information

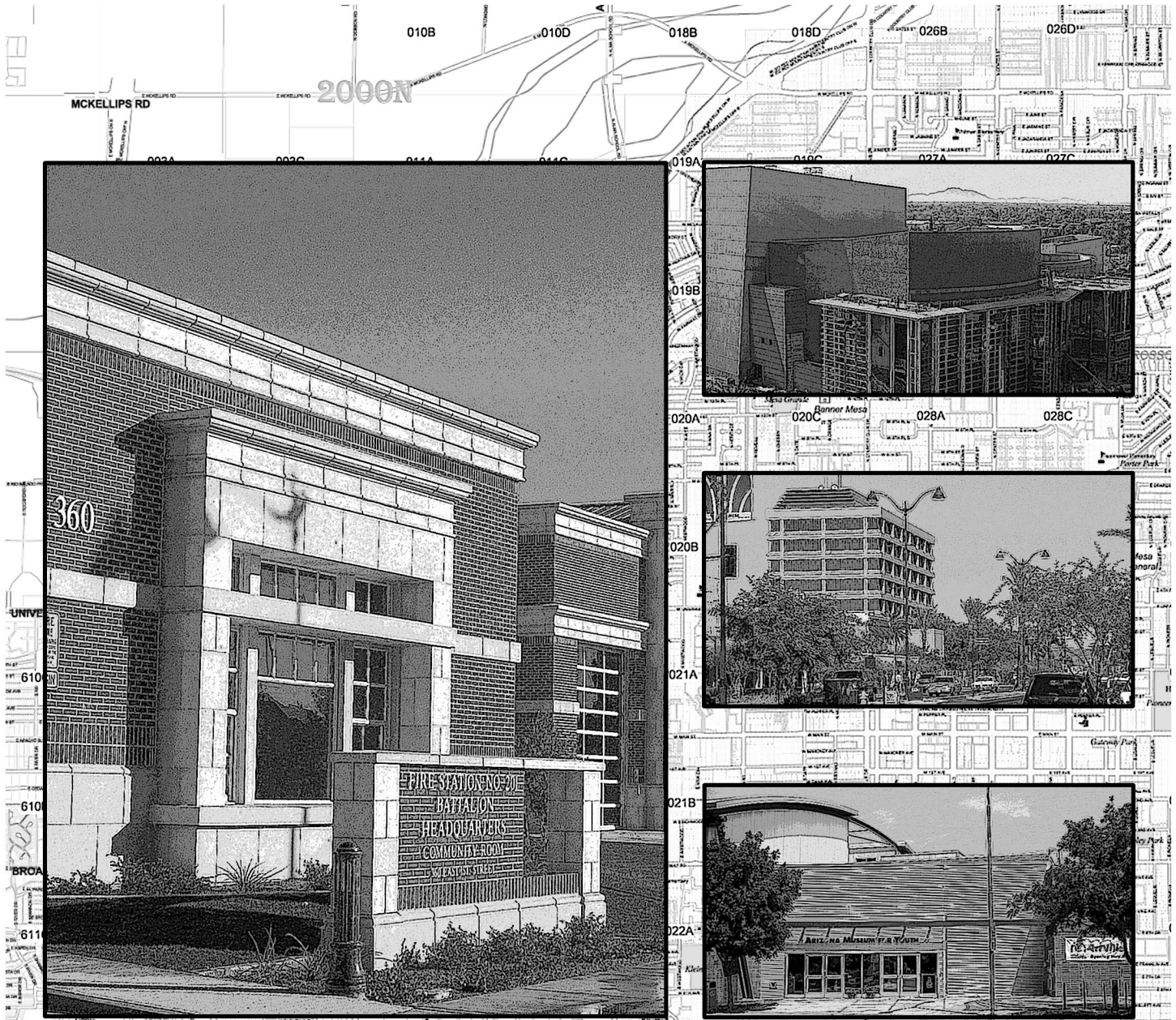
CITY OF MESA, ARIZONA
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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, 2004 on the “GAAP basis” to the “budget basis” as follows:

Budget Basis - Exhibit B-1	\$ (10,599,288)
Basis Differences:	
Compensated Absences	64,108
Special Assessments	(30,069)
Sales Tax Accrual	711,578
Timing Differences:	
Grants & Contributions	411,062
Interest Earnings in Escrow Account	3,781
Debt Service Activities	<u>527,454</u>
GAAP Basis - Exhibit A-5	<u>\$ (8,911,374)</u>

The Highway User Revenue Fund does not have any budget to GAAP reconciliations.



COMBINING STATEMENTS

NON-MAJOR FUNDS

OTHER GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

Public Art Fund is designed to provide a balance of monies from which public art projects throughout the City may be developed. Funds are provided through allocations from the General Fund that are based on at least one percent of the anticipated yearly expenditures for parks, recreation, and cultural bond and capital improvement projects.

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

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.

Debt Service Funds (cont.)

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

Capital Projects Funds

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

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

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

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

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

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

Senior Center Construction Fund accounts for the cost of constructing the eastside senior center.

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

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

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

CITY OF MESA, ARIZONA
EXHIBIT C-1
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Other Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 12,643,041	\$ -	\$ 27,435,985	\$ 40,079,026
Accounts Receivable	22,397	-	-	22,397
Accrued Interest Receivable	25,777	-	-	25,777
Due From Other Governments	392,232	-	-	392,232
Prepaid Costs	72	-	-	72
Restricted Assets				
Cash and Cash Equivalents	-	10,281,222	-	10,281,222
Accounts Receivable	-	19,536	-	19,536
Total Assets	<u>\$ 13,083,519</u>	<u>\$ 10,300,758</u>	<u>\$ 27,435,985</u>	<u>\$ 50,820,262</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 1,323,488	\$ -	\$ 5,580,816	\$ 6,904,304
Customer Deposits	29,031	-	-	29,031
Payable From Restricted Assets:				
Accounts Payable	-	3,099	-	3,099
Accrued Lease Interest Payable	-	227,502	-	227,502
Accrued Bond Interest Payable	-	6,795,961	-	6,795,961
Deferred Revenue	-	19,536	-	19,536
General Obligation Bonds Payable	-	194,730	-	194,730
Highway User Revenue Bonds Payable	-	40,000	-	40,000
Municipal Development Corporation Bonds Payable	-	1,000,000	-	1,000,000
Capital Leases Payable	-	2,019,930	-	2,019,930
Total Liabilities	<u>1,352,519</u>	<u>10,300,758</u>	<u>5,580,816</u>	<u>17,234,093</u>
Fund Balances:				
Reserved For Encumbrances	202,724	-	8,081,483	8,284,207
Reserved For Prepaid Costs	72	-	-	72
Unreserved	11,528,204	-	13,773,686	25,301,890
Total Fund Balances	<u>11,731,000</u>	<u>-</u>	<u>21,855,169</u>	<u>33,586,169</u>
Total Liabilities and Fund Balances	<u>\$ 13,083,519</u>	<u>\$ 10,300,758</u>	<u>\$ 27,435,985</u>	<u>\$ 50,820,262</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, 2004

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Other Non-Major Governmental Fund
Revenues:				
Special Assessments	\$ -	\$ 57,567	\$ -	\$ 57,567
Licenses and Permits	6,962,252	-	-	6,962,252
Intergovernmental	14,528,582	-	2,727,067	17,255,649
Charges For Services	495,885	-	-	495,885
Investment Income	124,982	2,819	-	127,801
Miscellaneous	71,456	458	18,016	89,930
Total Revenues	22,183,157	60,844	2,745,083	24,989,084
Expenditures:				
Current:				
Community Environment	20,556,287	-	-	20,556,287
Debt Service:				
Principal Retirement	-	7,145,591	-	7,145,591
Interest on Bonds	-	13,421,469	-	13,421,469
Interest on Leases	-	659,662	-	659,662
Service Charges	-	62,131	-	62,131
Capital Outlay	566,500	-	37,875,500	38,442,000
Total Expenditures	21,122,787	21,288,853	37,875,500	80,287,140
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,060,370	(21,228,009)	(35,130,417)	(55,298,056)
Other Financing Sources (Uses):				
Transfers In	5,903,000	21,310,230	-	27,213,230
Transfers Out	(4,597,004)	(862,689)	-	(5,459,693)
Face Amount of Bonds Issued	-	-	9,585,000	9,585,000
Proceeds From Obligations of Capital Leases	-	-	9,322,015	9,322,015
Proceeds From Refunding Issue	-	139,441,539	-	139,441,539
Payment to Refunded Bond Escrow Agent	-	(138,661,071)	-	(138,661,071)
Total Other Financing Sources and (Uses)	1,305,996	21,228,009	18,907,015	41,441,020
Net Change in Fund Balances	2,366,366	-	(16,223,402)	(13,857,036)
Fund Balances - Beginning	9,364,634	-	38,078,571	47,443,205
Fund Balances - Ending	\$ 11,731,000	\$ -	\$ 21,855,169	\$ 33,586,169

CITY OF MESA, ARIZONA
EXHIBIT C-3
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004

	Local Transportation Assistance	Mesa Housing Authority	Cemetery
ASSETS			
Cash and Cash Equivalents	\$ 550,610	\$ 536,516	\$ 5,471,427
Accounts Receivable	-	22,397	-
Accrued Interest Receivable	-	989	11,192
Due From Other Governments	392,232	-	-
Prepaid Costs	30	42	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 942,872</u>	<u>\$ 559,944</u>	<u>\$ 5,482,619</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 933,631	\$ 384,393	\$ -
Customer Deposits	-	29,031	-
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>933,631</u>	<u>413,424</u>	<u>-</u>
Fund Balances:			
Reserved For Encumbrances	200,304	164	-
Reserved For Prepaid Costs	30	42	-
Unreserved	(191,093)	146,314	5,482,619
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>9,241</u>	<u>146,520</u>	<u>5,482,619</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 942,872</u>	<u>\$ 559,944</u>	<u>\$ 5,482,619</u>

EXHIBIT C-3
(Continued)

<u>Public Art</u>	<u>Development Impact Fees</u>	<u>Total</u>
\$ 587,894	\$ 5,496,594	\$ 12,643,041
-	-	22,397
1,333	12,263	25,777
-	-	392,232
-	-	72
<u>\$ 589,227</u>	<u>\$ 5,508,857</u>	<u>\$ 13,083,519</u>
\$ 3,756	\$ 1,708	\$ 1,323,488
-	-	29,031
<u>3,756</u>	<u>1,708</u>	<u>1,352,519</u>
-	2,256	202,724
-	-	72
<u>585,471</u>	<u>5,504,893</u>	<u>11,528,204</u>
<u>585,471</u>	<u>5,507,149</u>	<u>11,731,000</u>
<u>\$ 589,227</u>	<u>\$ 5,508,857</u>	<u>\$ 13,083,519</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, 2004

	Local Transportation Assistance	Mesa Housing Authority	Cemetery
Revenues:			
Licenses & Permits	\$ -	\$ -	\$ -
Intergovernmental	3,046,004	11,482,578	-
Charges for Services	-	409,385	86,500
Investment Income	198	5,825	57,750
Miscellaneous	5,717	65,739	-
Total Revenues	<u>3,051,919</u>	<u>11,963,527</u>	<u>144,250</u>
Expenditures:			
Current:			
Community Environment	8,304,784	12,251,503	-
Capital Outlay	35,472	19,227	-
Total Expenditures	<u>8,340,256</u>	<u>12,270,730</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,288,337)</u>	<u>(307,203)</u>	<u>144,250</u>
Other Financing Sources (Uses):			
Transfers In	5,328,000	345,000	230,000
Transfers Out	(33,263)	-	-
Total Other Financing Sources and (Uses)	<u>5,294,737</u>	<u>345,000</u>	<u>230,000</u>
Net Change in Fund Balances	6,400	37,797	374,250
Fund Balances - Beginning	<u>2,841</u>	<u>108,723</u>	<u>5,108,369</u>
Fund Balances - Ending	<u>\$ 9,241</u>	<u>\$ 146,520</u>	<u>\$ 5,482,619</u>

EXHIBIT C-4
(Continued)

<u>Public Art</u>	<u>Development Impact Fees</u>	<u>Total</u>
\$ -	\$ 6,962,252	\$ 6,962,252
-	-	14,528,582
-	-	495,885
8,237	52,972	124,982
-	-	71,456
<u>8,237</u>	<u>7,015,224</u>	<u>22,183,157</u>
-	-	20,556,287
<u>247,056</u>	<u>264,745</u>	<u>566,500</u>
<u>247,056</u>	<u>264,745</u>	<u>21,122,787</u>
<u>(238,819)</u>	<u>6,750,479</u>	<u>1,060,370</u>
-	-	5,903,000
-	<u>(4,563,741)</u>	<u>(4,597,004)</u>
-	<u>(4,563,741)</u>	<u>1,305,996</u>
(238,819)	2,186,738	2,366,366
<u>824,290</u>	<u>3,320,411</u>	<u>9,364,634</u>
<u>\$ 585,471</u>	<u>\$ 5,507,149</u>	<u>\$ 11,731,000</u>

CITY OF MESA, ARIZONA
EXHIBIT C-5
NON-MAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004

	<u>General Obligation Bond Redemption</u>	<u>Special Assessment Bond Redemption</u>	<u>Municipal Development Corporation Bond Redemption</u>
ASSETS			
Restricted Assets:			
Cash and Cash Equivalents	\$ 4,510,723	\$ 1,450	\$ 1,035,361
Special Assesments Receivable-Deferred	<u>-</u>	<u>19,536</u>	<u>-</u>
Total Assets	<u>\$ 4,510,723</u>	<u>\$ 20,986</u>	<u>\$ 1,035,361</u>
LIABILITIES AND FUND BALANCES			
Liabilities Payable From Restricted Assets:			
Accounts Payable	\$ -	\$ -	\$ 3,099
Accrued Lease Interest Payable	-	-	-
Accrued Bond Interest Payable	4,315,993	1,450	32,262
Deferred Revenue - Special Assessments	-	19,536	-
General Obligation Bonds Payable	194,730	-	-
Highway User Revenue Bonds Payable	-	-	-
Municipal Development Corporation Bonds Payable	-	-	1,000,000
Capital Leases Payable	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>4,510,723</u>	<u>20,986</u>	<u>1,035,361</u>
Fund Balances-Reserved For Debt Service	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 4,510,723</u>	<u>\$ 20,986</u>	<u>\$ 1,035,361</u>

EXHIBIT C-5
(Continued)

Capital Lease Redemption	Highway User Revenue Bond Redemption	Total
\$ 2,247,432	\$ 2,486,256	\$ 10,281,222
-	-	19,536
\$ 2,247,432	\$ 2,486,256	\$ 10,300,758
\$ -	\$ -	\$ 3,099
227,502	-	227,502
-	2,446,256	6,795,961
-	-	19,536
-	-	194,730
-	40,000	40,000
-	-	1,000,000
2,019,930	-	2,019,930
2,247,432	2,486,256	10,300,758
-	-	-
\$ 2,247,432	\$ 2,486,256	\$ 10,300,758

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, 2004

	General Obligation Bond Redemption	Special Assessment Bond Redemption	Municipal Development Corporation Bond Redemption
Revenues:			
Special Assessments	\$ -	\$ 57,567	\$ -
Investment Income	-	2,819	-
Miscellaneous	-	458	-
	<hr/>	<hr/>	<hr/>
Total Revenues	-	60,844	-
	<hr/>	<hr/>	<hr/>
Expenditures:			
Principal Retirement	194,731	85,000	1,000,000
Interest on Bonds	8,527,722	5,455	140,407
Interest on Leases	-	-	-
Service Charges	2,322	-	59,452
	<hr/>	<hr/>	<hr/>
Total Expenditures	8,724,775	90,455	1,199,859
	<hr/>	<hr/>	<hr/>
Deficiency of Revenues Under Expenditures	(8,724,775)	(29,611)	(1,199,859)
Other Financing Sources (Uses):			
Transfer In	8,724,775	29,611	1,282,080
Transfer Out	(438,651)	-	(82,221)
Proceeds From Refunding Issue	100,713,325	-	-
Payment to Refunded Bond Escrow Agent	(100,274,674)	-	-
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	8,724,775	29,611	1,199,859
	<hr/>	<hr/>	<hr/>
Net Change In Fund Balances	-	-	-
Fund Balances - Beginning	-	-	-
	<hr/>	<hr/>	<hr/>
Fund Balances - Ending	\$ -	\$ -	\$ -
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

EXHIBIT C-6

(Continued)

<u>Capital Lease Redemption</u>	<u>Highway User Revenue Bond Redemption</u>	<u>Total</u>
\$ -	\$ -	\$ 57,567
-	-	2,819
-	-	458
-	-	60,844
5,825,860	40,000	7,145,591
-	4,747,885	13,421,469
659,662	-	659,662
-	357	62,131
<u>6,485,522</u>	<u>4,788,242</u>	<u>21,288,853</u>
(6,485,522)	(4,788,242)	(21,228,009)
6,485,522	4,788,242	21,310,230
-	(341,817)	(862,689)
-	38,728,214	139,441,539
-	(38,386,397)	(138,661,071)
<u>6,485,522</u>	<u>4,788,242</u>	<u>21,228,009</u>
-	-	-
-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MESA, ARIZONA
EXHIBIT C-7
NON-MAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004

