

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 21, 2025

NEW ISSUE – BOOK-ENTRY-ONLY

RATINGS: See “Ratings” herein.

In the opinion of Bond Counsel, assuming the accuracy of certain representations and certifications and the continuing compliance with certain tax covenants, under existing statutes, regulations, rulings and court decisions, interest on the Bonds (i) is excludable from gross income for federal income tax purposes and (ii) is exempt from income taxation under the laws of the State of Arizona. Further, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, but in the case of the alternative minimum tax imposed by Section 55(b)(2) of the Internal Revenue Code of 1986, as amended (the “Code”), on applicable corporations (as defined in Section 59(k) of the Code), interest on the Bonds is not excluded from the determination of adjusted financial statement income. See “TAX EXEMPTION” herein for a description of certain other federal tax consequences of ownership of the Bonds.

\$156,400,000*
CITY OF MESA, ARIZONA
GENERAL OBLIGATION BONDS,
SERIES 2025

Dated: Date of Initial Delivery

Due: July 1, as shown on inside front cover page

The City of Mesa, Arizona (the “City”), General Obligation Bonds, Series 2025 (the “Bonds”), will be initially issued in book-entry-only form, registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. Beneficial interests in the Bonds will be offered for sale in the amount of \$5,000 of principal due on a specific maturity date and integral multiples thereof. The Bonds are being issued to provide funds to (i) acquire and construct certain public safety, parks and recreation, library and streets and transportation projects and (ii) pay the costs of issuance of the Bonds.

The Bonds will mature on the dates and in the principal amounts and will bear interest from their dated date at the rates set forth on the inside front cover page hereof. Interest on the Bonds will be payable semiannually on January 1 and July 1 of each year, commencing on July 1, 2025*, until maturity. So long as the Bonds are in book-entry-only form, principal of and interest on the Bonds will be paid to DTC for credit to the accounts of the DTC participants and, in turn, to the accounts of the owners of beneficial interests in the Bonds. See APPENDIX E – “Book-Entry-Only System.”

See Inside Front Cover Page for Maturity Schedule and Additional Information

Certain of the Bonds are subject to redemption prior to their stated maturity dates.* See “THE BONDS – Redemption Provisions,” herein.

Upon their issuance, the Bonds will be payable as to both principal and interest from a continuing, direct, annual *ad valorem* tax to be levied against all taxable property in the City, such tax to be levied without limitation as to rate or amount. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS” herein.

Proposals for the Bonds may be submitted solely as an electronic bid using the facilities of PARITY® up to and including the hour of 8:45 A.M., Pacific Daylight Time (“PDT”), on April 29, 2025*. See “NOTICE INVITING BIDS FOR THE PURCHASE OF BONDS” for the Bonds herein.

The Bonds are offered when, as and if issued by the City, subject to the approving legal opinion of Greenberg Traurig, LLP, Phoenix, Arizona, Bond Counsel, as to validity and tax exemption. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about May 22, 2025*.

This cover page contains certain information with respect to the Bonds for convenience of reference only. It is not a summary of all material information with respect to the Bonds. Investors are advised to read this entire Official Statement and all appendices to obtain information essential to the making of an informed investment decision with respect to the Bonds.

* Subject to change.

\$156,400,000*
CITY OF MESA, ARIZONA
GENERAL OBLIGATION BONDS, SERIES 2025

MATURITY SCHEDULE*

<u>Maturity (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP® (a) (Base No. 590485)</u>
2025	\$ 3,550,000	%	%	
2026	100,000			
2027	100,000			
2028	100,000			
2029	1,200,000			
2030	7,820,000			
2031	9,815,000			
2032	6,545,000			
2033	4,950,000			
2034	14,965,000			
2035	15,095,000			
2036	13,105,000			
2037	13,465,000			
2038	14,100,000			
2039	12,185,000			
2040	10,805,000			
2041	8,875,000			
2042	6,305,000			
2043	3,465,000			
2044	6,350,000			
2045	3,505,000			

\$ _____ Term Bond @ _____% Due July 1, 20__ - Yield _____% - _____

\$ _____ Term Bond @ _____% Due July 1, 20__ - Yield _____% - _____

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* Subject to change.

CITY OF MESA

CITY COUNCIL

Mark Freeman, *Mayor*
Scott Somers, *Vice Mayor*
Rich Adams, *Councilmember*
Jenn Duff, *Councilmember*
Alicia Goforth, *Councilmember*
Francisco Heredia, *Councilmember*
Julie Spilsbury, *Councilmember*

CITY ADMINISTRATIVE OFFICERS

Christopher Brady, *City Manager**
Scott Butler, *Assistant City Manager**
Michael Kennington, *Deputy City Manager/Chief Financial Officer*
Irma Ashworth, *Finance Director*
Mark Hute, *City Treasurer*
Holly Moseley, *City Clerk*

SPECIAL SERVICES

BOND COUNSEL

Greenberg Traurig, LLP
Phoenix, Arizona

FINANCIAL ADVISOR

Hilltop Securities Inc.
Phoenix, Arizona

BOND REGISTRAR & PAYING AGENT

UMB Bank, n.a.
Phoenix, Arizona

* City Manager Christopher Brady announced that he will retire on May 31, 2025. At its March 3, 2025 meeting, the City Council appointed Scott Butler, who currently serves as the Assistant City Manager, as the new City Manager, effective June 1, 2025.

REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the General Obligation Bonds, Series 2025 (the “Bonds”), of the City of Mesa, Arizona (the “City”), identified on the cover page hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall be no sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The information set forth herein has been provided by the City, the Maricopa County Assessor’s, Finance and Treasurer’s offices, the State of Arizona Department of Revenue, and other sources which are considered to be reliable and customarily relied upon in the preparation of similar official statements, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the City, or Hilltop Securities Inc., the City’s financial advisor (the “Financial Advisor”). The presentation of information, including tables of receipts from taxes and other revenue sources, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No person, including any broker, dealer or salesman, has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. All estimates and assumptions contained herein have been based on the latest information available and are believed to be reliable, but no representations are made that such estimates and assumptions are correct or will be realized. All beliefs, assumptions, estimates, projections, forecasts and matters of opinion contained herein are forward looking statements which must be read with an abundance of caution and which may not be realized or may not occur in the future. The information and any expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or any of the other parties or matters described herein since the date hereof.

The Bonds will not be registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon the exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, pertaining to the issuance and sale of municipal securities, nor will the Bonds be qualified under the Securities Act of Arizona in reliance upon various exemptions contained in such act. Neither the Securities and Exchange Commission (the “Commission”) nor any other federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy of the Official Statement or approved this series of securities for sale.

The City, the Financial Advisor and Bond Counsel (as defined herein) are not actuaries, nor have any of them performed any actuarial or other analysis of the City’s unfunded liabilities under the Arizona State Retirement System, the Arizona Public Safety Personnel Retirement System or the Elected Officials Retirement Plan.

The City will covenant to provide continuing disclosure as described in this Official Statement under “CONTINUING SECONDARY MARKET DISCLOSURE” and in APPENDIX G – “Form of Continuing Disclosure Undertaking” pursuant to Rule 15c2-12 promulgated by the Commission.

A wide variety of information, including financial information, concerning the City is available from publications and websites of the City and others. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of, or incorporated into, this Official Statement, except as expressly noted herein.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of Rule 15c2-12 of the Commission.

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\$156,400,000*
CITY OF MESA, ARIZONA
GENERAL OBLIGATION BONDS,
SERIES 2025

NOTICE INVITING BIDS FOR THE PURCHASE OF BONDS
(Electronic Bidding Only)

NOTICE IS HEREBY GIVEN that unconditional bids will be received to and including the hour of 8:45 a.m., Pacific Daylight Time (“PDT”), April 29, 2025*, by the City of Mesa, Arizona (the “City”), for the purchase of all, but not less than all, of the City’s General Obligation Bonds, Series 2025 in the principal amount of \$156,400,000* (the “Bonds”) as electronic bids using the facilities of Ipreo LLC’s PARITY SYSTEM (“PARITY”). For purposes of the bids received through the electronic bid process, the time as maintained by PARITY shall constitute the official time.

The City reserves the right to cancel or reschedule the sale of the Bonds or alter the terms thereof upon notice given through PARITY at www.ipreo.com at any time prior to the time bids are to be received. If no legal bid or bids are received for the Bonds on said date (or such later date as is established as provided herein) at the time specified, bids will be received for the Bonds on such other date and at such other time as shall be designated through PARITY as soon as practicable. As an accommodation to the bidders, telephonic, telecopied or emailed notice of the postponement of the sale date or dates or of a change in the principal payment schedule will be given to any bidder who has requested such notice of the City’s Financial Advisor, Hilltop Securities Inc. (the “Financial Advisor”), Janelle Gold (email: janelle.gold@hilltopsecurities.com; telephone: (602) 224-7104). Failure of any bidder to receive such telephonic, telecopied or emailed notice shall not affect the legality of the sale.

Any prospective purchaser that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. The normal fee for the use of PARITY may be obtained from PARITY, and such fee will be the responsibility of those submitting bids. All bids must be submitted on the official bid form that resides on the PARITY system (the “Official Bid Form”), without alteration or interlineation. All electronic bids must be submitted by 8:45 a.m., PDT, on April 29, 2025*. Subscription to i-Deal’s BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. Representatives of the City will not confirm any subscription nor be responsible for the failure of any prospective purchaser to subscribe.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in this Notice Inviting Bids for the Purchase of Bonds (this “Notice”) and shall be binding upon the bidder as if made by a signed, sealed proposal delivered to the City. Neither the City nor the Financial Advisor shall be responsible for any malfunction or mistake made by, or as a result of, the use of the facilities of PARITY, the use of such facilities being the sole risk of the bidder.