	<u>Fire</u>	<u>Storm Sewer</u>	<u>Streets</u>	<u>Parks</u>
ASSETS				
Cash and Cash Equivalents	\$ 809,299	\$ 2,043,487	\$ 12,195,595	\$ 628,949
Total Assets	<u>\$ 809,299</u>	<u>\$ 2,043,487</u>	<u>\$ 12,195,595</u>	<u>\$ 628,949</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 16,656	\$ 1,059,238	\$ 3,527,518	\$ -
Total Liabilities	<u>16,656</u>	<u>1,059,238</u>	<u>3,527,518</u>	<u>-</u>
Fund Balances:				
Reserved For Encumbrances	1,147,140	267,568	5,946,110	289,792
Unreserved	<u>(354,497)</u>	<u>716,681</u>	<u>2,721,967</u>	<u>339,157</u>
Total Fund Balances	<u>792,643</u>	<u>984,249</u>	<u>8,668,077</u>	<u>628,949</u>
Total Liabilities and Fund Balances	<u>\$ 809,299</u>	<u>\$ 2,043,487</u>	<u>\$ 12,195,595</u>	<u>\$ 628,949</u>

EXHIBIT C-7
(Continued)

<u>Law Enforcement</u>	<u>Library</u>	<u>Service Center</u>	<u>Capital Leases</u>	<u>Total</u>
<u>\$ 3,470,355</u>	<u>\$ 1,927,708</u>	<u>\$ 961,044</u>	<u>\$ 5,399,548</u>	<u>\$ 27,435,985</u>
<u>\$ 3,470,355</u>	<u>\$ 1,927,708</u>	<u>\$ 961,044</u>	<u>\$ 5,399,548</u>	<u>\$ 27,435,985</u>
<u>\$ 16,995</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 960,409</u>	<u>\$ 5,580,816</u>
<u>16,995</u>	<u>-</u>	<u>-</u>	<u>960,409</u>	<u>5,580,816</u>
401,197	10,750	18,926	-	8,081,483
<u>3,052,163</u>	<u>1,916,958</u>	<u>942,118</u>	<u>4,439,139</u>	<u>13,773,686</u>
<u>3,453,360</u>	<u>1,927,708</u>	<u>961,044</u>	<u>4,439,139</u>	<u>21,855,169</u>
<u>\$ 3,470,355</u>	<u>\$ 1,927,708</u>	<u>\$ 961,044</u>	<u>\$ 5,399,548</u>	<u>\$ 27,435,985</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, 2004

	<u>Fire</u>	<u>Storm Sewer</u>	<u>Streets</u>	<u>Parks</u>
Revenues:				
Intergovernmental	\$ -	\$ 866,750	\$ 1,681,457	\$ -
Miscellaneous	882	760	1,948	13,726
Total Revenues	<u>882</u>	<u>867,510</u>	<u>1,683,405</u>	<u>13,726</u>
Expenditures:				
Capital Outlay	<u>2,256,438</u>	<u>5,738,188</u>	<u>18,023,934</u>	<u>2,219,538</u>
Total Expenditures	<u>2,256,438</u>	<u>5,738,188</u>	<u>18,023,934</u>	<u>2,219,538</u>
Deficiency of Revenues Under Expenditures	(2,255,556)	(4,870,678)	(16,340,529)	(2,205,812)
Other Financing Sources:				
Face Amount of Bonds Issued	-	-	9,585,000	-
Proceeds From Obligations of Capital Leases	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>9,585,000</u>	<u>-</u>
Net Change in Fund Balances	(2,255,556)	(4,870,678)	(6,755,529)	(2,205,812)
Fund Balances - Beginning	<u>3,048,199</u>	<u>5,854,927</u>	<u>15,423,606</u>	<u>2,834,761</u>
Fund Balances - Ending	<u>\$ 792,643</u>	<u>\$ 984,249</u>	<u>\$ 8,668,077</u>	<u>\$ 628,949</u>

EXHIBIT C-8

(Continued)

Law Enforcement	Senior Center	Library	Service Center	Capital Leases	Total
\$ 178,860	\$ -	\$ -	\$ -	\$ -	\$ 2,727,067
-	-	-	700	-	18,016
<u>178,860</u>	<u>-</u>	<u>-</u>	<u>700</u>	<u>-</u>	<u>2,745,083</u>
<u>2,552,680</u>	<u>15,706</u>	<u>22,357</u>	<u>130,211</u>	<u>6,916,448</u>	<u>37,875,500</u>
<u>2,552,680</u>	<u>15,706</u>	<u>22,357</u>	<u>130,211</u>	<u>6,916,448</u>	<u>37,875,500</u>
(2,373,820)	(15,706)	(22,357)	(129,511)	(6,916,448)	(35,130,417)
-	-	-	-	-	9,585,000
-	-	-	-	9,322,015	9,322,015
-	-	-	-	9,322,015	18,907,015
(2,373,820)	(15,706)	(22,357)	(129,511)	2,405,567	(16,223,402)
<u>5,827,180</u>	<u>15,706</u>	<u>1,950,065</u>	<u>1,090,555</u>	<u>2,033,572</u>	<u>38,078,571</u>
<u>\$ 3,453,360</u>	<u>\$ -</u>	<u>\$ 1,927,708</u>	<u>\$ 961,044</u>	<u>\$ 4,439,139</u>	<u>\$ 21,855,169</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, 2004

	<u>Warehouse, Maintenance and Services</u>	<u>Property and Public Liability Self Insurance</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 55	\$ 11,402,939
Accounts Receivable	-	-
Accrued Premiums Receivable	-	-
Accrued Interest Receivable	-	24,837
Due From Other Governments	17,223	-
Inventory	3,600,553	-
Prepaid Costs	4,601	294,694
Total Current Assets	<u>3,622,432</u>	<u>11,722,470</u>
Capital Assets:		
Buildings	1,685,753	-
Other Improvements	4,468,046	-
Machinery and Equipment	870,620	-
Construction in Progress	52,134	-
	<u>7,076,553</u>	<u>-</u>
Less Accumulated Depreciation	<u>(2,674,852)</u>	<u>-</u>
Net Capital Assets	<u>4,401,701</u>	<u>-</u>
Total Assets	<u>8,024,133</u>	<u>11,722,470</u>
LIABILITIES AND FUND EQUITY		
Current Liabilities:		
Accounts Payable	591,615	-
Other Accrued Expenses:		
Estimated Liability For Claims:		
Incurred-Not Reported	-	3,300,000
Incurred and Pending	-	5,600,000
Due To Other Funds	325,100	-
Current Portion of Capital Leases	5,996	-
Total Current Liabilities	<u>922,711</u>	<u>8,900,000</u>
Long-Term Liabilities		
Capital Leases	25,791	-
Total Long-Term Liabilities	<u>25,791</u>	<u>-</u>
Total Liabilities	<u>948,502</u>	<u>8,900,000</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	4,369,914	-
Unrestricted	2,705,717	2,822,470
Total Net Assets	<u>\$ 7,075,631</u>	<u>\$ 2,822,470</u>

EXHIBIT C-9
(Continued)

Workers' Compensation Fund	Employee Benefit Self Insurance	Total
\$ 7,305,534	\$ 15,464,407	\$ 34,172,935
117,626	61	117,687
-	750,279	750,279
15,939	31,980	72,756
-	-	17,223
-	-	3,600,553
-	113	299,408
<u>7,439,099</u>	<u>16,246,840</u>	<u>39,030,841</u>
-	-	1,685,753
-	-	4,468,046
-	-	870,620
-	-	52,134
-	-	7,076,553
-	-	<u>(2,674,852)</u>
-	-	4,401,701
<u>7,439,099</u>	<u>16,246,840</u>	<u>43,432,542</u>
94,057	408,420	1,094,092
13,100	2,180,676	5,493,776
6,519,781	-	12,119,781
-	-	325,100
-	-	5,996
<u>6,626,938</u>	<u>2,589,096</u>	<u>19,038,745</u>
-	-	25,791
-	-	25,791
<u>6,626,938</u>	<u>2,589,096</u>	<u>19,064,536</u>
-	-	4,369,914
<u>812,161</u>	<u>13,657,744</u>	<u>19,998,092</u>
<u>\$ 812,161</u>	<u>\$ 13,657,744</u>	<u>\$ 24,368,006</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, 2004

	<u>Warehouse, Maintenance and Services</u>	<u>Property and Public Liability Self Insurance</u>	<u>Workers' Compensation Self Insurance</u>
Operating Revenues:			
Charges For Services:			
Material and Supply	\$ 1,113,348	\$ -	\$ -
Printing and Graphics	1,048,547	-	-
Fleet Support Services	14,653,323	-	-
Self-Insurance Contributions:			
Employee	-	-	-
City	-	600,000	1,073,147
State Retirement System	-	-	-
Other	-	-	-
Total Operating Revenues	<u>16,815,218</u>	<u>600,000</u>	<u>1,073,147</u>
Operating Expenses:			
Material and Supply	1,116,221	-	-
Printing and Graphics	1,049,945	-	-
Fleet Support Services	14,669,506	-	-
Administrative Costs	-	631,640	418,248
Claims Incurred	-	3,450,479	2,592,863
Premiums to Insurance Carriers	-	845,197	1,318,970
Total Operating Expenses	<u>16,835,672</u>	<u>4,927,316</u>	<u>4,330,081</u>
Operating Income (Loss) Before Depreciation	(20,454)	(4,327,316)	(3,256,934)
Depreciation	<u>(235,229)</u>	<u>-</u>	<u>-</u>
Operating Income (Loss)	<u>(255,683)</u>	<u>(4,327,316)</u>	<u>(3,256,934)</u>
Other Income:			
Investment Income	-	141,710	92,833
Total Other Income	<u>-</u>	<u>141,710</u>	<u>92,833</u>
Net Income (Loss) Before Transfers	(255,683)	(4,185,606)	(3,164,101)
Transfers Out	<u>(220,000)</u>	<u>-</u>	<u>-</u>
Change in Net Assets	(475,683)	(4,185,606)	(3,164,101)
Total Net Assets - Beginning	<u>7,551,314</u>	<u>7,008,076</u>	<u>3,976,262</u>
Total Net Assets - Ending	<u>\$ 7,075,631</u>	<u>\$ 2,822,470</u>	<u>\$ 812,161</u>

EXHIBIT C-10
(Continued)

<u>Employee Benefit Self Insurance</u>	<u>Total</u>
\$ -	\$ 1,113,348
-	1,048,547
-	14,653,323
6,409,774	6,409,774
19,144,818	20,817,965
1,793,146	1,793,146
192,832	192,832
<u>27,540,570</u>	<u>46,028,935</u>
-	1,116,221
-	1,049,945
-	14,669,506
2,350,766	3,400,654
19,846,669	25,890,011
1,411,727	3,575,894
<u>23,609,162</u>	<u>49,702,231</u>
3,931,408	(3,673,296)
-	(235,229)
<u>3,931,408</u>	<u>(3,908,525)</u>
<u>135,587</u>	<u>370,130</u>
<u>135,587</u>	<u>370,130</u>
4,066,995	(3,538,395)
-	(220,000)
4,066,995	(3,758,395)
<u>9,590,749</u>	<u>28,126,401</u>
<u>\$ 13,657,744</u>	<u>\$ 24,368,006</u>

CITY OF MESA, ARIZONA
EXHIBIT C-11
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Warehouse, Maintenance and Services
Cash Flows From Operating Activities:	
Cash Received From Users	\$ 16,814,992
Cash Payments To Suppliers	(9,826,324)
Cash Payments to Employees	(6,746,040)
	<u>242,628</u>
Net Cash Provided By (Used For) Operating Activities	
Cash Flows From Noncapital Financing Activities:	
Transfers Out To Other Funds	(220,000)
	<u>(220,000)</u>
Net Cash Used For Noncapital Financing Activities	
Cash Flows From Capital and Related Financing Activities:	
Proceeds from Leases	31,787
Acquisition and Construction of Capital Assets	(54,619)
	<u>(22,832)</u>
Net Cash Used For Capital and Related Financing Activities	
Cash Flows From Investing Activities:	
Interest Received On Investments	-
	<u>-</u>
Net Cash Provided By Investing Activities	
Net Increase (Decrease) in Cash and Cash Equivalents	(204)
Cash and Cash Equivalents at Beginning of Year	259
	<u>55</u>
Cash and Cash Equivalents at End of Year	\$ <u>55</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:	
Operating Income (Loss)	\$ (255,683)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Depreciation	235,229
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	(226)
Decrease in Inventory	262,623
(Increase) Decrease in Prepaid Costs	5,010
Increase in Accounts Payable	216,575
Increase in Other Accrued Expense	
(Decrease) in Due to Other Funds	(220,900)
	<u>498,311</u>
Total Adjustments	
Net Cash Provided By (Used For) Operating Activities	\$ <u>242,628</u>

EXHIBIT C-11
(Continued)

<u>Property and Public Liability Self Insurance</u>	<u>Workers' Compensation Self Insurance</u>	<u>Employee Benefit Self Insurance</u>	<u>Total</u>
\$ 600,000	\$ 1,089,896	\$ 27,303,349	\$ 45,808,237
(2,211,707)	(3,439,564)	(21,136,386)	(36,613,981)
<u>(610,303)</u>	<u>(153,914)</u>	<u>(1,013,494)</u>	<u>(8,523,751)</u>
<u>(2,222,010)</u>	<u>(2,503,582)</u>	<u>5,153,469</u>	<u>670,505</u>
-	-	-	(220,000)
-	-	-	(220,000)
-	-	-	31,787
-	-	-	<u>(54,619)</u>
-	-	-	<u>(22,832)</u>
<u>156,391</u>	<u>106,215</u>	<u>130,791</u>	<u>393,397</u>
<u>156,391</u>	<u>106,215</u>	<u>130,791</u>	<u>393,397</u>
(2,065,619)	(2,397,367)	5,284,260	821,070
<u>13,468,558</u>	<u>9,702,901</u>	<u>10,180,147</u>	<u>33,351,865</u>
<u>\$ 11,402,939</u>	<u>\$ 7,305,534</u>	<u>\$ 15,464,407</u>	<u>\$ 34,172,935</u>
<u>\$ (4,327,316)</u>	<u>\$ (3,256,934)</u>	<u>\$ 3,931,408</u>	<u>\$ (3,908,525)</u>
-	-	-	235,229
-	16,749	(237,221)	(220,698)
(294,694)	-	4,128	262,623
-	90,006	277,234	(285,556)
2,400,000	646,597	1,177,920	583,815
<u>2,400,000</u>	<u>646,597</u>	<u>1,177,920</u>	<u>4,224,517</u>
<u>2,105,306</u>	<u>753,352</u>	<u>1,222,061</u>	<u>(220,900)</u>
<u>\$ (2,222,010)</u>	<u>\$ (2,503,582)</u>	<u>\$ 5,153,469</u>	<u>\$ 670,505</u>