If any provisions of this Notice shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Notice shall control. All electronic bids will be deemed to incorporate the provisions of this Notice and the Official Bid Form. Further information about PARITY, including any fee charged, may be obtained from IPREO at 1359 Broadway, 2nd Floor, New York, New York 10018, Attention: Customer Support (212) 849-5021 and from the following website: www.newissuetime.i-deal.com.

For information purposes only, bidders are requested to state in their electronic bid the “true interest cost” as described under “AWARD AND DELIVERY” herein.

BONDS IN GENERAL

The Bonds will be dated the date of initial delivery. Interest on the Bonds will be payable semiannually on January 1 and July 1 of each year, commencing July 1, 2025*. The Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Bonds through its book-entry system. Purchases of beneficial ownership interests in the Bonds will be made in book-entry form in amounts of \$5,000 of principal due on a specific maturity date, or any integral multiple thereof. Purchasers will not receive certificates representing their beneficial interests in the Bonds. The principal of and interest on the Bonds will be paid by UMB Bank, n.a., as the Bond Registrar and Paying Agent for the Bonds (the “Bond Registrar and Paying Agent”), to Cede & Co., as long as Cede & Co. is the registered

* Subject to change.

owner of the Bonds. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to the purchasers of beneficial ownership interests in the Bonds is the responsibility of DTC Participants and Indirect Participants, as more fully described in the preliminary official statement relating to the Bonds (the “Preliminary Official Statement”).

Except as otherwise provided under “MODIFICATION OF MATURITY SCHEDULE AND PAR AMOUNT” and “REDEMPTION PROVISIONS – Mandatory Redemption,” the Bonds will mature (or be subject to mandatory redemption) on July 1 in each of the years and in the amounts as follows (the “Maturity Schedule”):

Maturity Date (July 1)*	Principal Amount*	Maturity Date (July 1)*	Principal Amount*
2025	\$ 3,550,000	2036	\$13,105,000
2026	100,000	2037	13,465,000
2027	100,000	2038	14,100,000
2028	100,000	2039	12,185,000
2029	1,200,000	2040	10,805,000
2030	7,820,000	2041	8,875,000
2031	9,815,000	2042	6,305,000
2032	6,545,000	2043	3,465,000
2033	4,950,000	2044	6,350,000
2034	14,965,000	2045	3,505,000
2035	15,095,000		

As described below under the heading “REDEMPTION PROVISIONS – Mandatory Redemption,” bidders may combine maturities into one or more term Bonds. Term Bonds, if any, must consist of the total principal payments of two or more consecutive years and mature in the latest of those years. Serial maturities converted to term Bonds, as specified, must bear the same rate of interest. Any term Bonds will be subject to mandatory redemption in the same principal amounts and on the same dates shown in the maturity schedule shown above.

MODIFICATION OF MATURITY SCHEDULE AND PAR AMOUNT

The preliminary aggregate principal amount of the Bonds and the preliminary principal amount of each annual principal payment for the Bonds as set forth in this Notice (collectively, the “Preliminary Amounts”) may be revised before the receipt of electronic bids for their purchase (such revised amounts referred to collectively as the “Revised Amounts”). ANY SUCH REVISIONS WILL BE PUBLISHED ON PARITY NOT LATER THAN 5:00 P.M., PDT, ON THE LAST BUSINESS DAY PRIOR TO THE DATE OF SALE. In the event that no such revisions are made, the Preliminary Amounts will constitute the Revised Amounts. Bidders shall submit bids based on the Revised Amounts, and the Revised Amounts will be used to compare bids and select the winning bidder.

The City reserves the right to increase or decrease the aggregate principal amount of Bonds set forth in this Notice after determination of the winning bidder in an amount not to exceed \$15,640,000*. Further, the City reserves the right to change the maturity schedule set forth in this Notice after determination of the winning bidder, by adjusting one or more principal payments of the Bonds in increments of \$5,000.

As promptly as reasonably possible after the bids are received, the City will notify the winning bidder, if and when award is made, and such entity, upon such notice, shall advise the City of the initial reoffering prices to the public of each maturity of the Bonds (the “Initial Reoffering Prices”). The Initial Reoffering Prices, among other things, will be used by the City to calculate the final principal amount of each annual principal payment for the Bonds (collectively, the “Final Amounts”) to accommodate the objectives of the City. THE WINNING BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES PROPOSED OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE REVISED AMOUNTS. The dollar amount bid by such entity will be adjusted to reflect changes in the dollar amount of the underwriter’s discount and the original issue discount/premium, if any, but will not change the compensation per \$1,000 of aggregate par amount of Bonds from the compensation that would have been received based on the purchase price in the winning bid and the Initial Reoffering

* Subject to change. See “MODIFICATION OF MATURITY SCHEDULE AND PAR AMOUNT” herein.

Prices. The Final Amounts will be communicated to such entity as soon as possible, but not later than 3:00 p.m. PDT, on the date of the sale.

REDEMPTION PROVISIONS*

Optional Redemption. The Bonds maturing before and on July 1, 2035, will not be subject to redemption prior to their stated maturity dates. The Bonds maturing on and after July 1, 2036, will be subject to optional redemption prior to their stated maturity dates, at the direction of the City, in whole or in part in denominations of \$5,000 or integral multiples thereof from maturities selected by the City, on July 1, 2035, and on any date thereafter, at a redemption price equal to the principal amount of Bonds being redeemed plus accrued interest to the date fixed for redemption, without premium.

Mandatory Redemption. A bidder may specify that the principal amount of Bonds shall be combined into one or more term Bonds maturing in the years as specified, which are subject to mandatory redemption, by lot, selected by the Bond Registrar and Paying Agent annually until payment at maturity in the principal amounts shown in the maturity schedule above at par and accrued interest to the date fixed for redemption, without premium. If so specified, then serial maturities converted into a single term Bond must bear the same rate of interest. Term Bonds, if any, must consist of the total principal payments of two or more consecutive years and mature in the latest of those years.

Notice of Redemption. Not more than 60, nor less than 30, days before any redemption date, the Bond Registrar and Paying Agent will cause a notice of any such redemption to be provided to DTC as further described in the Preliminary Official Statement. Such notice may provide that the redemption is conditional upon moneys for payment of the redemption price being held in separate accounts by the Bond Registrar and Paying Agent.

AUTHORIZATION AND USE OF FUNDS

The Bonds are being issued by the City pursuant to Title 35, Chapter 3, Article 3, Arizona Revised Statutes, and a resolution adopted by the City Council of the City on March 17, 2025 (the “Resolution”). The Bonds will constitute a portion of the bonds authorized by the voters at special bond elections held in the City on November 6, 2018, November 3, 2020, November 8, 2022, and November 5, 2024, and will be issued for the following purposes and to pay costs of issuance of the Bonds:

- i. Public Safety;
- ii. Parks and Recreation;
- iii. Library; and
- iv. Streets and Transportation.

SECURITY AND SOURCE OF PAYMENT

The Bonds will be payable as to principal and interest from a continuing, direct, annual, *ad valorem* tax to be levied against all of the taxable property within the boundaries of the City. The Bonds will be payable from such tax without limit as to rate or amount. Such tax is to be levied, assessed and collected as other taxes of the City, in an amount sufficient to pay the interest on all the Bonds then outstanding and installments of the principal of the Bonds becoming due and payable in the ensuing year.

Pursuant to the Bond Resolution, payment of all or any part of the Bonds may be provided for by the irrevocable deposit, in trust, of moneys or obligations issued or guaranteed by the United States government (“Defeasance Obligations”) or both, which, with the maturing principal of and interest on such Defeasance Obligations, if any, will be sufficient, as evidenced by a certificate or report of an accountant, to pay when due the principal or redemption price of and interest on such Bonds. If the maturing principal of the Defeasance Obligations or other moneys, or both, is sufficient to pay the principal of, premium, if any, and interest on such Bonds as the same matures, comes due or becomes payable upon prior redemption, a certificate or report of an accountant shall not be required. Any Bonds so provided for will no longer be outstanding under the Bond Resolution or payable from *ad valorem* taxes on taxable property in the City and the owners of such Bonds shall thereafter be entitled to payment only from the moneys and Defeasance Obligations deposited in trust.

* Subject to change.

BID DETAILS AND PARAMETERS

Form of Bids. Bids for the Bonds must be unconditional, and for not less than the entire offering of the Bonds. By submitting a bid, each bidder agrees to all of the terms and conditions of this Notice (including any amendments issued by the City through PARITY and i-Deal Prospectus). Bids must be submitted electronically PARITY. Bids may not be withdrawn or revised after the time that bids are due.

Interest Rates Bid. Interest on the Bonds is payable commencing on July 1, 2025*, and thereafter on January 1 and July 1 of each year. Interest is calculated on the basis of a 30-day month and 360-day year from the date of the Bonds. Bids may specify any number of interest rates in multiples of one-eighth of one percent (1/8 of 1 percent) or one-twentieth of one percent (1/20 of 1 percent). All Bonds of the same maturity must bear interest at the same rate and no Bond shall bear interest at more than one rate. **No rate of interest may exceed 6.00% per annum, and the interest rate for Bonds maturing on or after July 1, 2035, must not be below 5.00% per annum.** The highest rate bid may not exceed the lowest rate bid by more than 3.00%.

Premium and Discount. No bid will be considered for a price that is less than 100 percent of the aggregate par value of the Bonds.

ESTABLISHMENT OF ISSUE PRICE†

- (a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City on the date of issuance of the Bonds (the “Closing Date”) an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached as the Exhibit to this Notice, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City, the Financial Advisor, and Greenberg Traurig, LLP (“Bond Counsel”).
- (b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “competitive sale requirements”) because:
 - (1) the City shall disseminate this Notice to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
 - (2) all bidders shall have an equal opportunity to bid;
 - (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
 - (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer in conformance with this Notice to purchase the Bonds at a price that produces the lowest true interest cost to the City, as set forth in this Notice under the heading “AWARD AND DELIVERY.”

Any bid submitted pursuant to this Notice shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

- (c) In the event that the competitive sale requirements are not satisfied, the City shall so advise the winning bidder. The City may determine to treat (i) the first price at which 10% of a maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the “hold-the-offering-price rule”), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The winning bidder shall advise the City if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds. The City shall promptly advise the winning bidder, at or before the time of award of the Bonds, which maturities (and if different interest rates apply within a maturity, which separate CUSIP number within that maturity) of the Bonds shall be subject to the 10% test or shall be subject to the hold-the-offering-price rule. Bids will not be subject to cancellation in

* Subject to change.

† Note: 10% test or hold-the-offering-price rule may apply if competitive sale requirements are not satisfied.

the event that the City determines to apply the hold-the-offering-price rule to any maturity of the Bonds. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of the Bonds.

- (d) By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:
- (1) the close of the fifth (5th) business day after the sale date; or
 - (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the City promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

- (e) If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Bonds, the winning bidder agrees to promptly report to the City the prices at which the unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to the Bonds of that maturity, provided that, the winning bidder’s reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or Bond Counsel.
- (f) The City acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds.
- (g) By submitting a bid, each bidder confirms that:
- (1) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable:
 - (A)(i) to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the winning bidder that the 10% test

has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the winning bidder, and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the winning bidder and as set forth in the related pricing wires,

(B) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

- (2) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the winning bidder or such underwriter that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the winning bidder or such underwriter, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the winning bidder or the underwriter and as set forth in the related pricing wires.
- (h) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this Notice. Further, for purposes of this Notice:
 - (1) “public” means any person other than an underwriter or a related party,
 - (2) “underwriter” means (i) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),
 - (3) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) at least 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
 - (4) “sale date” means the date that the Bonds are awarded by the City to the winning bidder.

RIGHT OF REJECTION

The City Council of the City, the Deputy City Manager/Chief Financial Officer of the City or the designees of any of them reserve the right to reject any and all bids and to waive any irregularity or informality in any bid, except that the time for receiving bids shall be of the essence.

AWARD AND DELIVERY

Unless all bids are rejected or the receipt of bids is continued, the award of the Bonds will be made not later than 11:59 p.m., PDT, on April 29, 2025*. The Bonds will be sold to the bidder submitting a bid in conformance with this Notice that produces the lowest true interest cost to the City, based on the bid price, the interest rates specified in the bid and the principal amounts identified in this Notice. The true interest cost will be the rate necessary, on a 30/360 basis and semiannual compounding, to discount the debt service payments from the payment dates to the date of the Bonds and to the price bid. The true interest cost calculations will be performed by the Financial Advisor, and the City will base its determination of the best bid solely on such calculations. (See “BID DETAILS AND PARAMETERS.”) Delivery of the Bonds will be made to the purchaser through the facilities of DTC upon payment in federal or immediately available funds, at the offices of Bond Counsel, or, at the purchaser’s request and expense, at any other place mutually agreeable to both the City and the purchaser. The closing of the sale of the Bonds will be on or about May 22, 2025*, or on such other date as is mutually agreed upon.

CANCELLATION

Pursuant to Arizona law, if within three years from the award of the contract for the purchase of the Bonds any person who was significantly involved in initiating, negotiating, securing, drafting or creating a contract for the purchase of the Bonds on behalf of the City becomes an employee or agent of the winning bidder in any capacity or a consultant to the winning bidder with respect to the contract for the purchase of the Bonds, the City may cancel the award of the contract without penalty or further obligation by the City and refuse to deliver the Bonds to the winning bidder. In addition to such cancellation, if such person becomes an employee or agent of such entity with respect to the contract for the purchase of the Bonds, the City may recoup any fees or commissions paid or due to the winning bidder with respect to the award to the winning bidder and the actual sale of the Bonds.

GOOD FAITH DEPOSIT

The winning bidder for the Bonds shall deliver a good faith deposit in the amount of \$3,128,000* to the City, as instructed by the City. The good faith deposit must be paid by federal funds wire transfer delivered no later than four hours following the winning bidder’s receipt of the verbal award. Wiring instructions will be provided to the winning bidder at the time of the verbal award. If not so received, the bid of the lowest bidder will be rejected and the City may direct the second lowest bidder to submit a Good Faith Deposit and thereafter may award the sale of the Bonds to the same. The good faith deposit will be retained by the City as security for the performance of the winning bidder and shall be applied to the purchase price of the Bonds upon delivery of the Bonds to the winning bidder. Pending delivery of the Bonds, the good faith deposit may be invested for the sole benefit of the City. If the Bonds are ready for delivery and the winning bidder fails or neglects to complete the purchase within 30 days following acceptance of its bid, the good faith deposit shall be retained by the City as reasonable liquidated damages, and not as a penalty.

Such retention will constitute a full release and discharge of all claims by the City against the winning bidder and, in that event, the City may call for additional bids. The City’s actual damages may be higher or lower than the amount of such good faith deposit. Such amount constitutes a good faith estimate of the City’s actual damages. Each bidder waives the right to claim that actual damages arising from such default are less than such amount.

LEGAL OPINION

The Bonds are sold with the understanding that the City will furnish the purchaser with the approving opinion of Bond Counsel. Bond Counsel has been retained by the City to render its opinion only upon the legality of the Bonds under Arizona law and on the exemption of the interest income on such Bonds from federal and State of Arizona income taxes, the delivery of said opinion being a condition precedent to the delivery of the Bonds and the purchase thereof. (See “TAX EXEMPTION.”) The fees of Bond Counsel will be paid from proceeds of the sale of the Bonds. Except to the extent necessary to issue its approving opinion as to validity of the Bonds, Bond Counsel has not been requested to examine or review, and has not examined or reviewed, any financial documents, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the Bonds and accordingly will not express any opinion with respect to the accuracy or completeness of any such financial documents, statements or materials. In submitting a bid for the Bonds, the bidder agrees to the representation of the City by Bond Counsel. See

* Subject to change.

“LEGAL MATTERS” in the Preliminary Official Statement and Appendix F – “Form of Approving Legal Opinion” to the Preliminary Official Statement.

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the “Code”), includes requirements which the City must continue to meet with respect to the Bonds after the issuance thereof in order that interest on the Bonds not be included in gross income for federal income tax purposes. The failure by the City to meet these requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The City has covenanted to take the actions required by the Code in order to maintain the exclusion from federal gross income of interest on the Bonds.

In the opinion of Bond Counsel to be rendered with respect to the Bonds on the date of issuance of the Bonds, assuming the accuracy of certain representations and certifications of the City and continuing compliance by the City with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, interest on the Bonds will be excluded from gross income for federal income tax purposes. Interest on the Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, but in the case of the alternative minimum tax imposed by Section 55(b)(2) of the Code on applicable corporations (as defined in Section 59(k) of the Code), interest on the Bonds will not be excluded from the determination of adjusted financial statement income. Bond Counsel is further of the opinion upon the date of issuance of the Bonds that the interest on the Bonds will be exempt from income taxation under the laws of the State of Arizona.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of the Bonds may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of an owner’s interest expense allocable to interest on a Bond; (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by the applicable statutory percentage of certain items, including the interest on the Bonds; (iii) the inclusion of interest on the Bonds in the earnings of certain foreign corporations doing business in the United States for purposes of the branch profits tax; (iv) the inclusion of interest on the Bonds in passive investment income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year; (v) the inclusion in gross income of interest of the Bonds by recipients of certain Social Security and Railroad Retirement benefits; (vi) net gain realized upon the sale or other disposition of property such as the Bonds generally must be taken into account when computing the Medicare tax with respect to net investment income or undistributed net investment income, as applicable, imposed on certain high income individuals and specified trusts and estates; and (vii) receipt of certain investment income, including interest on the Bonds, is considered when determining qualification limits for obtaining the earned income credit provided by Section 32(a) of the Code. The nature and extent of the other tax consequences described above will depend on the particular tax status and situation of each owner of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors as to the impact of these and any other tax consequences.

See “TAX EXEMPTION” in the Preliminary Official Statement.

CERTIFICATES TO BE DELIVERED

In connection with the initial issuance of the Bonds, representatives of the City will deliver a certificate certifying that no litigation is pending affecting the sale and issuance of the Bonds, an arbitrage certificate covering expectations concerning the use of proceeds from the sale of the Bonds and related matters and a certificate regarding the accuracy of the hereinafter described final official statement for the Bonds.