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

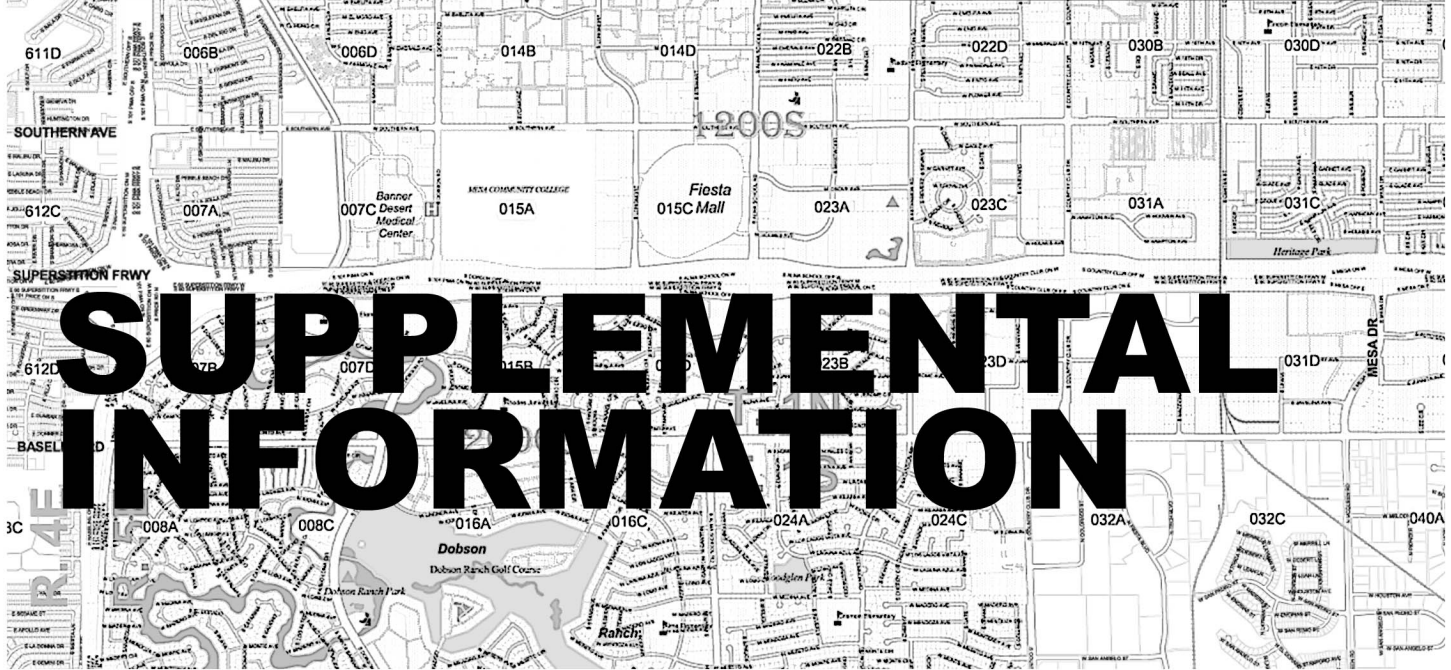
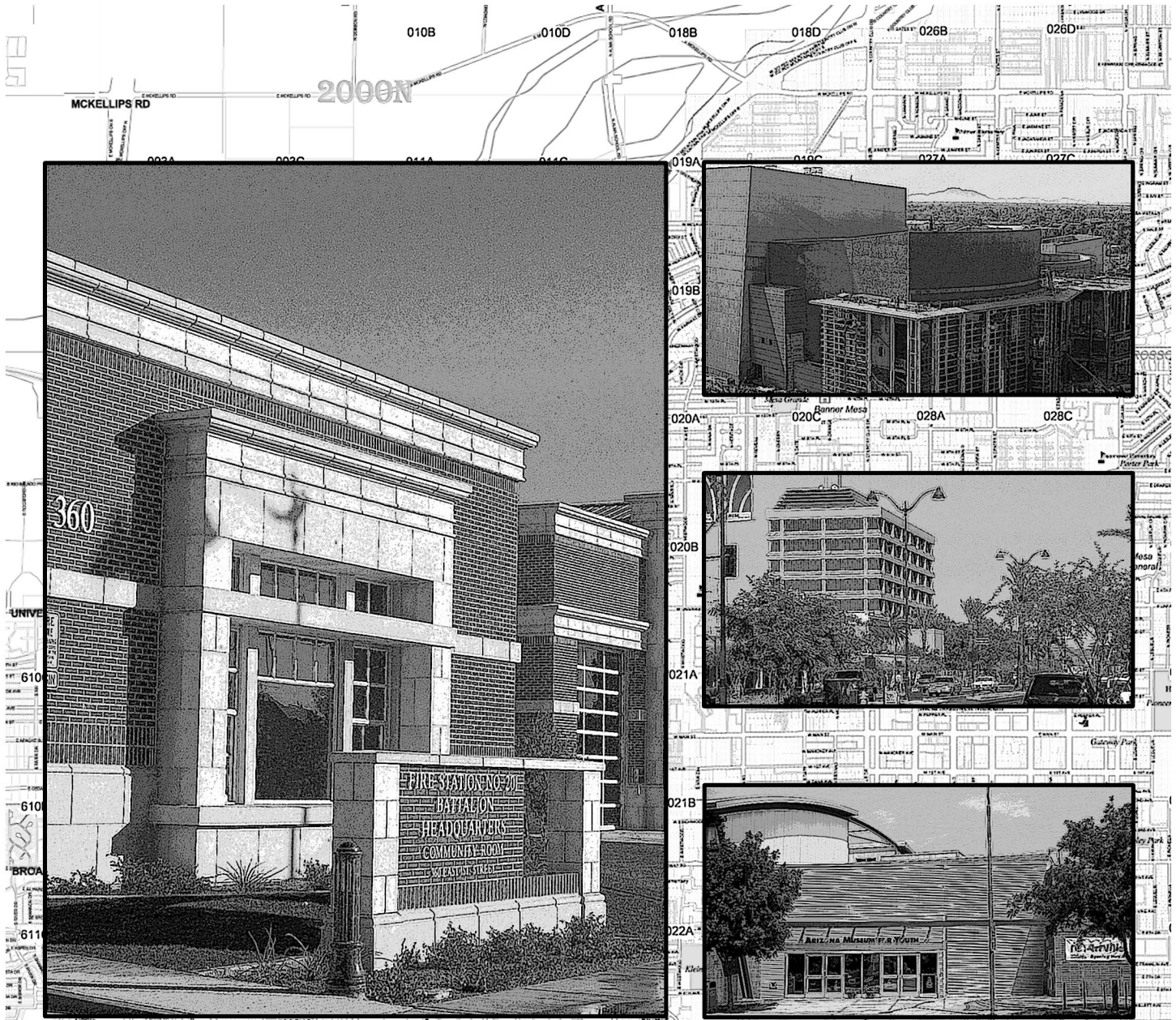
EXHIBIT C-12

AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2004</u>
PAYROLL AGENCY FUND				
Assets:				
Cash and Cash Equivalents	\$ 13,147,283	\$ 491,993,400	\$ 483,505,636	\$ 21,635,047
Due From Other Funds	<u>7,389,000</u>	<u>8,954,498</u>	<u>16,343,498</u>	<u>-</u>
Total Assets	<u>\$ 20,536,283</u>	<u>\$ 500,947,898</u>	<u>\$ 499,849,134</u>	<u>\$ 21,635,047</u>
Liabilities:				
Accrued Payroll Payable	<u>\$ 20,536,283</u>	<u>\$ 291,016,624</u>	<u>\$ 289,917,861</u>	<u>\$ 21,635,047</u>
Total Liabilities	<u>\$ 20,536,283</u>	<u>\$ 291,016,624</u>	<u>\$ 289,917,861</u>	<u>\$ 21,635,047</u>



SUPPLEMENTAL INFORMATION

CITY OF MESA, ARIZONA

EXHIBIT D-1

GENERAL FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budget Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
General Government:				
Legislative	\$ 1,205,000	\$ 1,211,624	\$ 1,211,624	\$ -
Executive	1,682,000	1,869,205	1,869,205	-
Williams Gateway	3,977,000	4,035,518	4,035,518	-
Redevelopment	5,666,000	5,852,788	4,469,075	1,383,713
Judicial	8,132,000	8,187,000	7,895,234	291,766
Legal	3,475,000	3,493,333	3,446,760	46,573
Building Maintenance	1,108,000	2,284,750	2,284,750	-
City Clerk	1,196,000	1,196,000	1,025,515	170,485
Economic Development	1,319,000	1,319,000	1,180,589	138,411
Engineering	2,744,000	2,763,548	2,556,323	207,225
Financial Services	3,203,000	3,216,182	3,034,850	181,332
E-Streets & Cable TV Licensing	1,168,000	1,374,866	1,374,866	-
General Services	7,463,401	7,517,261	3,352,080	4,165,181
Planning	3,706,000	3,728,912	3,641,481	87,431
Capital Improvement	2,280,000	2,537,195	2,537,195	-
Total General Government	<u>48,324,401</u>	<u>50,587,182</u>	<u>43,915,065</u>	<u>6,672,117</u>
Less: Capital Outlay Expenditures	6,112,520	6,384,402	3,775,327	2,609,075
Debt Service Expenditures	346,164	346,164	331,910	14,254
Total Current Expenditures	<u>41,865,717</u>	<u>43,856,616</u>	<u>39,807,828</u>	<u>4,048,788</u>
Public Safety:				
Law Enforcement	120,114,000	120,480,275	118,313,932	2,166,343
Fire Prevention	46,320,000	46,493,128	44,601,843	1,891,285
Building Inspections	8,517,000	8,559,807	7,853,609	706,198
Code Compliance	1,906,000	1,997,209	1,997,209	-
Environmental Management	1,300,000	1,320,000	709,302	610,698
Total Public Safety	<u>178,157,000</u>	<u>178,850,419</u>	<u>173,475,895</u>	<u>5,374,524</u>
Less: Capital Outlay Expenditures	6,662,391	6,929,540	4,502,885	2,426,655
Debt Service Expenditures	2,533,878	2,533,878	1,537,013	996,865
Total Current Expenditures	<u>\$ 168,960,731</u>	<u>\$ 169,387,001</u>	<u>\$ 167,435,997</u>	<u>\$ 1,951,004</u>

CITY OF MESA, ARIZONA

EXHIBIT D-1 (Continued)

GENERAL FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budget Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
Cultural-Recreational:				
Parks and Recreation	\$ 25,145,646	\$ 25,207,289	\$ 22,487,710	\$ 2,719,579
Cultural	35,453,000	36,716,350	36,716,350	-
Aquatics	3,170,000	3,255,678	2,577,806	677,872
Library	12,597,481	12,639,148	12,174,821	464,327
Community Aid	2,036,000	2,036,000	1,902,295	133,705
Museum	2,771,000	2,955,368	2,552,422	402,946
Museum for Youth	1,427,000	1,545,247	1,545,247	-
Neighborhood & Comm. Assist.	3,674,000	3,695,410	3,159,988	535,422
Total Cultural-Recreational	<u>86,274,127</u>	<u>88,050,490</u>	<u>83,116,639</u>	<u>4,933,851</u>
Less: Capital Outlay Expenditures	35,943,594	37,092,588	34,499,522	2,593,066
Debt Service Expenditures	<u>1,182,902</u>	<u>1,182,902</u>	<u>857,589</u>	<u>325,313</u>
Total Current Expenditures	<u>49,147,631</u>	<u>49,775,000</u>	<u>47,759,528</u>	<u>2,015,472</u>
Community Environment:				
Cemetery	933,000	933,000	814,701	118,299
Community Development	9,358,000	9,358,000	6,729,670	2,628,330
Streets	3,389,746	3,639,257	1,510,588	2,128,669
Storm Sewer	3,620,066	3,620,066	3,077,074	542,992
Mass Transit	11,590,580	11,590,581	2,632,950	8,957,631
Miscellaneous Services	764,000	975,469	975,469	-
Total Community Environment	<u>29,655,392</u>	<u>30,116,373</u>	<u>15,740,452</u>	<u>14,375,921</u>
Less: Capital Outlay Expenditures	14,943,422	14,943,423	3,616,903	11,326,520
Debt Service Expenditures	<u>1,850,726</u>	<u>1,850,726</u>	<u>1,434,522</u>	<u>416,204</u>
Total Current Expenditures	<u>12,861,244</u>	<u>13,322,224</u>	<u>10,689,027</u>	<u>2,633,197</u>
Contingencies	<u>38,243,000</u>	<u>32,660,562</u>	-	<u>32,660,562</u>
Total General Fund Expenditures	<u><u>\$ 380,653,920</u></u>	<u><u>\$ 380,265,026</u></u>	<u><u>\$ 316,248,051</u></u>	<u><u>\$ 64,016,975</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, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budget Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
General Government:				
Capital:				
Redevelopment	\$ -	\$ 46,207	\$ 46,207	\$ -
Community Environment:				
Streets	26,819,254	26,945,745	24,428,222	2,517,523
Storm Sewer	709,934	709,934	640,554	69,380
Total Community Environment	<u>27,529,188</u>	<u>27,655,679</u>	<u>25,068,776</u>	<u>2,586,903</u>
Less: Capital Outlay Expenditures	228,244	354,735	816	353,919
Debt Service Expenditures	<u>5,451,081</u>	<u>5,451,081</u>	<u>4,788,242</u>	<u>662,839</u>
Total Current Expenditures	<u>21,849,863</u>	<u>21,849,863</u>	<u>20,279,718</u>	<u>1,570,145</u>
Contingencies	<u>6,744,000</u>	<u>6,571,302</u>	<u>-</u>	<u>6,571,302</u>
Total Highway User Revenue Fund Expenditures	<u>\$ 34,273,188</u>	<u>\$ 34,273,188</u>	<u>\$ 25,114,983</u>	<u>\$ 9,158,205</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, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget - Positive (Negative)</u>
LOCAL TRANSPORTATION ASSISTANCE FUND				
Revenues:				
Intergovernmental	\$ 5,133,000	\$ 5,133,000	\$ 3,046,004	\$ (2,086,996)
Investment Income	-	-	198	198
Miscellaneous	-	-	5,717	5,717
Total Revenues	<u>5,133,000</u>	<u>5,133,000</u>	<u>3,051,919</u>	<u>(2,081,081)</u>
Expenditures:				
Current:				
Community Environment	7,656,248	7,656,248	8,338,047	(681,799)
Capital Outlay	<u>2,865,172</u>	<u>2,865,172</u>	<u>35,472</u>	<u>2,829,700</u>
Total Expenditures	<u>10,521,420</u>	<u>10,521,420</u>	<u>8,373,519</u>	<u>2,147,901</u>
Deficiency of Revenues Under Expenditures	(5,388,420)	(5,388,420)	(5,321,600)	66,820
Other Financing Sources:				
Transfers In	<u>5,353,000</u>	<u>5,353,000</u>	<u>5,328,000</u>	<u>(25,000)</u>
Net Change in Fund Balance	(35,420)	(35,420)	6,400	41,820
Fund Balance - Beginning	<u>36,347</u>	<u>36,347</u>	<u>2,841</u>	<u>(33,506)</u>
Fund Balance - Ending	<u>\$ 927</u>	<u>\$ 927</u>	<u>\$ 9,241</u>	<u>\$ 8,314</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, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget - Positive (Negative)
MESA HOUSING AUTHORITY FUND				
Revenues:				
Intergovernmental	\$ 11,564,000	\$ 11,564,000	\$ 11,482,578	\$ (81,422)
Charges For Services	410,000	410,000	409,385	(615)
Investment Income	1,000	1,000	5,825	4,825
Miscellaneous	<u>16,000</u>	<u>16,000</u>	<u>65,739</u>	<u>49,739</u>
 Total Revenues	 <u>11,991,000</u>	 <u>11,991,000</u>	 <u>11,963,527</u>	 <u>(27,473)</u>
Expenditures:				
Current:				
Community Environment	12,419,687	12,419,687	12,251,503	168,184
Capital Outlay	<u>33,313</u>	<u>33,313</u>	<u>19,227</u>	<u>14,086</u>
 Total Expenditures	 <u>12,453,000</u>	 <u>12,453,000</u>	 <u>12,270,730</u>	 <u>182,270</u>
 Deficiency of Revenues Under Expenditures	 (462,000)	 (462,000)	 (307,203)	 154,797
Other Financing Sources:				
Transfers In	<u>461,000</u>	<u>461,000</u>	<u>345,000</u>	<u>(116,000)</u>
 Net Change in Fund Balance	 (1,000)	 (1,000)	 37,797	 38,797
 Fund Balance - Beginning	 <u>1,465</u>	 <u>1,465</u>	 <u>108,723</u>	 <u>107,258</u>
 Fund Balance - Ending	 <u>\$ 465</u>	 <u>\$ 465</u>	 <u>\$ 146,520</u>	 <u>\$ 146,055</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, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget - Positive (Negative)
CEMETERY FUND				
Revenues:				
Charges For Services	\$ 105,000	\$ 105,000	\$ 86,500	\$ (18,500)
Investment Income	<u>112,000</u>	<u>112,000</u>	<u>57,750</u>	<u>(54,250)</u>
Total Revenues	<u>217,000</u>	<u>217,000</u>	<u>144,250</u>	<u>(72,750)</u>
Expenditures:				
Current:				
Community Environment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over Expenditures	217,000	217,000	144,250	(72,750)
Other Financing Sources:				
Transfers In	<u>429,000</u>	<u>429,000</u>	<u>230,000</u>	<u>(199,000)</u>
Net Change in Fund Balance	646,000	646,000	374,250	(271,750)
Fund Balance - Beginning	<u>5,497,086</u>	<u>5,497,086</u>	<u>5,108,369</u>	<u>(388,717)</u>
Fund Balance - Ending	<u>\$ 6,143,086</u>	<u>\$ 6,143,086</u>	<u>\$ 5,482,619</u>	<u>\$ (660,467)</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, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget - Positive (Negative)</u>
PUBLIC ART FUND				
Revenues:				
Investment Income	\$ 2,000	\$ 2,000	\$ 8,237	\$ 6,237
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>8,237</u>	<u>6,237</u>
Expenditures:				
Capital Outlay	<u>769,000</u>	<u>769,000</u>	<u>247,056</u>	<u>521,944</u>
Total Expenditures	<u>769,000</u>	<u>769,000</u>	<u>247,056</u>	<u>521,944</u>
Net Change in Fund Balance	(767,000)	(767,000)	(238,819)	528,181
Fund Balance - Beginning	<u>932,138</u>	<u>932,138</u>	<u>824,290</u>	<u>(107,848)</u>
Fund Balance - Ending	<u><u>\$ 165,138</u></u>	<u><u>\$ 165,138</u></u>	<u><u>\$ 585,471</u></u>	<u><u>\$ 420,333</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, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget - Positive (Negative)
DEVELOPMENT IMPACT FEES FUND				
Revenues:				
Licenses & Permits	\$ 5,831,000	\$ 5,831,000	\$ 6,962,252	\$ 1,131,252
Investment Income	<u>77,000</u>	<u>77,000</u>	<u>52,972</u>	<u>(24,028)</u>
Total Revenues	<u>5,908,000</u>	<u>5,908,000</u>	<u>7,015,224</u>	<u>1,107,224</u>
Expenditures:				
Capital Outlay	570,200	259,613	264,745	(5,132)
Debt Service:				
Principal Retirement	445,378	445,378	134,735	310,643
Interest on Notes and Bonds	<u>3,706,295</u>	<u>4,123,495</u>	<u>4,429,006</u>	<u>(305,511)</u>
Total Expenditures	<u>4,721,873</u>	<u>4,828,486</u>	<u>4,828,486</u>	<u>-</u>
Net Change in Fund Balance	1,186,127	1,079,514	2,186,738	1,107,224
Fund Balance - Beginning	<u>4,042,351</u>	<u>4,042,351</u>	<u>3,320,411</u>	<u>(721,940)</u>
Fund Balance - Ending	<u><u>\$ 5,228,478</u></u>	<u><u>\$ 5,121,865</u></u>	<u><u>\$ 5,507,149</u></u>	<u><u>\$ 385,284</u></u>