CUSIP IDENTIFICATION NUMBERS

It is anticipated that CUSIP identification numbers will be printed on the Bonds; however, neither the failure to print CUSIP numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds. The Financial Advisor will obtain CUSIP numbers. The charge of the CUSIP Service Bureau shall be paid by the City.

PRELIMINARY OFFICIAL STATEMENT DEEMED FINAL; DELIVERY OF OFFICIAL STATEMENT

The City deems the Preliminary Official Statement to be final as of its date, except for the omission of the offering prices or yields, the interest rates and any other terms or provisions required by the City to be specified in bids for the Bonds, and other terms of the Bonds depending on such matters. The winning bidder shall supply the Deputy City Manager/Chief Financial Officer of the City, within 24 hours after the award of the Bonds, all necessary pricing information and any underwriter identification necessary to complete the final official statement to be used in connection with the sale of the Bonds.

Promptly after receiving such information, the City will prepare such final official statement in substantially the same form as the Preliminary Official Statement, subject to any amendments which the City believes should be made in such final official statement.

The City will provide the winning bidder with such final official statements within seven (7) business days of the award of the Bonds. Such final official statements will be provided to the winning bidder electronically. No hard copies of such final official statement will be provided to the winning bidder.

CONTINUING DISCLOSURE

The City, as the “obligated person” with respect to the Bonds, will covenant for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the City by not later than February 1 in each year commencing February 1, 2026 (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events (the “Notices of Listed Events”). The Annual Reports and the Notices of Listed Events will be filed by the City through the Electronic Municipal Market Access System. These covenants will be made in order to assist the purchaser in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”), and the form of the undertaking necessary pursuant to the Rule is included as Appendix G – “Form of Continuing Disclosure Undertaking” to the Preliminary Official Statement. *Pursuant to Arizona Law, the ability of the City to comply with such covenants will be subject to annual appropriation of funds sufficient to provide for the costs of compliance with such covenants.* A failure by the City to comply with these covenants, including due to failure to appropriate for such purposes, must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. See “CONTINUING SECONDARY MARKET DISCLOSURE” in the Preliminary Official Statement.

FURTHER INFORMATION

Further information, including copies of the Bond Resolution and the Preliminary Official Statement, may be obtained from the City of Mesa: Deputy City Manager/Chief Financial Officer at (480) 644-3606, or from Hilltop Securities Inc., Financial Advisor to the City: Janelle Gold (by telephone (602) 224-7104 or by email: janelle.gold@hilltopsecurities.com).

DATED: April 29, 2025

Michael Kennington,
Deputy City Manager/Chief Financial Officer
City of Mesa, Arizona

EXHIBIT TO NOTICE
ISSUE PRICE CERTIFICATE
\$ __,000
CITY OF MESA, ARIZONA
GENERAL OBLIGATION BONDS, SERIES 2025

The undersigned, on behalf of [NAME OF UNDERWRITER/REPRESENTATIVE] [{"([SHORT NAME OF UNDERWRITER])"}] [(the "Representative")] [, on behalf of itself and [NAMES OF OTHER UNDERWRITERS] (together, the "Underwriting Group")] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Bonds").

[Alternative 1-Competitive Sale Rule applies]

1. [*Reasonably Expected Initial Offering Price.*]

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.]

[Alternatives 2-4 are available choices if Alternative 1 does not apply] [Note that Alternative 3 [where two rules apply] involves portions of Sections 1, 2(a) and 2(b) and Alternative 4 involves portions of 2(a) and 2(b)]

[1. *Sale of the Bonds.* [Alternative 2 – All Maturities Use General Rule: As of the date of this certificate, for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.][Alternative 3 – Select Maturities Use General Rule: ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.]

2. [Initial Offering Price of the [Bonds]/[Hold-the-Offering-Price Maturities]].

(a) **[Alternative 4 – All Maturities Use Hold-the-Offering-Price Rule:** [SHORT NAME OF UNDERWRITER][The Underwriting Group] offered the Bonds to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.] **[Alternative 3 – Select Maturities Use Hold-the-Offering-Price Rule:** [SHORT NAME OF UNDERWRITER][The Underwriting Group] offered the Hold- the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.]

(b) **[Alternative 4 – All Maturities use Hold-the-Offering-Price Rule:** As set forth in the Notice Inviting Bids for the Purchase of Bonds and bid award, [SHORT NAME OF UNDERWRITER][the members of the Underwriting Group] [has][have] agreed in writing that, (i) for each Maturity of the Bonds, [it][they] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Bonds at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.] **[Alternative 3 - Select Maturities Use Hold-the-Offering-**

Price Rule: As set forth in the Notice Inviting Bids for the Purchase of Bonds and bid award, [SHORT NAME OF UNDERWRITER][the members of the Underwriting Group] [has][have] agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, [it][they] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.]

[2.][3.] **Total Issue Price.** The total of the issue prices of all the Maturities is \$.....

[2.][4.] **Defined Terms.**

[(a) *General Rule Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”]

[(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”]

[(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([DATE]), or (ii) the date on which the [SHORT NAME OF UNDERWRITER][the Underwriters] [has][have] sold at least 10% of such Hold-the- Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering- Price Maturity.]

(a) *Issuer* means the City of Mesa, Arizona.

(b) *Maturity* means the Bonds with the same credit and payment terms. The Bonds with different maturity dates, are treated as separate Maturities.

(c) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of the Bonds generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) The *Sale Date* of the Bonds is April 29, 2025*.

(e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER/REPRESENTATIVE]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Certificate Relating To Federal Tax Matters of the Issuer and with respect to compliance with the federal income tax rules affecting the Bonds, and by Greenberg Traurig, LLP, as Bond Counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

* Subject to change.

[UNDERWRITER/REPRESENTATIVE]

By: _____

Authorized Representative

Dated: [Closing Date]

SCHEDULE A
[EXPECTED OFFERING PRICES] [SALE PRICES]
(ATTACHED)

SCHEDULE B
[COPY OF UNDERWRITER'S BID]
(ATTACHED)

OFFICIAL STATEMENT

\$156,400,000*

CITY OF MESA, ARIZONA GENERAL OBLIGATION BONDS, SERIES 2025

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, inside front cover page and appendices hereto, has been prepared by the City of Mesa, Arizona (the “City”), in connection with the original issuance of \$156,400,000* of its General Obligation Bonds, Series 2025 (the “Bonds”), identified on the cover page hereof. Certain information concerning the authorization, purpose, terms, conditions of sale, security for and sources of payment of the Bonds is set forth in this Official Statement.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position, results of operations, or other affairs of the City. No representation is made that past experience, as shown by such financial or other information, will necessarily continue or be repeated in the future.

Reference to provisions of Arizona law, whether codified in the Arizona Revised Statutes or uncodedified, or the Arizona Constitution, or the Charter of the City (the “Charter”) are references to those provisions in their current form. Those provisions may be amended, repealed or supplemented.

As used in this Official Statement, “debt service” means principal of and interest on the bonds, “County” means Maricopa County, Arizona and “State” or “Arizona” means the State of Arizona.

THE BONDS

Authorization and Purpose

The Bonds will be issued pursuant to a resolution authorizing the issuance of the Bonds adopted by the City Council of the City (the “City Council”) on March 17, 2025 (the “Bond Resolution”).

The Bonds will be issued pursuant to Arizona Revised Statutes, Title 35, Chapter 3, Article 3, as amended, approval given by the qualified electors of the City in elections held on November 6, 2018, November 3, 2020, November 8, 2022, and November 5, 2024, and the Bond Resolution. The Bonds are being issued to provide funds to (i) acquire and construct certain public safety, parks and recreation, library and streets and transportation projects and (ii) pay the costs of issuance of the Bonds.

Set forth in the table below is a listing of the projects expected to be funded by the Bonds and estimates of their respective costs.

Projects to be Funded	Estimated Cost *
Public Safety	\$106,650,000
Parks and Recreation	25,025,000
Library	11,650,000
Streets and Transportation	25,000,000
Total	<u>\$168,325,000</u>

A copy of the full text of the Bond Resolution may be inspected at the Office of the Deputy City Manager/Chief Financial Officer of the City, 20 East Main Street, Suite 700, Mesa, Arizona 85201.

* Subject to change.

Other Expected Debt Offerings

In addition to the Bonds, the City expects to offer \$277,740,000* Utility Systems Revenue Obligations, Series 2025 (the “2025 Utility Obligations”) pursuant to a separate official statement in April 2025. The 2025 Utility Obligations will not be secured by, or payable from, *ad valorem* taxes.

General Provisions

The Bonds will be dated the date of initial delivery, and will bear interest from such date payable semiannually on January 1 and July 1 of each year, commencing on July 1, 2025* (each an “Interest Payment Date”), until maturity. The Bonds will mature on the dates and in the principal amounts and will bear interest at the rates set forth on the inside front cover page of this Official Statement.

UMB Bank, n.a., will act as the initial registrar and paying agent for the Bonds (the “Registrar” and the “Paying Agent”). The City may change the Registrar or the Paying Agent at any time without prior notice. The City may retain separate financial institutions to serve as the Registrar and the Paying Agent.