CITY OF MESA, ARIZONA
EXHIBIT D-3 (Concluded)
NON-MAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget - Positive (Negative)</u>
RECAP				
Revenues:				
Licenses & Permits	\$ 5,831,000	\$ 5,831,000	\$ 6,962,252	\$ 1,131,252
Intergovernmental	16,697,000	16,697,000	14,528,582	(2,168,418)
Charges For Services	515,000	515,000	495,885	(19,115)
Investment Income	192,000	192,000	124,982	(67,018)
Miscellaneous	16,000	16,000	71,456	55,456
Total Revenues	<u>23,251,000</u>	<u>23,251,000</u>	<u>22,183,157</u>	<u>(1,067,843)</u>
Expenditures:				
Current:				
Community Environment	20,075,935	20,075,935	20,589,550	(513,615)
Capital Outlay	4,237,685	3,927,098	566,500	3,360,598
Principal Retirement	445,378	445,378	134,735	310,643
Interest on Notes and Bonds	3,706,295	4,123,495	4,429,006	(305,511)
Total Expenditures	<u>28,465,293</u>	<u>28,571,906</u>	<u>25,719,791</u>	<u>2,852,115</u>
Deficiency of Revenues Under Expenditures	(5,214,293)	(5,320,906)	(3,536,634)	1,784,272
Other Financing Sources:				
Transfers In	6,243,000	6,243,000	5,903,000	(340,000)
Net Change in Fund Balances	1,028,707	922,094	2,366,366	1,444,272
Fund Balances - Beginning	<u>10,509,387</u>	<u>10,509,387</u>	<u>9,364,634</u>	<u>(1,144,753)</u>
Fund Balances - Ending	<u>\$ 11,538,094</u>	<u>\$ 11,431,481</u>	<u>\$ 11,731,000</u>	<u>\$ 299,519</u>

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, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
LOCAL TRANSPORTATION ASSISTANCE FUND				
Community Environment:				
Mass Transit	\$ 10,521,420	\$ 10,521,420	\$ 8,373,519	\$ 2,147,901
Total Community Environment	<u>10,521,420</u>	<u>10,521,420</u>	<u>8,373,519</u>	<u>2,147,901</u>
Less: Capital Outlay Expenditures	<u>2,865,172</u>	<u>2,865,172</u>	<u>35,472</u>	<u>2,829,700</u>
Total Current Expenditures	<u>7,656,248</u>	<u>7,656,248</u>	<u>8,338,047</u>	<u>(681,799)</u>
Total Local Transportation Assistance Fund Expenditures	<u>\$ 10,521,420</u>	<u>\$ 10,521,420</u>	<u>\$ 8,373,519</u>	<u>\$ 2,147,901</u>
MESA HOUSING AUTHORITY				
Community Environment				
Mesa Housing Authority	\$ 12,453,000	\$ 12,453,000	\$ 12,270,730	\$ 182,270
Total Community Environment	<u>12,453,000</u>	<u>12,453,000</u>	<u>12,270,730</u>	<u>182,270</u>
Less: Capital Outlay Expenditures	<u>33,313</u>	<u>33,313</u>	<u>19,227</u>	<u>14,086</u>
Total Current Expenditures	<u>12,419,687</u>	<u>12,419,687</u>	<u>12,251,503</u>	<u>168,184</u>
Total Mesa Housing Authority Fund Expenditures	<u>\$ 12,453,000</u>	<u>\$ 12,453,000</u>	<u>\$ 12,270,730</u>	<u>\$ 182,270</u>
CEMETERY FUND				
Community Environment:				
Cemetery	\$ -	\$ -	\$ -	\$ -
Total Cemetery Fund Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MESA, ARIZONA
EXHIBIT D-4 (Continued)
NON-MAJOR SPECIAL REVENUE FUNDS
SCHEDULES OF EXPENDITURES BY PROGRAM - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
PUBLIC ART FUND				
Cultural Recreational:				
Capital Outlay	\$ 769,000	\$ 769,000	\$ 247,056	\$ 521,944
Total Cultural-Recreational	<u>769,000</u>	<u>769,000</u>	<u>247,056</u>	<u>521,944</u>
Total Public Art Fund Expenditures	<u>\$ 769,000</u>	<u>\$ 769,000</u>	<u>\$ 247,056</u>	<u>\$ 521,944</u>
DEVELOPMENT IMPACT FEES FUND				
Public Safety				
Debt Service:				
Law Enforcement	\$ 1,163,000	\$ 1,699,884	\$ 1,699,884	\$ -
Fire Prevention	<u>784,000</u>	<u>704,476</u>	<u>704,476</u>	<u>-</u>
Total Public Safety	<u>1,947,000</u>	<u>2,404,360</u>	<u>2,404,360</u>	<u>-</u>
Cultural-Recreational:				
Capital Outlay:				
Library	1,000	1,000	7,436	(6,436)
Parks & Recreation	559,200	10,671	9,366	1,305
Cultural Facilities	10,000	247,942	247,942	-
Debt Service:				
Library	427,519	387,359	380,923	6,436
Parks & Recreation	<u>1,777,154</u>	<u>1,777,154</u>	<u>1,778,459</u>	<u>(1,305)</u>
Total Cultural-Recreational	<u>2,774,873</u>	<u>2,424,126</u>	<u>2,424,126</u>	<u>-</u>
Total Development Impact Fees Fund Expenditures	<u>\$ 4,721,873</u>	<u>\$ 4,828,486</u>	<u>\$ 4,828,486</u>	<u>\$ -</u>

CITY OF MESA, ARIZONA
EXHIBIT D-4 (Concluded)
NON-MAJOR SPECIAL REVENUE FUNDS
SCHEDULES OF EXPENDITURES BY PROGRAM - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
RECAP				
Public Safety	\$ 1,947,000	\$ 2,404,360	\$ 2,404,360	\$ -
Cultural-Recreational	3,543,873	3,193,126	2,671,182	521,944
Community Environment	<u>22,974,420</u>	<u>22,974,420</u>	<u>20,644,249</u>	<u>2,330,171</u>
Total Nonmajor Special Revenue				
Funds Expenditures	<u>\$ 28,465,293</u>	<u>\$ 28,571,906</u>	<u>\$ 25,719,791</u>	<u>\$ 2,852,115</u>

CITY OF MESA, ARIZONA

EXHIBIT D-5

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
 NONMAJOR CAPITAL PROJECT FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
CAPITAL PROJECTS FUNDS				
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 2,847,267	\$ 2,847,267
Miscellaneous	-	-	1,598,023	1,598,023
Total Revenues	<u>-</u>	<u>-</u>	<u>4,445,290</u>	<u>4,445,290</u>
Expenditures:				
Capital Outlay	<u>145,517,000</u>	<u>145,517,000</u>	<u>90,856,396</u>	<u>54,660,604</u>
Total Expenditures	<u>145,517,000</u>	<u>145,517,000</u>	<u>90,856,396</u>	<u>54,660,604</u>
(Deficiency) of Revenues (Under) Expenditures	(145,517,000)	(145,517,000)	(86,411,106)	59,105,894
Other Financing Sources:				
Face Amount of Bonds Issued	84,400,707	84,400,707	74,210,000	(10,190,707)
Transfers In	<u>4,561,000</u>	<u>4,561,000</u>	<u>4,514,600</u>	<u>(46,400)</u>
Net Change in Fund Balances	(56,555,293)	(56,555,293)	(7,686,506)	48,868,787
Fund Balances-Beginning	<u>56,555,293</u>	<u>56,555,293</u>	<u>62,647,712</u>	<u>6,092,419</u>
Fund Balances-Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,961,206</u>	<u>\$ 54,961,206</u>

Budget Basis

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

\$ (7,686,506)

Perspective Differences:

Proprietary Capital Project Funds

(10,942,463)

Entity Differences:

Non-Budgeted Capital Leases

2,405,567

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

\$ (16,223,402)

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, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
Revenues:				
Electric	\$ 27,575,000	\$ 27,575,000	\$ 33,514,801	\$ 5,939,801
Gas	27,791,000	27,791,000	29,754,426	1,963,426
Water	89,265,000	89,265,000	83,906,506	(5,358,494)
Wastewater	48,988,000	48,988,000	48,428,117	(559,883)
Solid Waste	34,411,000	34,411,000	34,430,996	19,996
Airport	8,546,000	8,546,000	4,005,710	(4,540,290)
Golf Course	2,557,000	2,557,000	2,298,604	(258,396)
Mesa Centennial Center	2,751,000	2,751,000	2,686,799	(64,201)
Less: Bad Debt Expense	<u>(600,000)</u>	<u>(600,000)</u>	<u>(1,124,164)</u>	<u>(524,164)</u>
Total Revenues	<u>241,284,000</u>	<u>241,284,000</u>	<u>237,901,795</u>	<u>(3,382,205)</u>
Expenses:				
Electric	22,905,000	25,404,807	25,404,807	-
Gas	22,452,000	25,443,628	25,443,628	-
Water	53,484,000	53,934,512	53,934,512	-
Wastewater	29,659,000	30,592,429	30,592,429	-
Solid Waste	21,819,000	21,885,649	21,296,920	588,729
Airport	8,863,000	8,863,002	2,690,369	6,172,633
Golf Course	2,543,000	2,630,819	2,236,878	393,941
Mesa Centennial Center	4,137,000	4,394,278	4,072,496	321,782
Contingencies	<u>8,727,000</u>	<u>1,439,876</u>	<u>-</u>	<u>1,439,876</u>
Total Expenses	<u>174,589,000</u>	<u>174,589,000</u>	<u>165,672,039</u>	<u>8,916,961</u>
Income Before Transfers	66,695,000	66,695,000	72,229,756	5,534,756
Other Operating (Uses):				
Transfers Out	<u>(69,587,000)</u>	<u>(69,587,000)</u>	<u>(70,000,000)</u>	<u>(413,000)</u>
Change in Net Assets	(2,892,000)	(2,892,000)	2,229,756	5,121,756
Unappropriated Net Assets - Beginning	2,892,846	2,892,846	8,721,277	5,828,431
(Increase) Decrease in Restricted Net Assets	<u>(846)</u>	<u>(846)</u>	<u>29,842</u>	<u>30,688</u>
Unappropriated Net Assets - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,980,875</u>	<u>\$ 10,980,875</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, 2004

Budget Basis

Actual Amounts (Budgetary Basis)
 "Change in Net Assets" from Exhibit D-6 \$ 2,229,756

Basis Differences:

Compensated Absences (131,830)
 Capitalized Interest 2,230,254
 Contractual Commitments 191,366
 Gain on Investment in Local Government
 Utility Revenue Accrual 2,965,875

Perspective Differences:

Grants and Contributions 25,593,720
 Transfer of Capital Assets from Governmental Activities 2,227,382
 Income - Replacement and Extension Funds 6,859

Timing Differences:

Water Rights 385,000
 Capital Expenditures 5,384,803
 Depreciation - Amortization (23,879,846)
 Investment in Joint Ventures (6,159,221)
 Refunding Proceeds (1,886,475)
 Loss on Disposal of Assets (2,703,037)
 Bond Principal and Reserves 18,524,870
 Amortization of Bond Premiums 1,345,257
 Deferred Revenue and Issuance Costs (1,353,051)

Entity Differences:

Municipal Development Corp. 2,878,205

GAAP Basis

Actual Amount (GAAP Basis)
 "Change in Net Assets" from Exhibit A-8 \$ 27,849,887

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, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
WAREHOUSE, MAINTENANCE AND SERVICES				
Revenues:				
Charges For Services:				
Materials and Supply	\$ 1,081,508	\$ 1,081,508	\$ 1,113,348	\$ 31,840
Printing and Graphics	1,117,610	1,117,610	1,048,547	(69,063)
Fleet Support Services	<u>13,222,737</u>	<u>13,222,737</u>	<u>14,653,323</u>	<u>1,430,586</u>
Total Revenues	<u>15,421,855</u>	<u>15,421,855</u>	<u>16,815,218</u>	<u>1,393,363</u>
Expenses:				
Materials and Supply	1,085,508	1,135,175	675,131	460,044
Printing and Graphics	1,119,209	1,119,264	1,050,201	69,063
Fleet Support Services	13,079,737	13,438,296	14,868,882	(1,430,586)
Contingencies	<u>126,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	15,410,454	15,692,735	16,594,214	(901,479)
Profit (Loss) Before Transfers	11,401	(270,880)	221,004	491,884
Transfers Out	<u>-</u>	<u>-</u>	<u>(220,000)</u>	<u>(220,000)</u>
Change in Net Assets	11,401	(270,880)	1,004	271,884
Unappropriated Net Assets - Beginning	<u>1,356</u>	<u>1,356</u>	<u>2,488</u>	<u>1,132</u>
Unappropriated Net Assets - Ending	<u>\$ 12,757</u>	<u>\$ (269,524)</u>	<u>\$ 3,492</u>	<u>\$ 273,016</u>

CITY OF MESA, ARIZONA

EXHIBIT D-9

INTERNAL SERVICE FUNDS (MANAGEMENT BUDGETED ONLY)

SELF-INSURANCE FUNDS

SCHEDULE OF REVENUES, EXPENSES AND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
PROPERTY AND PUBLIC LIABILITY FUND				
Revenues:				
Investment Income	\$ 200,000	\$ 200,000	\$ 141,710	\$ (58,290)
Contributions	600,000	600,000	600,000	-
Miscellaneous	6,000	6,000	3,094	(2,906)
Total Revenues	<u>806,000</u>	<u>806,000</u>	<u>744,804</u>	<u>(61,196)</u>
Expenses:				
Administrative and Other Fees	1,421,000	1,421,000	1,476,837	(55,837)
Claims Incurred	<u>2,300,000</u>	<u>2,300,000</u>	<u>1,053,573</u>	<u>1,246,427</u>
Total Expenses	<u>3,721,000</u>	<u>3,721,000</u>	<u>2,530,410</u>	<u>1,190,590</u>
Change in Net Assets	(2,915,000)	(2,915,000)	(1,785,606)	1,129,394
Unappropriated Net Assets - Beginning	<u>6,881,000</u>	<u>6,881,000</u>	<u>13,508,076</u>	<u>6,627,076</u>
Unappropriated Net Assets - Ending	<u>\$ 3,966,000</u>	<u>\$ 3,966,000</u>	<u>\$ 11,722,470</u>	<u>\$ 7,756,470</u>

CITY OF MESA, ARIZONA
EXHIBIT D-9 (Continued)
INTERNAL SERVICE FUNDS (MANAGEMENT BUDGETED ONLY)
SELF-INSURANCE FUNDS
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET TO ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
WORKERS' COMPENSATION FUND				
Revenues:				
Investment Income	\$ 200,000	\$ 200,000	\$ 92,833	\$ (107,167)
Contributions	1,100,000	1,100,000	1,073,147	(26,853)
Miscellaneous	120,000	120,000	367,776	247,776
Total Revenues	<u>1,420,000</u>	<u>1,420,000</u>	<u>1,533,756</u>	<u>113,756</u>
Expenses:				
Administrative and Other Fees	1,300,000	1,300,000	1,737,218	(437,218)
Claims Incurred	2,385,000	2,385,000	2,314,041	70,959
Total Expenses	<u>3,685,000</u>	<u>3,685,000</u>	<u>4,051,259</u>	<u>(366,259)</u>
Change in Net Assets	(2,265,000)	(2,265,000)	(2,517,503)	(252,503)
Unappropriated Net Assets - Beginning	<u>9,424,000</u>	<u>9,424,000</u>	<u>9,862,545</u>	<u>438,545</u>
Unappropriated Net Assets - Ending	<u>\$ 7,159,000</u>	<u>\$ 7,159,000</u>	<u>\$ 7,345,042</u>	<u>\$ 186,042</u>

CITY OF MESA, ARIZONA
EXHIBIT D-9 (Continued)
INTERNAL SERVICE FUNDS (MANAGEMENT BUDGETED ONLY)
SELF-INSURANCE FUNDS
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET TO ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
EMPLOYEE BENEFIT FUND				
Revenues:				
Investment Income	\$ 125,000	\$ 125,000	\$ 135,587	\$ 10,587
Contributions	21,639,000	21,639,000	27,347,738	5,708,738
Miscellaneous	4,000	4,000	128,175	124,175
Total Revenues	<u>21,768,000</u>	<u>21,768,000</u>	<u>27,611,500</u>	<u>5,843,500</u>
Expenses:				
Administrative and Other Fees	2,115,106	2,115,106	3,762,493	(1,647,387)
Claims Incurred	<u>16,070,894</u>	<u>16,070,894</u>	<u>18,604,092</u>	<u>(2,533,198)</u>
Total Expenses	<u>18,186,000</u>	<u>18,186,000</u>	<u>22,366,585</u>	<u>(4,180,585)</u>
Change in Net Assets	3,582,000	3,582,000	5,244,915	1,662,915
Unappropriated Net Assets - Beginning	<u>7,390,450</u>	<u>7,390,450</u>	<u>10,593,504</u>	<u>3,203,054</u>
Unappropriated Net Assets - Ending	<u>\$ 10,972,450</u>	<u>\$ 10,972,450</u>	<u>\$ 15,838,419</u>	<u>\$ 4,865,969</u>