Initially, the Bonds will be administered under a book-entry-only system (the “Book-Entry-Only System”) by The Depository Trust Company (“DTC”), New York, New York, a registered securities depository. Unless and until the Book-Entry-Only System is discontinued, the Bonds will be registered in the name of Cede & Co., as nominee of DTC. Beneficial interests in the Bonds will be offered for sale in the amount of \$5,000 of principal due on a specific maturity date and integral multiples thereof, and payments of principal of and interest on the Bonds will be made to DTC and, in turn, through participants in the DTC system. See APPENDIX E – “Book-Entry-Only System.”

The Bonds will be issued only in fully registered form in the amount of \$5,000 of principal due on a specific maturity date, and any integral multiples thereof, and will be initially registered in the name of Cede & Co., as nominee for DTC. For a description of registration and transfer of the Bonds through DTC, see APPENDIX E – “Book-Entry-Only System.”

SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE REGISTERED OWNER OF THE BONDS, REFERENCES IN THIS OFFICIAL STATEMENT TO THE REGISTERED OWNERS OF THE BONDS, EXCEPT THOSE UNDER THE HEADING “TAX EXEMPTION,” WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

If the Book-Entry-Only System is discontinued, interest on the Bonds will be payable by check drawn on the Paying Agent, and mailed on or prior to each Interest Payment Date to the registered owners of the Bonds at the addresses shown on the books of the Registrar (the “Bond Register”) on the fifteenth (15th) day of the month preceding each such Interest Payment Date (the “Record Date”). Principal of the Bonds will then be payable at maturity or prior redemption upon presentation and surrender of the Bonds to the designated corporate trust office of the Paying Agent. Additionally, if the Book-Entry-Only System is discontinued, payment of interest may also be made by wire transfer upon twenty (20) days’ prior written request delivered to the Paying Agent specifying a wire transfer address in the continental United States by any owner of at least \$1,000,000 aggregate principal amount of the Bonds. Interest will be computed on the basis of a year comprised of 360 days consisting of 12 months of 30 days each.

Redemption Provisions*

Optional Redemption

The Bonds maturing on or prior to July 1, 2035*, will not be subject redemption prior to maturity. The Bonds maturing on and after July 1, 2036*, will be subject to call for redemption prior to maturity, at the option of the City, in whole or in part from maturities selected by the City and within any maturity by lot, on July 1, 2035*, or on any date thereafter, by the payment of a redemption price equal to the principal amount of each Bond called for redemption plus accrued interest to the date fixed for redemption, but without premium.

Mandatory Sinking Fund Redemption

The Bonds maturing on July 1 of the following years will be redeemed from funds of the City prior to maturity on the following redemption dates and in the following amounts, by the payment of the redemption price equal to of the principal

* Subject to change.

amount of the Bonds called for redemption plus accrued interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to the date of redemption, but without premium:

Redemption Date (July 1)	Principal Amount
Bonds Maturing in 20__	
20__	\$ __,000
20__	__,000
20__	__,000
20__ (maturity)	__,000

Redemption Date (July 1)	Principal Amount
Bonds Maturing in 20__	
20__	\$ __,000
20__	__,000
20__	__,000
20__ (maturity)	__,000

Whenever Bonds subject to mandatory redemption are redeemed (other than pursuant to mandatory redemption) or are delivered to the Registrar for cancellation, the principal amount of the Bonds so retired shall satisfy and be credited against the mandatory redemption requirements for such Bonds for such years as the City may direct.

Notice of Redemption

So long as the Bonds are held under the Book-Entry-Only System, notices of redemption will be sent to DTC, in the manner required by DTC. If the Book-Entry-Only System is discontinued, notice of redemption of any Bond will be mailed to the registered owner of the Bond or Bonds being redeemed at the address shown on the Bond Register not more than sixty (60) nor less than thirty (30) days prior to the date set for redemption. Failure to properly give notice of redemption shall not affect the redemption of any Bond for which notice was properly given. Notice of redemption may be sent to any securities depository by mail, facsimile transmission, wire transmission or any other means of transmission of the notice generally accepted by the respective securities depository. Notice of any redemption will also be sent to the Municipal Securities Rulemaking Board (the "MSRB"), currently through the MSRB's Electronic Municipal Market Access system ("EMMA"), in the manner required by the MSRB, but no defect in said further notice or record nor any failure to give all or a portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above.

If moneys for the payment of the redemption price and accrued interest are not on deposit with the held in separate accounts by the City or by the Paying Agent prior to sending the notice of redemption, such redemption shall be conditional on such moneys being so held on or prior to the date set for redemption and if not so held by such date the redemption shall be cancelled and be of no force and effect. The notice of redemption shall describe the conditional nature of the redemption.

Effect of Call for Redemption

Notice of redemption having been given in the manner described above, the Bonds or portions thereof called for redemption will become due and payable on the redemption date and if an amount of money sufficient to redeem all the Bonds or portions thereof called for redemption is held in separate accounts by the City or by the Paying Agent, then the Bonds or portions thereof called for redemption will cease to bear interest from and after such redemption date.

Redemption of Less Than All of a Bond

The City may redeem an amount which is included in a Bond in the denomination in excess of, but divisible by, \$5,000. In that event, if the Book-Entry-Only System is discontinued, the registered owner shall submit the Bond for partial redemption and the Paying Agent shall make such partial payment and the Registrar shall cause a new Bond in a principal amount which reflects the redemption so made to be authenticated, issued and delivered to the registered owner thereof.

SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS

Security for the Bonds

The Bonds will be payable as to both principal and interest from a continuing, direct, annual *ad valorem* tax levied against all taxable property within the City, such tax to be levied without limitation as to rate or amount.

Following deposit of monies into the debt service fund for payment of the Bonds, the City may invest such monies in investments comprised of, with certain restrictions: federally insured savings accounts or certificates of deposit from eligible depositories; collateralized repurchase agreements; obligations issued or guaranteed by the United States of America or any agency or instrumentality thereof; obligations of the State or any Arizona city (including the City), town or school district; bonds of any county, municipality or municipal utility improvement district payable from property assessments; the local government investment pool established by the State; commercial paper of prime quality that is rated within the top two ratings by a nationally recognized rating agency (all commercial paper must be issued by corporations organized and doing business in the United States of America); fixed income securities of corporations organized and doing business in the United States rated “A” or better at the time of purchase, from at least two nationally recognized rating agencies; and other investments permitted by the City’s approved written investment policy.

THE PROCEEDS OF THE BONDS ARE NOT PLEDGED TO, NOR DO THEY SECURE, PAYMENT OF THE BONDS.

Defeasance

Pursuant to the Bond Resolution, payment of all or any part of the Bonds may be provided for by the irrevocable deposit, in trust, of monies or obligations issued or guaranteed by the United States of America (“Defeasance Obligations”) or both, which, with the maturing principal of and interest on such Defeasance Obligations, if any, will be sufficient, as evidenced by a certificate or report of an accountant, to pay when due the principal or redemption price of and interest on such Bonds. If the maturing principal of the Defeasance Obligations or other moneys, or both, is sufficient to pay the principal of, premium, if any, and interest on such Bonds as the same matures, comes due or becomes payable upon prior redemption, a certificate or report of an accountant shall not be required. Any Bonds so provided for will no longer be outstanding under the Bond Resolution or payable from *ad valorem* taxes on taxable property in the City, and the owners of such Bonds shall thereafter be entitled to payment only from the monies and Defeasance Obligations deposited in trust.

Sources of Payment of the Bonds and Other City Bonds

The City intends to provide for the payment of the Bonds solely from the levy of *ad valorem* taxes; however, a portion of the City’s other outstanding general obligation bonds may continue to be paid from certain revenues and monies of the City’s General Fund, Enterprise Funds and Special Revenue Funds. The tables appearing on pages 6, 7, and 8 of this Official Statement are a record of the revenues, expenses and changes in fund balances for each such fund for the most recent five fiscal years for which such information is available. For an explanation of the characteristics and purposes of each of these funds, see APPENDIX D – “City of Mesa, Arizona – Audited General Purpose Financial Statements for the Fiscal Year Ended June 30, 2024.” Although the City may pay debt service on the Bonds from the funds as described above, in no event are such funds pledged to repayment of the Bonds. In the future, however, in the event such revenues and monies are not available for the purpose of paying other outstanding general obligation bonds of the City, or the City determines that such general obligation bonds will not be paid therefrom, the principal of and interest on such other general obligation bonds are secured by and will be paid from the annual levy of an *ad valorem* tax, as described above under “Security for the Bonds.”

Referendum and Ordinance

On April 16, 2019, a political action committee named “Vote Yes on Affordable Utilities” filed an Application for Initiative or Referendum Petition (the “Initiative”) with the City Clerk of the City. The Initiative proposed an amendment to the City Charter of the City to, among other things, establish a limit on the amount of System (as defined herein) revenues that could be transferred to the City’s General Fund and provide a mechanism to rebate a portion of System revenues to ratepayers from time to time. The Initiative failed to secure the statutorily required number of petition signatures, and was not considered at the November 2020 general election. The City is unable to determine or predict whether a similar initiative will be filed in the future, obtain enough petition signatures to be placed on a general election ballot or be approved by the voters of the City.