CITY OF MESA, ARIZONA
EXHIBIT D-9 (Concluded)
INTERNAL SERVICE FUNDS (MANAGEMENT BUDGETED ONLY)
SELF-INSURANCE FUNDS
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET TO ACTUAL (BUDGET BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance With Final Budget - Positive (Negative)</u>
RECAP				
Revenues:				
Investment Income	\$ 525,000	\$ 525,000	\$ 370,130	\$ (154,870)
Contributions	23,339,000	23,339,000	29,020,885	5,681,885
Miscellaneous	130,000	130,000	499,045	369,045
Total Revenues	<u>23,994,000</u>	<u>23,994,000</u>	<u>29,890,060</u>	<u>5,896,060</u>
Expenses:				
Administrative and Other Fees	4,836,106	4,836,106	6,976,548	(2,140,442)
Claims Incurred	20,755,894	20,755,894	21,971,706	(1,215,812)
Total Expenses	<u>25,592,000</u>	<u>25,592,000</u>	<u>28,948,254</u>	<u>(3,356,254)</u>
Change in Net Assets	(1,598,000)	(1,598,000)	941,806	2,539,806
Unappropriated Net Assets - Beginning	<u>23,695,450</u>	<u>23,695,450</u>	<u>33,964,125</u>	<u>10,268,675</u>
Unappropriated Net Assets - Ending	<u>\$ 22,097,450</u>	<u>\$ 22,097,450</u>	<u>\$ 34,905,931</u>	<u>\$ 12,808,481</u>

CITY OF MESA, ARIZONA
EXHIBIT D-10
INTERNAL SERVICE FUND
RECONCILIATION OF BUDGET TO GAAP
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Budget Basis

Actual Amounts (Budgetary Basis)
"Change in Net Assets" from Exhibit D-8 \$ 1,004

Basis Differences:

Compensated Absences (20,460)

Timing Differences:

Capital Expenditures 41,625
Depreciation - Amortization (235,229)
Inventory Decrease (262,623)

Entity Differences:

Non-Budgeted Self-Insurance Funds (3,282,712)

GAAP Basis

Actual Amount (GAAP Basis)
"Change in Net Assets" from Exhibit A-8 \$ (3,758,395)

CITY OF MESA, ARIZONA

EXHIBIT D-11

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE BY SOURCE

JUNE 30, 2004

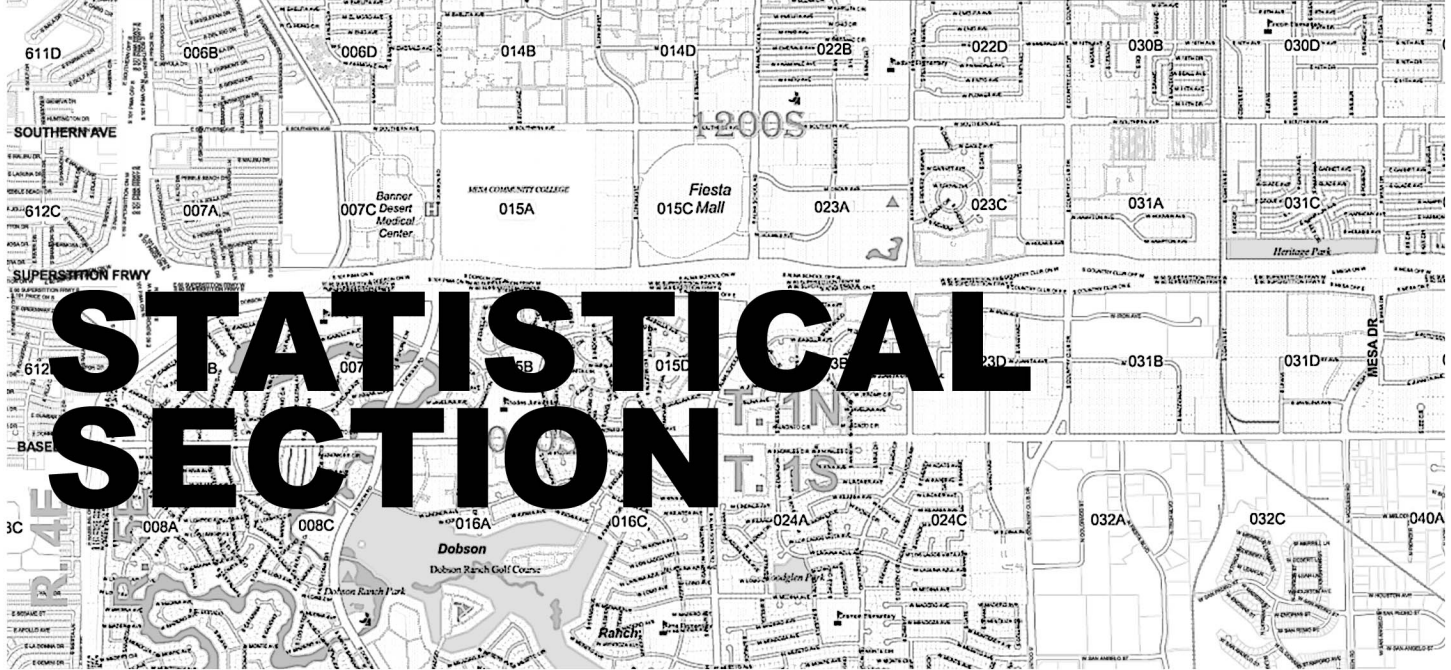
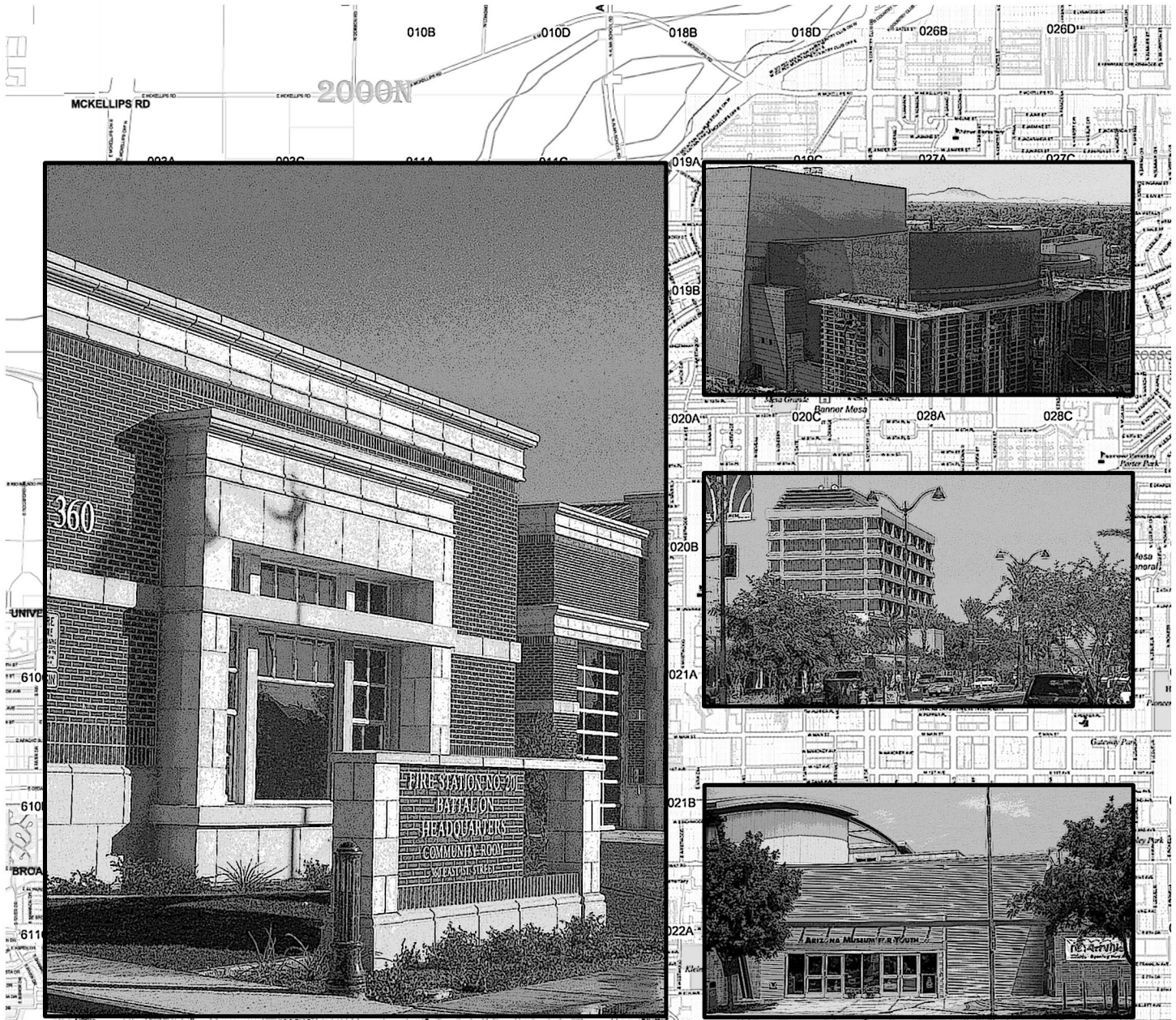
GOVERNMENTAL FUNDS CAPITAL ASSETS

Land	\$ 210,051,149
Buildings	169,255,923
Other Improvements	109,370,737
Machinery and Equipment	120,279,771
Infrastructure	596,388,961
Construction in Progress	<u>221,902,907</u>
Total Governmental Funds Capital Assets	\$ <u><u>1,427,249,448</u></u>

INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS

Investment in Property Acquired Prior to July 1, 1978:	
Source Indeterminable	\$ <u>3,296,553</u>
Investment in Property Acquired After June 30, 1978 From:	
General Obligation Bonds	468,272,788
Highway User Revenue Bonds	20,362,043
Federal Revenue Sharing	2,404,992
Federal Aid	34,950,155
General Revenue	419,907,739
Contributions From Developers	382,352,831
Contributions From Property Owners	8,157,887
Contributions From Other Gov't	7,987,759
Contributions - Indeterminant Funding	79,556,701
Total	<u>1,423,952,895</u>
Total Investment in Governmental Funds Capital Assets	\$ <u><u>1,427,249,448</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.



CITY OF MESA, ARIZONA

TABLE I

GENERAL GOVERNMENTAL, ENTERPRISE AND
INTERNAL SERVICE EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS (GAAP BASIS)

EXPENDITURES BY FUNCTION	2003-04	2002-03	2001-02	2000-01
General Governmental:				
Current:				
General Government	\$ 36,328,122	\$ 35,314,279	\$ 34,413,634	\$ 32,158,977
Public Safety	166,576,022	160,151,434	152,211,510	143,663,306
Cultural-Recreational	47,366,458	46,940,164	45,139,625	43,370,223
Community Environment	51,520,603	48,643,271	48,793,335	43,641,860
Capital Outlay	81,823,895	106,255,818	90,516,208	77,341,312
Debt Service	21,288,853	34,174,487	34,425,906	34,192,886
Total General Governmental (1)	404,903,953	431,479,453	405,500,218	374,368,564
Enterprise:				
Current:				
Electric	24,255,257	19,456,059	19,121,117	31,602,175
Gas	25,635,155	20,484,478	18,464,466	27,465,844
Water	42,087,911	26,042,629	28,533,016	37,441,869
Wastewater	28,137,361	16,289,259	16,735,776	23,920,285
Solid Waste	21,728,445	20,113,634	19,853,136	21,231,124
Aquatics				
Airport	1,119,600	1,212,119	1,356,241	2,076,301
Golf Course	2,723,704	2,036,029	2,016,682	2,408,720
Centennial Center	4,224,125	2,784,257	2,809,037	3,063,794
Debt Service (Interest)	19,669,707	17,441,183	15,131,643	15,996,703
Total Enterprise	169,581,265	125,859,647	124,021,114	165,206,815
Internal Service:				
Current:				
Warehouse and Services	16,835,672	15,869,775	19,298,133	19,179,413
Self-Insurance	32,866,559	20,115,991	19,024,674	18,064,760
Total Internal Service	49,702,231	35,985,766	38,322,807	37,244,173
TOTAL EXPENDITURES BY FUNCTION	\$ 624,187,449	\$ 593,324,866	\$ 567,844,139	\$ 576,819,552
EXPENDITURES BY FUND				
General	\$ 304,290,072	\$ 298,702,594	\$ 268,117,161	\$ 252,733,765
Special Revenue	41,449,528	47,889,449	41,724,185	47,085,096
Debt Service	21,288,853	34,174,487	34,425,906	34,192,886
Capital Projects	37,875,500	50,712,923	61,232,966	40,356,817
Enterprise	169,581,265	125,859,647	124,021,114	165,206,815
Internal Service	49,702,231	35,985,766	38,322,807	37,244,173
TOTAL EXPENDITURES BY FUND	\$ 624,187,449	\$ 593,324,866	\$ 567,844,139	\$ 576,819,552

(1) Includes General, Special Revenue, Debt Service and Capital Projects Funds.

TABLE I
(Continued)

<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>	<u>1994-95</u>
\$ 30,495,284	\$ 25,950,817	\$ 22,390,947	\$ 20,948,080	\$ 18,771,213	\$ 16,410,366
131,414,608	114,122,259	104,010,364	95,641,021	85,365,634	74,763,008
41,572,154	36,916,715	29,700,695	27,909,485	23,049,002	20,876,271
41,483,266	38,232,446	33,640,993	36,440,078	30,969,283	33,099,527
94,405,447	69,037,834	57,670,762	67,774,537	48,485,487	33,986,639
31,787,399	28,748,066	25,170,587	18,377,746	15,453,222	17,772,063
<u>371,158,158</u>	<u>313,008,137</u>	<u>272,584,348</u>	<u>267,090,947</u>	<u>222,093,841</u>	<u>196,907,874</u>
20,857,164	20,908,752	19,248,439	18,945,665	19,076,497	18,760,586
17,666,909	16,431,311	16,858,449	16,018,965	13,842,903	13,178,758
34,656,410	34,918,043	30,815,931	33,696,874	26,687,685	25,345,890
18,916,217	18,851,139	18,592,319	20,890,216	24,807,953	14,395,479
18,764,580	18,353,996	16,938,937	16,095,971	17,519,679	16,739,785
		1,823,346	1,750,577	1,775,803	1,636,222
1,803,138	1,655,089	1,555,751	1,601,574	1,413,368	1,367,998
2,244,124	2,213,208	2,139,323	2,000,426	2,074,183	1,980,120
2,844,964	2,599,724	2,507,104	2,486,804	2,399,737	2,269,044
10,916,096	10,772,038	11,765,334	10,322,831	10,105,944	10,872,608
<u>128,669,602</u>	<u>126,703,300</u>	<u>122,244,933</u>	<u>123,809,903</u>	<u>119,703,752</u>	<u>106,546,490</u>
17,914,377	15,824,454	15,881,193	14,872,879	13,811,952	13,440,770
17,771,700	16,031,049	12,276,758	13,160,962	12,056,014	11,885,610
<u>35,686,077</u>	<u>31,855,503</u>	<u>28,157,951</u>	<u>28,033,841</u>	<u>25,867,966</u>	<u>25,326,380</u>
<u>\$ 535,513,837</u>	<u>\$ 471,566,940</u>	<u>\$ 422,987,232</u>	<u>\$ 418,934,691</u>	<u>\$ 367,665,559</u>	<u>\$ 328,780,744</u>
244,641,841	\$ 208,255,626	\$ 186,381,942	\$ 177,880,280	\$ 158,050,227	\$ 136,852,031
43,633,489	40,052,373	28,443,822	31,401,132	24,755,434	28,682,644
31,787,399	28,748,066	25,170,587	18,377,746	15,453,222	17,772,063
51,095,429	35,952,072	32,587,997	39,431,789	23,834,958	13,601,136
128,669,602	126,703,300	122,244,933	123,809,903	119,703,752	106,546,490
35,686,077	31,855,503	28,157,951	28,033,841	25,867,966	25,326,380
<u>\$ 535,513,837</u>	<u>\$ 471,566,940</u>	<u>\$ 422,987,232</u>	<u>\$ 418,934,691</u>	<u>\$ 367,665,559</u>	<u>\$ 328,780,744</u>

CITY OF MESA, ARIZONA

TABLE IAGENERAL GOVERNMENTAL AND ENTERPRISE EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS (BUDGET BASIS)

EXPENDITURES BY FUNCTION	2003-04	2002-03	2001-02	2000-01
General Governmental:				
Judicial	\$ 7,895,234	\$ 8,016,162	\$ 7,627,665	\$ 7,835,950
Other General Government	36,066,038	34,800,369	37,229,986	39,387,574
Law Enforcement	120,013,816	113,244,520	113,406,378	104,782,524
Fire Prevention	45,306,319	43,970,247	42,093,201	40,401,102
Other Public Safety	10,560,120	10,056,337	9,598,427	8,701,244
Parks and Recreation	24,275,535	24,880,126	27,638,114	28,245,824
Library	12,563,180	16,480,993	13,233,130	12,247,983
Other Cultural Recreational	48,949,106	43,193,298	17,423,522	17,530,911
Streets	25,938,810	38,078,514	37,738,223	35,922,647
Mesa Housing Authority	12,270,730	11,764,347	10,063,573	8,812,168
Storm Sewer	3,717,628	6,280,094	7,071,106	9,359,832
Other Community Environment	19,526,309	29,630,525	20,085,242	19,183,378
Internal Service (Net)	(221,004)	218,869	459,626	587,203
Capital Projects-General Govt.	30,959,052	46,449,325	56,456,501	36,167,927
Total General Governmental (1)	397,820,873	427,063,726	400,124,694	369,166,267
Enterprise:				
Electric	25,404,807	22,408,172	24,146,661	34,340,522
Gas	25,443,628	23,368,644	21,212,291	29,764,852
Water	53,934,512	46,467,652	47,523,551	46,737,722
Wastewater	30,592,429	36,913,897	35,482,849	41,053,415
Solid Waste	21,296,920	21,107,651	21,988,602	21,226,055
Aquatics				
Airport	2,690,369	2,746,301	3,397,586	4,530,020
Golf Course	2,236,878	2,082,729	2,016,135	2,155,136
Centennial Center	4,072,496	2,789,404	3,029,967	2,770,035
Capital Projects-Enterprise	59,897,343	48,292,361	57,190,865	63,337,741
Total Enterprise	225,569,382	206,176,811	215,988,507	245,915,498
TOTAL EXPENDITURES BY FUNCTION	\$ 623,390,255	\$ 633,240,537	\$ 616,113,201	\$ 615,081,765
EXPENDITURES BY FUND				
General	\$ 316,248,051	\$ 312,258,505	\$ 283,772,633	\$ 273,431,182
Enterprise	165,672,039	157,884,450	158,797,642	182,577,757
Local Transportation Assistance	8,373,519	13,980,550	9,175,799	10,313,298
Capital Improvement				
Highway User Revenue	25,114,983	33,250,383	33,264,514	33,258,633
Development Impact Fees	4,828,486	8,926,735	6,865,314	6,411,454
Mesa Housing Authority	12,270,730	11,764,347	10,063,573	8,812,168
Cemetery Reserve				
Public Art	247,056	215,012	66,734	184,402
Internal Service	(221,004)	218,869	459,626	587,203
Capital Projects (2)	90,856,395	94,741,686	113,647,366	99,505,668
TOTAL EXPENDITURES BY FUND	\$ 623,390,255	\$ 633,240,537	\$ 616,113,201	\$ 615,081,765

(1) Includes General, Special Revenue, General Government Capital Projects and Internal Service Funds.

(2) Includes Enterprise and General Government Capital Projects.

TABLE IA
(Continued)

<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>	<u>1994-95</u>
\$ 6,843,845	\$ 6,625,920	\$ 6,537,530	\$ 7,150,019	\$ 4,855,488	\$ 4,512,144
34,661,037	30,106,121	31,775,896	33,165,191	29,173,372	21,035,855
100,203,185	85,603,798	79,811,320	71,733,378	63,818,939	54,483,653
36,752,225	32,812,793	28,400,287	26,182,483	24,604,555	22,128,685
7,548,456	6,261,552	4,967,025	4,238,622	3,752,433	3,213,620
25,608,906	21,910,568	19,721,268	17,099,208	13,574,703	12,065,937
11,930,573	11,674,252	9,816,446	8,860,014	7,883,186	9,125,266
26,641,484	11,841,045	6,712,937	6,307,846	5,551,261	4,767,519
36,732,892	41,282,575	26,251,229	29,764,970	23,498,882	29,892,678
8,409,393	7,743,877	6,431,374	6,230,919	6,043,019	5,929,688
9,586,726	9,025,979	7,728,607	7,052,402	6,049,851	6,035,472
15,273,856	11,735,477	12,142,494	9,048,083	9,021,558	9,138,543
511,434	220,232	302,417	187,331	388,772	338,830
34,421,084	30,544,195	25,525,013	17,380,688	18,119,897	13,601,136
<u>355,125,096</u>	<u>307,388,384</u>	<u>266,123,843</u>	<u>244,401,154</u>	<u>216,335,916</u>	<u>196,269,026</u>
24,029,977	23,362,371	20,375,412	20,096,005	21,345,615	20,807,480
20,036,035	18,964,617	19,207,061	18,202,296	15,642,354	15,064,223
43,560,858	41,403,351	37,825,251	44,179,774	41,201,552	39,634,444
37,561,138	36,688,151	35,673,771	25,363,949	25,779,537	21,207,393
18,549,298	18,587,134	17,475,773	15,771,129	20,237,870	16,676,525
		1,723,351	1,601,336	1,644,177	1,501,744
3,564,608	1,830,653	2,907,133	1,446,449	1,901,164	2,646,421
2,560,139	2,249,721	2,193,307	2,146,282	2,259,499	2,294,710
2,668,991	2,352,355	2,270,265	2,237,566	3,051,136	2,531,455
56,112,310	55,412,904	33,171,605	42,762,506	30,078,156	21,067,126
<u>208,643,354</u>	<u>200,851,257</u>	<u>172,822,929</u>	<u>173,807,292</u>	<u>163,141,060</u>	<u>143,431,521</u>
<u>\$ 563,768,450</u>	<u>\$ 508,239,641</u>	<u>\$ 438,946,772</u>	<u>\$ 418,208,446</u>	<u>\$ 379,476,976</u>	<u>\$ 339,700,547</u>
266,440,677	\$ 226,838,097	\$ 206,052,288	\$ 189,930,765	\$ 168,671,404	\$ 148,325,650
152,531,044	145,438,353	139,651,324	131,044,786	133,062,904	122,364,395
7,190,958	4,492,431	4,277,621	3,941,146	3,200,639	3,480,068
242,246	2,236,748	1,688,351	2,012,190	1,269,807	1,764,421
33,355,644	32,012,016	21,844,494	25,334,634	18,641,398	22,829,003
4,946,416	3,344,440				
7,964,393	7,698,000	6,431,374	5,610,802	6,043,019	5,929,688
2,216	2,225	2,285	3,598	980	230
50,028					
511,434	220,232	302,417	187,331	388,772	338,830
90,533,394	85,957,099	58,696,618	60,143,194	48,198,053	34,668,262
<u>\$ 563,768,450</u>	<u>\$ 508,239,641</u>	<u>\$ 438,946,772</u>	<u>\$ 418,208,446</u>	<u>\$ 379,476,976</u>	<u>\$ 339,700,547</u>

CITY OF MESA, ARIZONA

TABLE II

REVENUES BY SOURCE AND FUND

LAST TEN FISCAL YEARS (GAAP BASIS)

REVENUES BY SOURCE	2003-04	2002-03	2001-02	2000-01
General Government:				
Taxes	\$ 106,417,064	\$ 99,658,438	\$ 102,917,491	\$ 104,210,560
Special Assessments	57,567	67,313	68,388	547,069
Licenses and Permits	19,819,170	15,436,013	17,441,330	18,530,634
Intergovernmental	149,036,481	157,187,256	144,899,946	139,131,708
Charges For Services	11,152,669	9,639,690	9,492,864	9,122,804
Fines and Forfeitures	8,536,253	8,421,178	7,881,541	8,087,106
Investment Income/(Loss)	885,188	(1,589,223)	3,823,765	7,805,680
Miscellaneous	5,268,925	6,204,205	5,702,529	3,193,930
Total General Government (1)	301,173,317	295,024,870	292,227,854	290,629,491
Enterprise:				
Electric	33,725,364	27,839,896	29,166,639	47,633,217
Gas	29,960,761	25,113,857	26,502,312	31,806,589
Water	80,530,063	74,769,709	74,645,436	68,052,504
Wastewater	44,264,954	41,656,214	39,933,937	40,604,657
Solid Waste	34,489,239	31,833,958	29,605,827	26,926,747
Aquatics				
Airport	1,873,501	1,845,693	1,789,167	1,792,993
Golf Course	2,298,604	2,325,121	2,364,190	2,282,644
Centennial Center	2,686,799	1,422,276	1,381,874	1,295,735
Capital Contributions	37,601,867	86,086,604	25,079,236	40,664,020
Total Enterprise	267,431,152	292,893,328	230,468,618	261,059,106
Internal Service:				
Charges For Services	16,815,218	15,789,122	19,059,697	18,767,261
Self-Insurance	29,213,717	19,951,388	18,768,085	19,136,253
Interest	370,130	580,722	981,360	2,093,717
Total Internal Service	46,399,065	36,321,232	38,809,142	39,997,231
TOTAL REVENUES BY SOURCE	\$ 615,003,534	\$ 624,239,430	\$ 561,505,614	\$ 591,685,828
REVENUES BY FUND				
General	\$ 242,465,810	\$ 229,483,926	\$ 237,987,053	\$ 236,278,011
Special Revenue	55,901,580	57,341,027	53,499,900	53,025,563
Debt Service	60,844	75,365	122,837	1,199,001
Capital Projects	2,745,083	8,124,552	618,064	126,916
Enterprise	267,431,152	292,893,328	230,468,618	261,059,106
Internal Service	46,399,065	36,321,232	38,809,142	39,997,231
TOTAL REVENUES BY FUND	\$ 615,003,534	\$ 624,239,430	\$ 561,505,614	\$ 591,685,828

(1) Includes General, Special Revenue, Debt Service and Capital Projects Funds.

TABLE II
(Continued)

<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>	<u>1994-95</u>
\$ 106,822,964	\$ 99,542,323	\$ 66,820,037	\$ 61,810,562	\$ 57,268,974	\$ 52,124,379
538,211	629,955	480,308	534,632	508,724	532,075
20,966,327	17,048,064	9,306,079	7,492,655	6,411,445	6,020,082
132,679,952	127,228,891	109,060,868	102,217,991	97,515,838	85,363,786
9,260,179	9,433,129	7,215,861	6,599,174	4,106,191	3,602,761
6,645,488	6,778,743	6,556,442	5,622,973	4,257,049	3,483,748
4,913,109	4,589,751	4,682,417	3,463,631	3,757,322	3,643,153
4,466,611	4,733,523	4,210,907	3,140,781	3,451,643	2,864,939
<u>286,292,841</u>	<u>269,984,379</u>	<u>208,332,919</u>	<u>190,882,399</u>	<u>177,277,186</u>	<u>157,634,923</u>
28,258,296	30,819,177	26,650,314	26,953,382	26,474,306	25,314,058
21,848,317	18,698,224	19,640,988	19,628,248	16,398,968	17,316,282
66,384,384	61,095,541	55,856,794	52,657,443	51,188,641	45,253,890
38,721,109	33,667,889	32,967,150	30,934,730	29,093,812	27,689,147
25,064,909	23,007,485	21,727,642	20,150,605	19,787,377	19,909,735
		443,054	407,412	407,660	406,666
1,809,448	1,645,552	1,552,220	1,437,313	1,339,469	1,297,950
2,241,265	2,467,969	2,442,740	2,493,124	2,468,361	2,200,189
1,418,009	1,251,105	1,496,790	1,322,434	1,258,936	1,047,937
<u>185,745,737</u>	<u>172,652,942</u>	<u>162,777,692</u>	<u>155,984,691</u>	<u>148,417,530</u>	<u>140,435,854</u>
17,672,877	15,475,117	15,707,847	14,673,788	13,674,350	13,290,867
16,750,496	16,247,525	12,893,110	14,712,984	12,429,332	11,427,096
1,730,114	1,453,758	1,306,287	1,080,382	801,227	518,398
<u>36,153,487</u>	<u>33,176,400</u>	<u>29,907,244</u>	<u>30,467,154</u>	<u>26,904,909</u>	<u>25,236,361</u>
<u>\$ 508,192,065</u>	<u>\$ 475,813,721</u>	<u>\$ 401,017,855</u>	<u>\$ 377,334,244</u>	<u>\$ 352,599,625</u>	<u>\$ 323,307,138</u>
\$ 232,648,996	\$ 219,682,621	\$ 167,747,956	\$ 150,930,431	\$ 136,710,175	\$ 126,531,692
50,441,582	47,803,712	38,157,175	37,543,189	32,087,726	29,759,331
1,261,876	1,352,873	1,878,252	1,330,415	741,804	832,166
1,940,387	1,145,173	549,536	1,078,364	7,737,481	511,734
185,745,737	172,652,942	162,777,692	155,984,691	148,417,530	140,435,854
<u>36,153,487</u>	<u>33,176,400</u>	<u>29,907,244</u>	<u>30,467,154</u>	<u>26,904,909</u>	<u>25,236,361</u>
<u>\$ 508,192,065</u>	<u>\$ 475,813,721</u>	<u>\$ 401,017,855</u>	<u>\$ 377,334,244</u>	<u>\$ 352,599,625</u>	<u>\$ 323,307,138</u>

CITY OF MESA, ARIZONA

TABLE IIA

REVENUES BY SOURCE AND FUND

LAST TEN FISCAL YEARS (BUDGET BASIS)

REVENUES BY SOURCE	2003-04	2002-03	2001-02	2000-01
General Government:				
Taxes	\$ 106,402,736	\$ 100,142,645	\$ 103,910,398	\$ 103,796,117
Licenses and Permits	19,819,170	15,436,013	17,445,223	18,538,954
State Shared	121,941,211	120,545,319	119,407,930	117,001,848
Federal Grants	21,960,416	27,408,790	23,822,072	18,170,324
State, County and Other Grants	1,996,725	1,953,730	1,945,468	4,377,008
Charges For Services	11,160,101	9,647,164	9,497,998	9,128,768
Fines and Forfeitures	11,109,901	10,980,322	10,088,043	10,406,245
Investment Income/Loss	878,589	(1,256,233)	4,958,637	7,683,185
Miscellaneous Revenues	5,925,922	5,705,090	5,351,364	3,074,004
Capital Projects-General	2,745,083	8,124,552	618,064	126,916
Bad Debts	(3,619,611)	(3,303,849)	(2,607,460)	(2,583,405)
Total General Government (1)	300,320,243	295,383,543	294,437,737	289,719,964
Enterprise:				
Electric	33,514,801	28,045,897	29,525,808	47,555,502
Gas	29,754,426	25,521,440	26,680,109	31,900,786
Water	83,906,506	80,033,477	79,843,187	74,202,471
Wastewater	48,428,117	46,580,351	45,313,252	47,527,852
Solid Waste	34,430,996	32,419,197	30,075,339	27,342,064
Aquatics				
Airport	4,005,710	3,049,547	3,450,398	4,440,900
Golf Course	2,298,604	2,323,503	2,365,925	2,281,978
Mesa Centennial Center	2,686,799	1,422,576	1,381,874	1,295,735
Capital Projects-Enterprise	1,700,206	(83,013)	90,473	2,709,737
Bad Debts	(1,124,164)	(758,006)	(757,079)	(649,565)
Total Enterprise	239,602,001	218,554,969	217,969,286	238,607,460
TOTAL REVENUES BY SOURCE	\$ 539,922,244	\$ 513,938,512	\$ 512,407,023	\$ 528,327,424
REVENUES BY FUND				
General	\$ 241,331,763	\$ 229,587,620	\$ 240,319,773	\$ 236,588,585
Enterprise	237,901,795	218,637,982	217,878,813	235,897,723
Local Transportation Assistance	3,051,919	8,976,044	6,518,297	5,772,277
Cemetery Reserve	144,250	14,283	216,984	319,445
Public Art	8,237	(12,836)	18,347	26,868
Development Impact Fees	7,015,224	5,370,795	6,731,014	7,617,198
Capital Improvement				
Highway User Revenue	34,060,240	31,881,480	30,334,178	30,769,349
Mesa Housing Authority	11,963,527	11,441,605	9,681,080	8,499,326
Capital Projects (2)	4,445,289	8,041,539	708,537	2,836,653
TOTAL REVENUES BY FUND	\$ 539,922,244	\$ 513,938,512	\$ 512,407,023	\$ 528,327,424

(1) Includes General, Special Revenue, and General Government Capital Projects Funds.

(2) Includes Enterprise and General Government Capital Projects.