In January of 2020, City staff presented a proposal and ordinance to the City Council to formalize the City's process of transferring revenues of the City's water, electrical, natural gas, wastewater and solid waste systems (collectively, the "System") to the City's General Fund (the "Utility Transfer Ordinance"). The City Council adopted the Utility Transfer Ordinance in March of that year. The Utility Transfer Ordinance amends the City Code to permit (i) a transfer of System revenues in an amount not to exceed twenty-five percent (25%) of the System revenues to the City's General Fund for public safety purposes, and (ii) a transfer of System revenues in an amount not to exceed five percent (5%) of the System revenues to the City's General Fund for other general City purposes. Any such transfer in accordance with the Utility Transfer Ordinance is at the discretion of the City Council. The Utility Transfer Ordinance expressly states that the amendments to the City Code will not affect, limit, or alter the City's payment obligations or payment priorities relating to the City's utility systems revenue bonds or obligations.

From time to time, there are legislative proposals (and interpretations of such proposals by courts of law and other entities and individuals) which, if enacted, could alter or amend the property tax system of the State and numerous matters, both financial and non-financial, impacting the operations of political subdivisions of the State which could have a material impact on the City and could adversely affect the secondary market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Bonds) issued prior to enactment.

CITY GENERAL FUND

Set forth below is a record of the City's General Fund revenues, expenditures and changes in fund balance for the most recent audited five years ending June 30 ("Fiscal Year") and most recently concluded unaudited Fiscal Year for which such information is available. This information is not intended to indicate future or continuing trends in the financial affairs of the City.

CITY OF MESA, ARIZONA SELECTED GOVERNMENTAL INFORMATION REVENUES AND EXPENSES (IN THOUSANDS)

	Audited				
	2019/20	2020/21	2021/22	2022/23	2023/24
Revenues:					
Taxes	\$132,304	\$156,542	\$187,704	\$206,202	\$204,914
Property Taxes	41,789	47,253	51,926	47,003	47,658
Licenses and Permits	19,057	35,031	39,363	35,619	35,735
Intergovernmental Revenues	148,478	167,047	176,137	210,312	250,757
Charges for Services	20,403	18,873	45,768	49,938	60,009
Fines and Forfeitures	7,284	6,954	7,689	7,058	6,829
Investment Income	4,894	1,468	(11,667)	3,572	22,467
Capital Contributions	-	-	-	41	19
Miscellaneous Revenues	6,048	4,706	5,105	5,342	8,462
Total Revenues	\$380,257	\$437,874	\$502,025	\$565,087	\$636,850
Expenditures:					
Current:					
General Government	\$ 86,829	\$ 91,140	\$ 99,480	\$105,851	\$117,979
Public Safety	226,388	205,961	305,069	321,556	361,458
Community Environment	39,164	33,951	13,783	17,194	27,941
Cultural-Recreational	22,244	11,894	50,513	60,414	66,914
Total Current Expenditures	\$374,625	\$342,946	\$468,845	\$505,015	\$574,292
Revenues Over (Under)					
Current Expenditures	\$ 5,632	\$ 94,928	\$ 33,180	\$ 60,072	\$ 62,558
Capital Outlay	\$ 11,678	\$ 21,963	\$ 20,117	\$ 14,992	\$ 18,909
Debt Service	48,495	43,154	49,623	45,192	44,495
Total Other Expenditures	\$ 60,173	\$ 65,117	\$ 69,740	\$ 60,184	\$ 63,404
Revenues Over (Under) Expenditures	(54,541)	29,811	(36,560)	(112)	(846)
Operating Transfers In (Net)	107,008	52,831	93,056	51,663	59,497
Revenues and Transfers Over					
(Under) Expenditures	\$ 52,467	\$ 82,642	\$ 56,496	\$ 51,551	\$ 58,651
Unrestricted Fund Balance - Beginning	137,537	190,004	272,646	329,142	380,693
Total Fund Balance - Ending	\$190,004	\$272,646	\$329,142	\$380,693	\$439,344

CITY ENTERPRISE FUNDS

The City annually provides for a significant portion of the City's General Fund revenue from the transfer of certain net revenues generated by the City's Enterprise Funds, particularly the Utility Systems Enterprise Fund. Set forth below is a record of City Enterprise Funds revenues, expenditures and changes in fund balance for the most recent audited five Fiscal Years and most recently concluded unaudited Fiscal Year for which such information is available. This information is not intended to indicate future or continuing trends in the financial affairs of the City.

CITY OF MESA, ARIZONA ENTERPRISE FUNDS REVENUES, EXPENSES AND CHANGES IN FUND BALANCE (IN THOUSANDS)

	Audited				
	2019/20	2020/21	2021/22	2022/23	2023/24
Operating Revenue	\$366,838	\$399,197	\$433,048	\$451,504	\$463,897
Operating Expense	150,739	209,594	218,868	218,331	234,399
Net Income From Operations	\$216,099	\$189,603	\$214,180	\$233,173	\$229,498
Non Operating Revenue (Expense):					
Development/Impact Fees	\$ 14,601	\$ 20,350	\$ 21,021	\$ 14,142	\$ 7,395
Occupancy Tax	1,459	-	-	-	-
Capital Contributions	19,426	14,010	28,319	21,378	52,915
Miscellaneous	(726)	(4,730)	(333)	(1,340)	571
Intergovernmental	1,632	227	208	268	173
Investment Income	7,618	15	(8,917)	3,616	12,712
Capital Expense	(5,519)	(2,691)	(3,328)	(5,099)	(7,855)
Replacement Expense	(7,599)	(4,010)	(4,545)	(5,916)	(8,996)
Debt Service	(54,344)	(50,980)	(52,066)	(47,217)	(47,850)
Income Before Transfers	\$192,647	\$161,794	\$194,539	\$213,005	\$238,563
Operating Transfers (Out)	(136,771)	(113,982)	(115,607)	(130,619)	(127,142)
Net Income	\$ 55,876	\$ 47,812	\$ 78,932	\$ 82,386	\$111,421
Beginning Fund Balance	308,580	364,456	412,268	491,200	573,586
Ending Fund Balance	\$364,456	\$412,268	\$491,200	\$573,586	\$685,007

CITY SPECIAL REVENUE FUNDS

Set forth below is a record of City Special Revenue Funds revenues, expenditures and changes in fund balance for the most recent audited five Fiscal Years and most recently concluded unaudited Fiscal Year for which such information is available. This information is not intended to indicate future or continuing trends in the financial affairs of the City.

CITY OF MESA, ARIZONA SPECIAL REVENUE FUNDS REVENUES, EXPENSES AND CHANGES IN FUND BALANCE (IN THOUSANDS)

	Audited				
	2019/20	2020/21	2021/22	2022/23	2023/24
Revenues:					
Taxes	\$ 90,192	\$104,177	\$125,075	\$137,199	\$136,260
Licenses & Permits	5,069	7,604	9,211	10,494	4,219
Intergovernmental Revenues	115,535	73,499	152,974	123,104	126,964
Charges for Services	20,077	22,515	19,566	19,783	22,124
Fines and Forfeitures	1,288	895	1,246	1,315	1,334
Investment Income (Loss)	5,647	693	(8,387)	1,740	17,392
Contributions	2,295	130	166	66	128
Miscellaneous Revenues	2,576	2,075	2,227	3,072	4,664
Total Revenues	\$242,679	\$211,588	\$302,078	\$296,773	\$313,085
Expenditures:					
General Government	\$ 9,312	\$ 7,283	\$ 11,128	\$ 16,598	\$ 15,492
Public Safety	65,286	45,497	60,818	69,008	73,131
Community Environment	67,963	68,840	113,854	89,874	97,532
Cultural-Recreational	8,475	11,645	12,029	9,967	11,248
Service Charges	9	6	6	5	14
Total Current Expenditures	\$151,045	\$129,271	\$197,835	\$185,452	\$197,417
Revenues Over (Under)					
Current Expenditures	\$ 91,634	\$ 82,317	\$104,243	\$111,321	\$115,668
Capital Outlay	\$ 39,883	\$ 36,125	\$ 40,637	\$ 39,672	\$ 58,129
Debt Service	12,398	12,441	12,389	11,812	11,802
Total Other Expenditures	\$ 51,751	\$ 46,192	\$ 53,026	\$ 51,484	\$ 69,931
Revenues Over (Under) Expenditures	40,116	32,463	51,217	59,837	45,737
Operating Transfers In (Out)	1,422	(6,633)	(3,760)	(3,633)	(15,256)
Revenues and Transfers Over					
(Under) Expenditures	\$ 41,305	\$ 29,492	\$ 47,457	\$ 56,204	\$ 30,481
Fund Balance-Beginning	108,947	150,252	179,744	227,201	283,405
Fund Balance-Ending	\$150,252	\$179,744	\$227,201	\$283,405	\$313,886

ADDITIONAL GENERAL OBLIGATION BONDS

The City expects to issue additional general obligation bonds in the future pursuant to existing and future voted bond authorizations. Such bonds may be secured by, and payable from, the same sources of revenue, and the same levy of *ad valorem* taxes, if applicable, as the Bonds and all outstanding general obligation bonds. After issuance of the Bonds, the City will have \$433,416,000* aggregate principal amount of voter authorized, but unissued, general obligation bonds pursuant to voter approvals at special bond elections held on April 28, 1987, March 26, 1996, March 9, 2004, November 6, 2018, November 3, 2020, November 8, 2022 and November 5, 2024. In addition, certain amounts of net premium on general obligation bonds of the City reduce the principal amount of authorized but unissued general obligation debt of the City. The purposes and amounts of such authorized but unissued bonds are set forth below (in thousands).

Purpose of Bond Authorization	1987	1996	2004	2018*	2020*	2022*	2024*	Remaining Total General Obligation Bonds Authorized but Unissued*
Public Safety	\$ -	\$ -	\$ 8,145	\$ -	\$ -	\$82,000	\$ 90,000	\$180,145
Fire and Medical	-	-	2,514	-	-	-	-	2,514
Parks and Recreation	-	7,150	9,750	-	-	-	165,000	181,900
Library	-	7,944	-	-	-	-	-	7,944
Storm Sewer	213	-	6,790	-	-	-	-	7,003
Streets and Transportation	-	-	-	-	53,910	-	-	53,910
Total	\$213	\$15,094	\$27,199	\$ -	\$53,910	\$82,000	\$255,000	\$433,416

SOURCES AND USES OF FUNDS

The proceeds of the Bonds will be applied as follows:

Sources of Funds

Principal amount of the Bonds	\$	156,400,000.00 *
[Net] Original Issue Premium		
Total Sources of Funds		

Uses of Funds

Deposit to Project Fund	\$	
Deposit to Debt Service Fund		
Costs of Issuance (b)		
Total Uses of Funds	\$	

(a) [Net original issue premium consists of original issue premium on the Bonds less original issue discount on the Bonds.]

(b) Costs incurred by the City in connection with the issuance of the Bonds, including underwriter's compensation.

* Subject to change.

ESTIMATED DEBT SERVICE REQUIREMENTS

The table below sets forth (i) the annual debt service requirements of the City's outstanding general obligation bonds, (ii) the estimated annual debt service requirements of the Bonds, and (iii) the City's estimated total annual general obligation bond debt service requirements after issuance of the Bonds.

City of Mesa, Arizona General Obligation Estimated Debt Service Requirements (a)

Period Ending (July 1)	General Obligation Bonds Outstanding (b)		The Bonds*		Estimated Combined Annual Debt Service*
	Principal	Interest	Principal	Interest (c)	
2025	\$ 30,185,000	\$12,754,628	\$ 3,550,000	\$ 847,167	\$ 47,336,795
2026	28,675,000	11,603,738	100,000	7,642,500	48,021,238
2027	29,760,000	10,597,420	100,000	7,637,500	48,094,920
2028	30,900,000	9,483,370	100,000	7,632,500	48,115,870
2029	30,935,000	8,333,693	1,200,000	7,627,500	48,096,193
2030	25,515,000	7,194,838	7,820,000	7,567,500	48,097,338
2031	24,860,000	6,090,300	9,815,000	7,176,500	47,941,800
2032	26,430,000	5,122,763	6,545,000	6,685,750	44,783,513
2033	26,090,000	4,221,563	4,950,000	6,358,500	41,620,063
2034	14,020,000	3,361,363	14,965,000	6,111,000	38,457,363
2035	11,950,000	2,890,813	15,095,000	5,362,750	35,298,563
2036	11,975,000	2,449,463	13,105,000	4,608,000	32,137,463
2037	9,550,000	2,005,488	13,465,000	3,952,750	28,973,238
2038	6,800,000	1,632,613	14,100,000	3,279,500	25,812,113
2039	6,545,000	1,345,600	12,185,000	2,574,500	22,650,100
2040	5,655,000	1,063,900	10,805,000	1,965,250	19,489,150
2041	5,220,000	804,350	8,875,000	1,425,000	16,324,350
2042	5,330,000	546,250	6,305,000	981,250	13,162,500
2043	5,595,000	279,750	3,465,000	666,000	10,005,750
2044			6,350,000	492,750	6,842,750
2045			3,505,000	175,250	3,680,250
Total	<u>\$335,990,000</u>		<u>\$156,400,000</u>		<u>\$674,941,317</u>

(a) Prepared by the Financial Advisor. Totals may not add due to rounding.

(b) Represents all of the City's outstanding general obligation bonds and general obligation refunding bonds.

(c) The first interest payment on the Bonds is due on July 1, 2025*. Thereafter, interest payments will be made semiannually on July 1 and January 1, until maturity. Interest is estimated at 5.00%.

* Subject to change.

RATINGS

Fitch Ratings, Inc. (“Fitch”) and Global Ratings, a division of Standard & Poor’s Financial Services LLC (“S&P”), have assigned credit ratings of “AAA” and “AA,” respectively, to the Bonds. Such ratings reflect only the views of Fitch and S&P. An explanation of the significance of such ratings may be obtained from Fitch at One State Street Plaza, New York, New York 10004 and from S&P at One California Street, 31st Floor, San Francisco, California 94111. Such ratings may subsequently be revised downward or withdrawn entirely by Fitch or S&P, if, in their respective judgment, circumstances so warrant. Any subsequent downward revision or withdrawal of such ratings may have an adverse effect on the market price and transferability of the Bonds. The City will covenant in its Continuing Disclosure Undertaking (as defined herein) (see “CONTINUING SECONDARY MARKET DISCLOSURE” below) that it will cause notices to be filed with the Municipal Securities Rulemaking Board (the “MSRB”) of any formal change in the ratings relating to the Bonds. A securities rating is not a recommendation to buy, sell or hold securities, including the Bonds.

LEGAL MATTERS

Legal matters relating to the issuance and delivery of the Bonds, the validity of the Bonds under Arizona law and the tax-exempt status of the interest on the Bonds (see “TAX EXEMPTION” herein) are subject to the legal opinion of Greenberg Traurig, LLP, Phoenix, Arizona (“Bond Counsel”). The signed legal opinion of Bond Counsel, dated and premised on the law in effect only as of the date of original delivery of the Bonds, will be delivered substantially in the form of APPENDIX F.

The form of the legal opinion is set forth as APPENDIX F – “FORM OF APPROVING LEGAL OPINION.” The legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distributions of it by recirculation of this Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or expressed any opinion concerning any of the matters referred to in the opinion subsequent to its date. In rendering its opinion, Bond Counsel will rely upon certificates and representations of facts to be contained in the transcript of proceedings which Bond Counsel will not have independently verified.

While Bond Counsel has reviewed and participated in the preparation of portions of this Official Statement, Bond Counsel has not undertaken an independent investigation to determine, and will express no opinion as to, the accuracy, completeness or sufficiency of this Official Statement, nor of any other reports, financial information, offering or disclosure documents or other information pertaining to the City or the Bonds that may be available.

From time to time, there are legislative proposals (and interpretations of such proposals by courts of law and other entities and individuals) which, if enacted, could alter or amend the property tax system of the State and numerous matters, both financial and nonfinancial, impacting the operations of municipalities which could have a material impact on the City and could adversely affect the secondary market value or marketability of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Bonds) issued prior to enactment.

The legal opinion to be delivered concurrently with the delivery of the Bonds will express the professional judgment of the attorneys rendering the opinion as to the legal issues explicitly addressed therein dated and speaking only as of the date of delivery of the Bonds. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX EXEMPTION

In General

The Internal Revenue Code of 1986, as amended (the “Code”), includes requirements which the City must continue to meet after the issuance of the Bonds in order that the interest on the Bonds be and remain excludable from gross income for federal income tax purposes. The City’s failure to meet these requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The City has covenanted in the Bond Resolution to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds.

In the opinion of Bond Counsel, assuming the accuracy of certain representations and certifications of the City and continuing compliance by the City with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, the interest on the Bonds is excludable from gross income of the holders thereof for federal income tax purposes. Interest on the Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, but in the case of the alternative minimum tax imposed by Section 55(b)(2) of the Code on applicable corporations (as defined in Section 59(k) of the Code), interest on the Bonds is not excluded from the determination of adjusted financial statement income. Bond Counsel is further of the opinion that the interest on the Bonds is exempt from income taxation under the laws of the State. Bond Counsel will express no opinion as to any other tax consequences regarding the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors as to the status of interest on the Bonds under the tax laws of any state other than the State.

The above opinion on federal tax matters with respect to the Bonds will be based on and will assume the accuracy of certain representations and certifications of the City, and compliance with certain covenants of the City to be contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Bonds will be and will remain obligations the interest on which is excludable from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of those certifications and representations. Bond Counsel will express no opinion as to any other consequences regarding the Bonds.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the receipt or accrual of the interest on the Bonds, or the ownership or disposition of the Bonds. Prospective purchasers of Bonds should be aware that the ownership of Bonds may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by the applicable statutory percentage of certain items, including the interest on the Bonds, (iii) the inclusion of the interest on the Bonds in the earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of the interest on the Bonds in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year, (v) the inclusion of interest on the Bonds in the determination of the taxability of certain Social Security and Railroad Retirement benefits to certain recipients of such benefits, (vi) net gain realized upon the sale or other disposition of property such as the Bond generally must be taken into account when computing the Medicare tax with respect to net investment income or undistributed net investment income, as applicable, imposed on certain high income individuals and specified trusts and estates and (vii) receipt of certain investment income, including interest on the Bonds, is considered when determining qualification limits for obtaining the earned income credit provided by Section 32(a) of the Code. The nature and extent of the other tax consequences described above will depend on the particular tax status and situation of each owner of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors as to the impact of these and any other tax consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service (the "Service") or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

Original Issue Premium and Original Issue Discount

Certain of the Bonds ("Discount Bonds") may be offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Bond determined under Code Section 1273 or 1274 (i.e., for obligations issued for money in a public offering, the initial offering price to the public (other than to bond houses and brokers) at which a substantial amount of the obligation of the same maturity is sold pursuant to that offering). For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Bond (i) is interest excludable from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Bonds, and (ii) is added to the

owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale, or other disposition of that Discount Bond.