TABLE IIA

(Continued)

	<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>	<u>1994-95</u>
\$	107,211,884	\$ 96,335,131	\$ 66,418,414	\$ 61,703,607	\$ 57,193,849	\$ 51,807,409
	20,971,107	17,053,216	9,308,728	7,492,655	6,411,445	6,020,082
	112,705,056	104,137,730	91,959,976	87,925,666	77,217,251	73,082,889
	15,004,882	14,716,836	13,910,144	11,069,369	11,743,430	11,379,316
	3,305,549	7,498,607	3,239,626	2,052,363	932,247	563,640
	9,261,229	9,432,919	7,219,636	6,599,924	4,107,286	3,611,691
	8,891,664	9,645,562	9,709,666	8,646,292	6,819,753	6,154,325
	4,503,998	4,003,420	4,465,765	2,762,514	3,353,612	3,331,584
	4,317,819	4,559,612	4,342,256	3,215,097	3,530,900	2,775,676
	1,917,966	1,145,173	549,536	928,364	711,731	511,734
	(2,489,398)	(2,990,394)	(3,362,295)	(3,247,843)	(2,796,964)	(2,820,646)
	<u>285,601,756</u>	<u>265,537,812</u>	<u>207,761,452</u>	<u>189,148,008</u>	<u>169,224,540</u>	<u>156,417,700</u>
	28,163,393	30,772,092	26,535,977	26,953,469	26,218,903	25,457,646
	21,801,747	18,900,612	19,688,885	19,539,632	16,462,945	17,375,365
	73,713,991	69,467,687	62,786,416	57,622,845	55,238,474	49,312,479
	45,051,707	43,217,032	41,781,450	36,591,133	33,456,852	31,524,896
	25,482,856	23,463,266	21,744,180	20,137,302	19,758,531	19,878,953
			443,054	407,412	407,660	406,666
	3,862,936	1,890,452	2,749,010	1,659,602	1,880,438	2,877,059
	2,241,660	2,468,437	2,442,742	2,493,124	2,467,256	2,197,075
	1,418,009	1,251,105	1,496,790	1,322,434	1,258,936	1,047,937
	460,333	317,770	84,331	73,680	70,073	103,157
	(609,369)	(318,424)	(384,264)	(367,101)	(438,388)	(409,182)
	<u>201,587,263</u>	<u>191,430,029</u>	<u>179,368,571</u>	<u>166,433,532</u>	<u>156,781,680</u>	<u>149,772,051</u>
\$	<u>487,189,019</u>	<u>456,967,841</u>	<u>387,130,023</u>	<u>355,581,540</u>	<u>326,006,220</u>	<u>306,189,751</u>
\$	233,221,108	\$ 216,578,819	\$ 169,064,849	\$ 150,676,455	\$ 136,425,083	\$ 126,146,635
	201,126,930	191,112,259	179,284,240	166,359,852	156,711,607	149,668,894
	3,932,348	3,103,188	2,772,910	2,596,869	3,059,412	2,720,673
	256,025	215,794	331,356	297,670	281,784	260,497
	14,317	6,974	128,176			
	8,387,585	5,708,178				
	14,669	1,267,751	2,562,269	2,016,403	1,506,251	1,400,077
	30,273,583	29,947,981	26,151,748	27,267,144	21,403,836	19,397,351
	7,584,155	7,563,954	6,200,608	5,365,103	5,836,443	5,980,733
	2,378,299	1,462,943	633,867	1,002,044	781,804	614,891
\$	<u>487,189,019</u>	<u>456,967,841</u>	<u>387,130,023</u>	<u>355,581,540</u>	<u>326,006,220</u>	<u>306,189,751</u>

CITY OF MESA, ARIZONA

TABLE III

GENERAL REVENUES BY SOURCE (1)

LAST TEN FISCAL YEARS

(BUDGET BASIS)

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits (Unrestricted)</u>	<u>Licenses and Permits (Restricted)</u>	<u>Inter- Governmental Revenues</u>
1994-95	\$ 51,807,409	\$ 6,020,082	\$	\$ 85,025,845
1995-96	57,193,849	6,411,445		89,892,928
1996-97	61,703,607	7,492,655		101,047,398
1997-98	66,418,414	9,308,728		109,109,746
1998-99	96,335,131	11,409,324	5,643,892	126,353,173
1999-00	107,211,884	12,808,925	8,162,182	131,015,487
2000-01	103,796,117	7,219,051	11,319,903	139,549,180
2001-02	103,910,398	10,924,575	6,520,648	145,175,470
2002-03	100,142,645	9,951,799	5,484,214	149,907,839
2003-04	106,402,736	12,856,918	6,962,252	145,898,352

(1) Includes General and Special Revenue Funds.

TABLE III
(Continued)

<u>Charges For Services</u>	<u>Fines and Forfeitures</u>	<u>Interest and Miscellaneous</u>	<u>Total</u>
\$ 3,611,691	\$ 6,154,325	\$ 6,107,260	\$ 158,726,612
4,107,286	6,819,753	6,884,512	171,309,773
6,599,924	8,646,292	5,977,611	191,467,487
7,219,636	9,709,666	8,808,021	210,574,211
9,432,919	9,645,562	8,563,032	267,383,033
9,261,229	8,891,664	8,821,817	286,173,188
9,128,768	10,406,245	10,757,188	292,176,452
9,497,998	10,088,043	10,310,001	296,427,133
9,647,164	10,980,322	4,448,857	290,562,840
11,160,101	11,109,901	6,804,511	301,194,771

CITY OF MESA, ARIZONA

TABLE IV

TAX REVENUES BY SOURCE

LAST TEN FISCAL YEARS

(BUDGET BASIS)

<u>Fiscal Year</u>	<u>Local Taxes</u>			<u>State-Shared</u>
	<u>City Sales</u>	<u>Residential Development</u>	<u>Transient Occupancy</u>	<u>State Sales Tax</u>
1994-95	\$ 49,552,128	\$ 1,391,541	\$ 863,740	\$ 22,276,932
1995-96	54,628,326	1,494,716	1,070,807	23,517,987
1996-97	58,291,636	2,001,633	1,410,338	23,865,114
1997-98	62,459,916	2,526,264	1,432,234	25,205,764
1998-99	93,703,124	1,198,740	1,433,267	27,019,295
1999-00	105,742,774		1,469,110	29,699,579
2000-01	102,346,120		1,449,997	30,982,708
2001-02	102,653,504		1,256,894	30,544,828
2002-03	98,915,601		1,227,044	30,999,618
2003-04	105,082,031		1,320,706	33,455,357

TABLE IV
(Continued)

State-Shared				
<u>Auto Lieu</u>	<u>Highway User</u>	<u>State Revenue Sharing</u>	<u>Local Transportation Assistance</u>	<u>Total</u>
\$ 8,187,537	\$ 19,210,245	\$ 20,950,030	\$ 2,458,145	124,890,298
7,844,779	20,775,156	22,372,784	2,706,545	134,411,100
9,095,795	26,663,448	25,884,031	2,417,278	149,629,273
9,651,705	25,392,547	29,329,771	2,380,189	158,378,390
10,992,825	29,189,770	34,071,819	2,864,021	200,472,861
12,148,964	29,515,063	37,624,146	3,717,303	219,916,939
12,775,122	30,233,015	39,494,827	3,516,176	220,797,965
14,438,894	30,129,033	41,411,715	2,883,460	223,318,328
14,250,764	31,384,493	41,649,710	2,260,734	220,687,964
16,109,854	33,640,946	35,904,241	3,046,005	228,559,140

CITY OF MESA, ARIZONA

TABLE V

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Valuation Bases</u>	<u>Real Estate</u>	<u>Land and Improvements</u>	<u>Secured Personal</u>	<u>Unsecured Personal</u>
1994-95	P	\$	\$	\$	\$
	S	388,692,989	944,186,159 574,332,201	37,110,100 37,110,100	141,935,530 141,935,530
1995-96	P		1,036,649,080	36,997,145	87,760,685
	S	374,133,308	728,255,339	36,997,145	87,760,685
1996-97	P		1,218,414,472	38,537,930	84,471,315
	S	444,845,981	819,211,309	38,537,930	86,171,315
1997-98	P		1,329,240,616	44,749,195	90,941,795
	S	455,691,862	957,741,754	44,749,195	92,641,795
1998-99	P		1,401,437,378	46,565,465	100,903,755
	S	466,881,558	1,010,104,135	46,565,465	100,903,755
1999-00	P		1,546,544,160	46,422,675	108,435,565
	S	500,630,730	1,151,833,344	46,422,675	108,435,565
2000-01	P		1,711,200,110	52,228,970	111,466,085
	S	535,927,212	1,304,801,873	52,228,970	111,466,085
2001-02	P		1,930,688,813	52,054,655	123,515,570
	S	613,941,178	1,477,589,824	52,054,655	123,515,570
2002-03	P		2,132,299,346	30,662,591	115,255,640
	S	674,486,618	1,616,455,693	30,662,591	115,255,640
2003-04	P		2,368,401,361	25,354,576	87,408,810
	S	762,951,154	1,800,821,132	25,354,576	87,408,810

Note: A.) Real Estate, land and improvements are combined in primary valuation. Property tax legislation approved by voters on 6-3-80 created primary (P) and secondary (S) valuation bases. Primary tax levy is for maintenance and operation of counties, cities, school districts and the state. Secondary tax levy is for debt retirement, voter-approved budget overrides, and maintenance and operation of special-service districts.

B.) Effective with fiscal year 1996-97 the gross valuations are no longer net of exemptions which are now included in the EXEMPTIONS Column.

Source: Arizona Department of Revenue.
Maricopa County Finance Department and Assessors Office.

TABLE V

(Continued)

	Utilities, Rails and Wires	Gross Valuations	Exemptions	Net Taxable Valuation	Actual Valuation \$(000)
\$	42,718,954	\$ 1,165,950,743	\$ (1,430,158)	\$ 1,164,520,585	\$ 9,449,622
	42,803,924	1,184,874,744	(1,433,802)	1,183,440,942	9,587,716
	42,328,024	1,203,734,934	(1,360,826)	1,202,374,108	10,039,924
	42,409,277	1,269,555,754	(1,353,335)	1,268,202,419	10,440,246
	101,406,520	1,442,830,237	(184,063,679)	1,258,766,558	10,546,801
	101,476,643	1,490,243,178	(187,300,639)	1,302,942,539	10,713,292
	98,202,899	1,563,134,505	(174,453,738)	1,388,680,767	11,514,419
	98,337,210	1,649,161,816	(178,347,330)	1,470,814,486	12,108,917
	95,549,240	1,644,455,838	(173,823,153)	1,470,632,685	12,138,527
	95,696,547	1,720,151,460	(178,648,085)	1,541,503,375	12,596,871
	103,606,001	1,805,008,401	(178,746,655)	1,626,261,746	13,343,325
	104,032,643	1,911,354,957	(184,506,143)	1,726,848,814	13,968,089
	102,290,150	1,977,185,315	(181,099,891)	1,796,085,424	14,719,001
	102,521,178	2,106,945,318	(187,029,492)	1,919,915,826	15,618,605
	125,431,673	2,231,690,711	(213,846,833)	2,017,843,878	16,735,665
	125,379,784	2,392,481,011	(249,552,235)	2,142,928,776	17,864,365
	131,462,286	2,409,679,863	(245,850,209)	2,163,829,654	18,073,343
	131,480,376	2,568,340,918	(296,096,035)	2,272,244,883	19,010,690
	138,986,266	2,620,151,013	(279,740,601)	2,340,410,412	19,744,688
	139,012,856	2,815,548,528	(351,670,294)	2,463,878,234	21,118,785

CITY OF MESA, ARIZONA

TABLE VI

PROPERTY TAX RATES AND TAX LEVIES-DIRECT
AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

PROPERTY TAX RATES (4)

(Rate on \$100 of Assessed Value)

<u>Fiscal Year</u>	<u>City of Mesa (1)</u>	<u>Mesa Unified #4 (3)</u>	<u>Maricopa Co. Jr. College</u>	<u>Central Arizona Water Conservation</u>
1994-95	None	\$ 6.42	\$ 0.89	\$ 0.14
1995-96	None	7.19	1.11	0.14
1996-97	None	7.30	1.05	0.14
1997-98	None	7.64	1.13	0.14
1998-99	None	7.71	1.11	0.14
1999-00	None	7.46	1.13	0.14
2000-01	None	7.55	1.12	0.14
2001-02	None	7.73	1.11	0.13
2002-03	None	7.79	1.11	0.13
2003-04	None	7.15	1.08	0.12

TOTAL TAX LEVIES (4)

1994-95	None	\$ 88,874,792	\$ 118,841,866	\$ 18,929,645
1995-96	None	101,111,455	151,227,097	19,767,209
1996-97	None	105,603,223	146,669,820	20,080,420
1997-98	None	119,495,381	171,402,574	22,012,897
1998-99	None	126,648,227	179,200,267	23,536,796
1999-00	None	134,071,874	227,805,058	26,147,563
2000-01	None	148,611,970	190,777,869	27,141,030
2001-02	None	163,428,971	239,578,569	29,787,075
2002-03	None	177,191,308	257,683,114	31,805,013
2003-04	None	172,180,855	239,464,278	33,010,980

(1) The City of Mesa has operated without a property tax levy since 1944-45 (fiscal year).

(2) Effective 1980-81, the state levy is an "education" tax.

(3) For those Mesa residents residing within the Tempe, Gilbert, Queen Creek or Higley school districts, the 2004-05 tax rates and levies are as follows:

<u>District Name</u>	<u>Tax Rates (4)</u>	
	<u>District</u>	<u>Total</u>
Tempe	\$ 7.48	\$ 10.80
Gilbert	8.45	11.77
Queen Creek	9.81	13.13
Higley	5.68	9.00

(4) Source: Maricopa County Finance Department and Assessors Office.

(5) Source: State of Arizona-Revenue Department.

TABLE VI
(Continued)

East Valley Institute of Technology	Education Equalization/ Flood Control/ Library/Fire/ Hospital District of Maricopa Co.	Maricopa County	State of Arizona (2) (5)	Total
\$ 0.06	\$ 0.95	\$ 1.24	\$ 0.47	\$ 10.17
0.07	0.94	1.30	0.47	11.22
0.16	0.98	1.26	-0-	10.89
0.12	0.96	1.26	-0-	11.25
0.13	0.97	1.28	-0-	11.34
0.20	0.88	1.30	-0-	11.11
0.12	0.82	1.28	-0-	11.03
0.11	0.75	1.29	-0-	11.12
0.11	0.75	1.29	-0-	11.18
0.10	0.74	1.28	-0-	10.47
\$ 2,863,873	\$ 112,906,648	\$ 165,293,694	\$ 101,934,235	\$ 609,644,753
3,842,930	111,324,533	176,928,335	103,934,755	668,136,314
9,352,044	120,668,631	177,077,508	-0-	579,451,646
7,947,529	130,806,742	190,492,490	-0-	642,157,613
9,376,842	139,522,084	205,808,750	-0-	684,092,966
16,517,094	145,633,655	227,805,058	-0-	777,980,302
10,941,873	154,296,078	249,447,642	-0-	781,216,462
11,456,358	163,276,604	272,748,129	-0-	880,275,706
12,295,454	169,255,169	297,515,250	-0-	945,745,308
12,042,583	187,438,775	327,357,171	-0-	971,494,642

District Name	Tax Levies (4)	
	District	Total
Tempe	\$ 151,776,828	\$ 951,090,615
Gilbert	91,772,322	891,086,109
Queen Creek	9,325,347	808,639,134
Higley	6,764,915	806,078,702

CITY OF MESA, ARIZONA

TABLE VII

2003-2004 PROPERTY TAX LEVIES

APPLICABLE TO MESA PROPERTY OWNERS

CITY, COUNTY AND STATE SCHOOLS

(Rate Based on \$100 of Assessed Value)

	Valuation Bases*	Assessed Valuations			Rate (1)	Mesa Proportionate Tax Levy
		Total (1)	Within Mesa			
			Percent (1)	Amount (1)		
Unified School Districts:						
Mesa No. 4	P	\$ 2,364,699,038	86.18 %	\$ 2,037,897,631	\$ 4.75	\$ 96,800,137
	S	2,491,663,621	86.00	2,142,830,714	2.40	51,427,937
Gilbert No. 41	P	1,058,689,074	25.01	264,778,137	4.85	12,841,740
	S	1,124,065,140	24.99	280,903,878	3.60	10,112,540
Queen Creek No. 95	P	89,981,294	29.68	26,706,448	6.84	1,826,721
	S	106,755,604	26.64	28,439,693	2.97	844,659
Total Unified School Districts:	P					111,468,598
	S					62,385,136
Higley Elementary School	P	117,262,588	1.92	2,251,442	4.74	106,718
District No. 60	S	128,476,882	1.86	2,389,670	0.94	22,463
Tempe Union High School	P	2,859,909,827	0.29	8,293,738	2.24	185,780
District No. 213	S	3,064,882,568	0.29	8,888,159	1.05	93,326
Tempe Elementary School	P	1,300,486,236	0.64	8,323,112	3.10	258,016
District No. 3	S	1,399,834,550	0.63	8,818,958	1.10	97,009
Maricopa County Community	P	25,447,850,971	9.20	2,341,202,289	0.94	22,007,302
College District	S	27,477,987,528	8.97	2,464,775,481	0.14	3,450,686
East Valley Institute of Technology	S	12,331,112,598	19.98	2,463,756,297	0.10	2,463,756
Education Equalization	P	25,447,850,971	9.20	2,341,202,289	0.47	11,003,651
Total All Schools	P					145,030,065
	S					68,512,376
Central Arizona Water						
Conservation	S	27,509,149,702	8.96	2,464,819,813	0.12	2,957,784
Flood Control	S	24,140,629,062	10.21	2,464,758,227	0.21	5,175,992
Maricopa County Library District	S	27,477,987,528	8.97	2,464,775,481	0.05	1,232,388
Maricopa County Fire District	S	27,508,078,052	8.96	2,464,723,793	0.01	246,472
Maricopa County	P	25,447,850,971	9.20	2,341,202,289	1.21	28,328,548
	S	27,477,987,528	8.97	2,464,775,481	0.07	1,725,343
State of Arizona	P	38,294,936,810	6.11	2,339,820,639	None	-0-
	S	40,839,898,348	6.03	2,462,645,870	None	-0-
City of Mesa	P	2,340,410,412	100.00	2,340,410,412	None	-0-
	S	2,463,878,234	100.00	2,463,878,234	None	-0-
Total Levies Applicable to Mesa	P					173,358,613
	S					79,850,355
Total All Levies						\$ 253,208,968

*P - Primary.

S - Secondary.

(1) Source: Maricopa County Finance Department and Assessors Office.

CITY OF MESA, ARIZONA

TABLE VIII

SPECIAL ASSESSMENT COLLECTIONS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Current Assessments</u>			<u>Ratio of Collections to Amount Due (1)</u>	<u>Total Outstanding Current and Delinquent Assessments</u>
	<u>Due (1)</u>	<u>Collected (1)</u>	<u>Delinquent (1)</u>		
1994-95	\$ 822,665	\$ 808,343	\$ 14,322	98.3	\$ 3,299,686
1995-96	733,714	733,711	3	99.9	2,842,520
1996-97	745,560	745,560	-0-	100.0	2,307,885
1997-98	648,140	648,140	-0-	100.0	1,827,642
1998-99	776,177	776,177	-0-	100.0	1,197,687
1999-00	596,317	596,317	-0-	100.0	759,873
2000-01	583,458	583,458	-0-	100.0	212,804
2001-02	79,036	79,036	-0-	100.0	144,417
2002-03	74,178	74,178	-0-	100.0	77,103
2003-04	60,386	60,386	-0-	100.0	19,536

(1) Interest payments are due on June 1st and December 1st of each year. The principal portion is due on December 1st. All assessments are paid when due or sold to independent bidders.

CITY OF MESA, ARIZONA

TABLE IX

RATIO OF NET GENERAL BONDED DEBT (1)
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population (2)(4)</u>	<u>Secondary Assessed Value (3)</u>	<u>Gross Bonded Debt</u>	<u>Less Current Portion</u>	<u>Net Bonded Debt</u>	<u>Percent of Net Bonded Debt To Secondary Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1994-95	338,117	\$ 1,183,440,942	243,065,000	14,665,000	228,400,000	19.3	\$ 676
Census							
1995-96	344,880	1,268,202,419	248,460,000	13,075,000	235,385,000	18.6	683
1996-97	352,566	1,302,942,539	259,385,000	16,065,000	243,320,000	18.7	690
1997-98	370,037	1,470,814,456	254,990,000	28,795,000	226,195,000	15.4	611
1998-99	389,860	1,541,503,375	226,195,000	32,090,000	194,105,000	12.6	498
Census							
1999-00	396,375	1,726,848,814	232,605,000	33,615,000	198,990,000	11.5	502
2000-01	420,525	1,919,915,826	235,490,000	16,765,000	218,725,000	11.4	520
2001-02	431,874	2,142,980,665	231,025,000	26,645,000	204,380,000	9.5	473
2002-03	434,585	2,272,244,883	226,945,000	25,400,000	201,545,000	8.9	464
2003-04	445,354	2,463,878,234	191,130,000	195,000	190,935,000	7.7	429

Note: (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.

(2) Population figures are based on estimates by the City Planning Department (water meters factored).

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

(4) U. S. Census Bureau.

CITY OF MESA, ARIZONA

TABLE X

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
AND ASSESSED VALUATION (1)
JUNE 30, 2004

<u>Overlapping Municipality</u>	2003-04 Secondary Assessed Valuation (2)	Net Bonded Debt (3)	Proportion Applicable to the City of Mesa	
			Percent (2)	Amount
Direct:				
City of Mesa	\$ 2,463,878,234	\$ 190,935,000	100.00 %	\$ 190,935,000
Overlapping:				
State of Arizona	40,839,898,348	-0-	6.03	-0-
Maricopa County	27,477,987,528	20,165,000	8.97	1,808,801
Maricopa County Community College District	27,477,987,528	261,015,000	8.97	23,413,046
Central Arizona Water Conservation District	27,509,149,702	-0-	8.96	-0-
Flood Control District of Maricopa County	24,140,639,062	-0-	10.21	-0-
Maricopa County Fire District	27,508,078,052	-0-	8.96	-0-
Maricopa County Library District	27,477,987,528	-0-	8.97	-0-
Mesa Unified School District No. 4	2,491,663,621	230,185,000	86.00	197,959,100
Gilbert Unified School District	1,124,065,140	71,285,000	24.99	17,814,122
Queen Creek Unified School District No. 95	106,755,604	24,735,000	26.65	6,591,878
Higley Elementary School District No. 60	128,476,882	105,000	1.86	1,953
Tempe Union High School District No. 213	3,064,882,568	186,965,000	0.29	542,199
Tempe Elementary School District No. 3	1,399,834,550	66,645,000	0.63	419,864
East Valley Institute of Technology District No. 401	12,331,112,598	<u>12,055,000</u>	19.98	<u>2,408,589</u>
Total Overlapping				<u>250,959,552</u>
Total Direct and Overlapping G. O. Debt		<u>\$ 1,064,090,000</u>		<u>\$ 441,894,552</u>

(1) Includes total General Obligation Bonds outstanding, less redemption funds on hand. 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.

Source:

- (2) Maricopa County Finance Department and Assessor's Office.
- (3) Peacock, Hislop, Staley & Given, Inc.

CITY OF MESA, ARIZONA

TABLE XI

PRINCIPAL REQUIREMENTS TO MATURITY
 GENERAL OBLIGATION BONDS
 FISCAL YEARS JULY 1, 2004 THROUGH JUNE 30, 2022
 AS OF JUNE 30, 2004

Fiscal Year	General Purpose 6%	Storm Sewer, Wastewater, Water and Parks 20%	Total
July 1, 2004	\$ 195,000	\$	\$ 195,000
2004-05	580,000		580,000
2005-06	620,000		620,000
2006-07	660,000		660,000
2007-08	7,390,000	9,550,000	16,940,000
2008-09	24,250,000		24,250,000
2009-10	13,846,000	9,704,000	23,550,000
2010-11	16,525,000	885,000	17,410,000
2011-12	6,730,000	1,030,000	7,760,000
2012-13	4,887,000	3,053,000	7,940,000
2013-14	1,550,000	6,940,000	8,490,000
2014-15	1,550,000	7,225,000	8,775,000
2015-16	7,800,000	1,515,000	9,315,000
2016-17	8,997,000	833,000	9,830,000
2017-18	2,000,000	34,500,000	36,500,000
2018-19	2,000,000	7,000,000	9,000,000
2019-20	2,000,000	2,750,000	4,750,000
2020-21	1,330,000	920,000	2,250,000
2021-22		2,315,000	2,315,000
	102,910,000	88,220,000	191,130,000
Less: Cash Provided for Current Maturities	(195,000)		(195,000)
Total	\$ 102,715,000	\$ 88,220,000	\$ 190,935,000

CITY OF MESA, ARIZONA

TABLE XII

COMPUTATION OF LEGAL DEBT MARGIN
GENERAL OBLIGATION BONDS

	<u>June 30, 2004</u> 2003 Valuation		<u>July 1, 2004</u> 2004 Valuation	
Secondary Assessed Valuation	\$ 2,463,878,234		\$ 2,648,163,284	
	<u>6% Bonds (1)</u>	<u>20% Bonds (2)</u>	<u>6% Bonds (1)</u>	<u>20% Bonds (2)</u>
Legal Debt Limitation	\$ 147,832,694	\$ 492,775,647	\$ 158,889,797	\$ 529,632,657
Deduct Bonds Outstanding	<u>102,910,000</u>	<u>88,220,000</u>	<u>102,715,000</u>	<u>88,220,000</u>
	44,922,694	404,555,647	56,174,797	441,412,657
Add Cash With Fiscal Agent	<u>195,000</u>			
Margin Available For Future General Obligation Bond Issues	<u>\$ 45,117,694</u>	<u>\$ 404,555,647</u>	<u>\$ 56,174,797</u>	<u>\$ 441,412,657</u>
Total Margin Available		<u>\$ 449,673,341</u>		<u>\$ 497,587,454</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 six percent of assessed 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 valuation.

CITY OF MESA, ARIZONA

TABLE XIII

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures (1)</u>	<u>Percent of Debt Service to General Expenditures</u>
1994-95	\$ 14,665,000	\$ 13,317,025	\$ 27,982,025	\$ 196,269,026	14.26
1995-96	13,075,000	15,533,423	28,608,423	216,335,916	13.22
1996-97	16,065,000	13,314,366	29,379,366	244,401,154	12.02
1997-98	28,795,000	13,077,826	41,872,826	266,123,843	15.73
1998-99	32,090,000	12,113,585	44,203,585	307,388,384	14.38
1999-00	33,615,000	11,622,688	45,237,688	355,125,096	12.74
2000-01	25,737,335	19,969,127	45,706,462	369,152,013	12.38
2001-02	26,645,000	11,263,294	37,908,294	400,124,694	9.47
2002-03	25,400,000	10,090,129	35,490,129	427,063,726	8.31
2003-04	195,000	9,035,982	9,230,982	397,820,874	2.32

(1) Includes General, Special Revenue, General Government Capital Projects and Internal Service Funds (budget basis).

CITY OF MESA, ARIZONA

TABLE XIV

SCHEDULE OF REVENUE BOND COVERAGE

ELECTRIC, GAS, WATER, WASTEWATER AND SOLID WASTE SYSTEMS

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Gross Revenues</u>	<u>Operating & Maintenance Expenses</u>	<u>Net Revenue Available For Debt Services</u>	<u>Debt Principal</u>	<u>Interest</u>	<u>Requirements Total</u>	<u>Coverage Ratio</u>
1994-95	\$ 135,582,043	\$ 75,472,481	\$ 60,109,562	\$ 11,125,000	\$ 3,933,750	\$ 15,058,750	3.99
1995-96	143,233,971	79,735,161	63,498,810	11,775,000	4,128,597	15,903,597	3.99
1996-97	150,773,530	81,023,398	69,750,132	12,425,000	5,657,908	18,082,908	3.86
1997-98	160,236,385	86,055,301	74,181,084	-0-	9,666,397	9,666,397	7.67
1998-99	170,797,468	90,726,189	80,071,279	-0-	11,669,338	11,669,338	6.86
1999-00	180,511,989	94,145,472	86,366,517	175,000	11,669,338	11,844,338	7.29
2000-01	216,076,014	119,388,399	96,687,615	200,000	14,050,528	14,250,528	6.78
2001-02	202,490,622	101,700,689	100,789,933	4,650,000	16,301,351	20,951,351	4.81
2002-03	204,646,935	102,646,965	101,999,970	8,475,000	18,784,114	27,259,114	3.74
2003-04	221,272,804	113,285,896	107,986,908	14,010,000	20,476,532	34,486,532	3.13

CITY OF MESA, ARIZONA

TABLE XV

DEMOGRAPHIC STATISTICS

Fiscal Year	Population (3)(4)	Median Household Income (5)	Median Age (3)(4)(5)	Public School Enrollment (2)	Unemployment Rate (1)
1994-95	338,117	\$ 30,863	34.0	67,817	3.5 %
Census					
1995-96	344,880	31,706	34.4	69,207	3.1
1996-97	352,566	32,552	34.0	69,109	2.5
1997-98	370,037	32,842	34.6	69,228	2.1
1998-99	389,860	N/A	34.5	70,241	2.4
Census					
1999-00	396,375	42,817	32.0	71,813	2.3
2000-01	420,525	N/A	N/A	72,476	3.1
2001-02	431,874	N/A	N/A	72,707	4.7
2002-03	434,585	N/A	N/A	73,211	4.4
2003-04	445,354	N/A	N/A	73,438	4.2

(1) Department of Economic Security.

(2) Mesa Public Schools.

(3) City of Mesa Development Services Department estimate.

(4) U. S. Census Bureau.

(5) AZ Dept. of Economic Security starting fiscal year 1993-94. Data is not available for Mesa, accordingly, data for the State of Arizona was used.

CITY OF MESA, ARIZONA

TABLE XVI

BUILDING PERMITS, CONSTRUCTION,
PROPERTY VALUE AND BANK DEPOSITS

Fiscal Year	Commercial Construction (1)		Residential Construction (1)		Assessed Property Value (2)	Maricopa County Bank Deposits (000) (3)
	Number of Permits	Value	Number of Permits	Value		
1994-95	1,609	\$ 158,349,827	2,139	\$ 317,423,011	\$ 1,183,440,942	\$ 20,753,634
1995-96	1,757	239,128,350	2,638	328,052,091	1,268,202,419	21,124,505
1996-97	2,114	216,583,883	2,351	379,711,101	1,302,942,539	20,998,441
1997-98	2,338	231,604,628	3,802	491,973,079	1,470,814,456	20,568,058
1998-99	2,375	277,824,910	5,193	795,405,548	1,541,503,375	24,529,547
1999-00	2,524	367,086,823	5,102	715,647,738	1,726,848,814	26,490,225
2000-01	2,189	233,646,364	4,307	641,923,031	1,919,915,826	28,379,815
2001-02	1,933	309,965,037	2,936	414,082,906	2,142,980,665	29,293,209
2002-03	1,822	186,426,421	2,495	390,766,016	2,272,244,883	34,753,406
2003-04	1,956	108,419,847	1,689	360,622,598	2,463,878,234	37,333,436

Source: (1) Monthly Building Permit Report.
(2) Maricopa County Assessor.
(3) Arizona Banker's Association.

CITY OF MESA, ARIZONA

TABLE XVII

MISCELLANEOUS STATISTICAL DATA

Date of Incorporation:	July 5, 1883	Falcon Field:		
Date of Charter Adopted:	August 18, 1967	Average Number of Aircraft Based Aircraft Operations (Annual)	934 277,088	
Form of Government:	Council-Manager	Refuse Collection:		
Area - Square Miles:		Customers Served	109,990	
1980	66.31	1883	1.00	
1990	122.11	1920	1.00	
2000	125.12	1940	1.77	
2002	128.82	1950	5.72	
2003	128.84	1960	13.50	
2004	129.30	1970	20.80	
Miles of Streets:		Sanitary Sewers:		
Paved-Standard		Connections	112,497	
Paved-Substandard		Miles of Lines	1,495.66	
Unpaved		Water:		
Miles of Storm Sewers		Connections	129,477	
		Miles of Lines	1,978.42	
Building Permits:		Number of Street Lights	35,467	
		Municipal Parks:		
	<u>Number</u>			
		<u>Value</u>		
1994-1995	5,615	\$ 502,951,626	Developed Parks (acres)	1,198.5
1995-1996	6,583	596,001,870	Undeveloped Acres	1,227.6
1996-1997	7,147	628,892,381	Swimming Pools	13
1997-1998	9,393	757,691,980	Recreation Facilities	6
1998-1999	11,007	1,117,894,876	Municipal Golf Courses	2
1999-2000	11,126	1,136,442,471	Library:	
2000-2001	9,886	927,938,597	Number of Registered Borrowers	200,461
2001-2002	7,537	771,315,085	Media Circulation	3,493,000
2002-2003	6,428	618,293,325	Circulation Per Patron	17.42
2003-2004	7,048	522,216,390	Total Reference Transactions	447,712
Fire Protection:		Total Attendance	1,183,794	
Number of Stations		Access to Electronic Resources	1,365,863	
Number of Employees		Taxpayers:		
Total Fires		No City property tax levy since 1944-45 fiscal year.		
Rescue or Emergency				
False Alarms				
Hazardous Conditions				
Other Calls				
Police Protection:				
Number of Full-Time Employees				
Major Crimes				
Traffic Accidents				
Vehicular Patrol Units				
Electric:				
Connections				
Gas:				
Connections				
Miles of Lines				

TABLE XVII (Continued)

Age Distribution of Population (1):

Age	2000	1990	1980	1970	1960	1950
Under 5	32,592	24,974	14,173	5,957	4,229	2,295
5-9	30,259	24,064	12,603	6,446	4,147	1,843
10-14	28,842	21,572	11,882	6,997	3,723	1,594
15-19	28,774	19,749	12,414	6,151	2,736	1,381
20-24	32,488	23,073	15,622	5,195	1,943	1,228
25-34	61,551	54,798	28,459	7,704	3,919	2,529
35-44	56,124	40,623	15,768	6,528	4,289	2,133
45-54	43,807	24,706	11,852	6,459	3,244	1,500
55-59	15,913	9,054	6,315	2,539	1,258	604
60-64	13,149	9,975	6,298	2,322	1,245	515
65-74	26,546	20,904	10,842	4,150	2,069	847
Over 74	26,330	14,599	6,225	2,405	970	321
Median Age	32.0	30.3	28.1	25.8	25.3	25.2
Median Household Income	\$42,817	\$30,273	\$17,840	\$9,633	\$6,316	\$2,461
Income Level (household):						
Not Reported						245
Under \$10,000	8,758	11,934	13,254	8,636	7,312	4,480
\$10,000-\$14,999	8,104	9,397	9,104	4,830	713	
\$15,000-\$24,999	19,061	21,789	15,902	2,393	190	130
\$25,000 and Over	110,777	64,597	15,923	529	158	
Total Households	146,700	107,717	54,183	16,388	8,373	4,855
Retail Sales:						
1995	\$ 3,732,012,280					
1996	4,063,745,052					
1997	4,300,766,070					
1998	4,546,344,338					
1999	4,764,059,300					
2000	4,901,366,412					
2001	4,534,561,975					
2002	4,514,746,616					
2003	4,539,034,901					
2004	4,910,113,501					
City Employees: Merit System	3,549.0					
Exempt'	245.1					
Full-Time Equivalent Total	3,794.1					
Population (1):						
1900 (Census)	722					
1910 (Census)	1,692					
1920 (Census)	3,036					
1930 (Census)	3,711					
1940 (Census)	7,224					
1950 (Census)	16,790					
1960 (Census)	33,772					
1970 (Census)	62,853					
1980 (Census)	152,453					
1990 (Census)	288,091					
2000 (Census)	396,375					

*City officers (57) Full-time equivalent of part-time (188.1).

(1) Source: U.S. Census Bureau.