Certain of the Bonds ("Premium Bonds") may be offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity (or earlier for certain Premium Bonds callable prior to maturity). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually (or over a shorter permitted compounding interval selected by the owner). No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity), or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond.

Owners of Discount and Premium Bonds should consult their own tax advisors as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable or amortizable in any period with respect to the Discount or Premium Bonds and as to other federal tax consequences, and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals suggested, debated, introduced or pending in Congress or in the State legislature that, if enacted into law, could alter or amend one or more of the federal tax matters, or state tax matters, respectively, described above including, without limitation, the excludability from gross income of interest on the Bonds, adversely affect the market price or marketability of the Bonds, or otherwise prevent the holders from realizing the full current benefit of the status of the interest thereon. It cannot be predicted whether or in what form any such proposal may be enacted, or whether, if enacted, any such proposal would affect the Bonds. Prospective purchasers of the Bonds should consult their tax advisors as to the impact of any proposed or pending legislation.

Information Reporting and Backup Withholding

Interest paid on bonds such as the Bonds is subject to information reporting to the Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of the Bonds, under certain circumstances, to "backup withholding" at the rates set forth in the Code, with respect to payments on the Bonds and proceeds from the sale of the Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of the Bonds. This withholding generally applies if the owner of the Bonds (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

LITIGATION

No Litigation Relating to the Bonds

At the time of delivery of the Bonds, an officer of the City will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending, or to the knowledge of the City, overtly threatened against the City, affecting the existence of the City or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds or that questions the City's right or authority to receive the sources of payment of the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Bond Resolution, or the Continuing Disclosure Undertaking, or contesting in any way the completeness or accuracy of this Official Statement, or any amendment or supplement thereto, or contesting the power or authority of the

City to execute and deliver the Continuing Disclosure Undertaking, or wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds, the Bond Resolution, or the Continuing Disclosure Undertaking, or have a material adverse effect on the transactions contemplated by this Official Statement.

Other Litigation Against the City

Like any large municipality, the City is currently involved in multiple lawsuits and annually receives numerous claims associated with City operations. Based on the information currently available to the City, as of the date of this Official Statement none of the pending lawsuits or received claims are reasonably anticipated to exceed the City's available insurance coverage or materially adversely affect the City or the source of repayment of the Bonds.

Notwithstanding the foregoing, the City has received two notices of claims alleging that two elementary school-aged children suffered damages after alleged exposure to hydrogen sulfide in a classroom while attending school; provided, however, that as of the date of this Official Statement no lawsuit has been filed against the City in connection with these notices. The notices of claim allege an amount owed by the City of \$53 million. The notices state the charter school attended by the two children is connected to the Town of Gilbert's wastewater system but is also located near a wastewater reclamation plant (the "WRP") that is jointly owned and operated pursuant to an intergovernmental agreement among the City, the Town of Gilbert, and the Town of Queen Creek. Pursuant to the intergovernmental agreement, the City acts as the "lead agent" of the WRP and is responsible for, among other things, the operation and maintenance of the WRP. Separate from the notices received by the City, the Town of Gilbert and the charter school were named in a lawsuit by the two plaintiffs. In the lawsuit the plaintiffs generally allege that the Town of Gilbert played a role in the children's exposure to hydrogen sulfide. As of the date of this Official Statement, the City and the WRP have not been named in the lawsuit. The City is investigating the claimants' allegations stated in the notices and anticipates that, if the City or wastewater reclamation plant is added to the lawsuit, the City will defend on the merits. In its capacity as the lead agent of the WRP, the City monitors for the presence of gasses in the area surrounding the WRP and no data obtained by the City from such monitoring indicates amounts of hydrogen sulfide in excess of permitted amounts originating from the WRP. Other than the proximity of the WRP to the charter school, the notices do not present a factual basis connecting the alleged presence of hydrogen sulfide in the charter school to the City or the City's ownership interest in, or operation of, the WRP. Because of the multiple potential parties alleged in the lawsuit and the notices, the City is unable to determine whether a lawsuit, if filed against the City, could reasonably be expected to exceed available insurance coverage. Any potential liability could be allocated among the charter school, the municipal owners of the WRP (including the City), and other parties. Additionally, the WRP has its own insurance coverage that is expected to provide coverage to the municipal owners (including the City) if claimants move forward with a lawsuit against the City. Based on the foregoing, as of the date of this Official Statement, appropriate officers of the City do not reasonably anticipate that a lawsuit, if filed against the City in connection with the notices of claims, would materially adversely affect the City.

From time to time the City receives letters from residents of the City alleging various items including, without limitation, that (i) the rates and fees charged by the City's System are not just and reasonable, (ii) the City's transfer of System revenues to the City's General Fund is not permitted by law and (iii) the City's financial statements inaccurately reflect debt service payments on the City's outstanding general obligation bonds, utility systems revenue bonds, and utility systems revenue obligations. Some of these letters include notice of the respective author's intent to file a lawsuit against the City.

Generally, City staff is able to respond directly to the authors of such letters to address the particular resident's concerns. Currently, the City is not in receipt of any such letters from residents challenging the issuance of the Bonds, however the City did receive letters of the nature described above immediately prior to the sale of the City's general obligation bonds and utility systems revenue bonds in 2018, which has resulted in no legal action to date.

The City is unable to predict if any lawsuits threatened in such future letters from residents will actually be filed, or if any letters from residents will be received prior to the sale of the Bonds. Generally, prior letters received from residents do not present a case or controversy which would adversely affect the issuance, validity or payment of the City's general obligation bonds, utility systems revenue bonds or utility systems revenue obligations, including the Bonds, and if the threatened lawsuits were actually filed, the City believes the claims would lack merit and the City would be entitled to judgment as a matter of law. In addition, based on the City's past experience receiving such letters from residents, if any lawsuits were actually filed the City believes it has a number of meritorious factual and legal defenses and would vigorously defend itself. Although no prediction can be made with respect to the City's liability for any claims asserted in any future resident letters or litigation, the City has previously successfully defended itself in a prior lawsuit involving issues regarding the System ratemaking process and adjustments to the System rates similar to the claims threatened in prior letters from residents.

CERTIFICATION CONCERNING OFFICIAL STATEMENT

The closing documents will include a certificate confirming that, to the best knowledge, information and belief of the City's Deputy City Manager/Chief Financial Officer, the descriptions and statements contained in this Official Statement are at the time of issuance of the Bonds, true, correct and complete in all material respects and do not contain an untrue statement of a material fact, or omit to state a material fact required to be stated therein in order to make the statements, in light of the circumstances under which they are made, not misleading. In the event this Official Statement is supplemented or amended, the foregoing confirmation will also encompass such supplements or amendments.

CONTINUING SECONDARY MARKET DISCLOSURE

The City will covenant for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the City by not later than February 1 in each year commencing February 1, 2026 (the "Annual Reports"), and to provide notices of the occurrence of certain enumerated events (the "Notices"), as set forth in APPENDIX G – "Form of Continuing Disclosure Undertaking" (the "Continuing Disclosure Undertaking"). The Annual Reports and Notices and any other documentation or information required to be filed by such covenants will be filed by the City with the MSRB, in a format prescribed by the MSRB. Currently the MSRB requires filing through the MSRB's Electronic Municipal Market Access system ("EMMA") system as described in APPENDIX G – "Form of Continuing Disclosure Undertaking."

These covenants will be made in order to assist the underwriter in complying with the Securities and Exchange Commission Rule 15c2-12 (the "Rule"). The form of the undertaking necessary pursuant to the Rule is included as APPENDIX G hereto. A failure by the City to comply with these covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Also pursuant to Arizona law, the ability of the City to comply with such covenants is subject to annual appropriation of funds sufficient to provide for the costs of compliance with such covenants. Should the City not comply with such covenants due to a failure to appropriate for such purposes, the City has covenanted to provide notice of such fact in the same fashion it provides the Notices. Absence of continuing disclosure could adversely affect the Bonds and specifically their market price and transferability. The City's Finance Department has instituted written policies and procedures to ensure timely and proper filing of its Annual Reports and Notices for all of the City's outstanding bonds.

The presentation of the financial and operating data referenced above has changed over time in the City's various Official Statements. Therefore, the presentation of such financial and operating data in the City's Annual Reports may match the current presentation of such financial and operating data instead of the presentation of such financial and operating data when bonds were originally issued or incurred. Similarly, certain references to financial and operating data in the City's prior disclosure undertakings do not specifically identify which data within an Official Statement appendix the City was to provide in its Annual Reports. In such circumstances, the City has provided data pertaining to the City in its Annual Reports, for example excise tax collections in the City, and the City's Annual Reports do not include data not specifically pertaining to the City, for example excise tax collections in the County or State.

FINANCIAL ADVISOR

Hilltop Securities Inc. is the financial advisor (the "Financial Advisor") to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

GENERAL PURPOSE FINANCIAL STATEMENTS

The City's Audited General Purpose Financial Statements for the Fiscal Year Ended June 30, 2024, a copy of which is included in APPENDIX D – "City of Mesa, Arizona – Audited General Purpose Financial Statements for the Fiscal Year Ended June 30, 2024" of this Official Statement, have been audited by CliftonLarsonAllen LLP, certified public accountants, to the extent and for the period indicated in their report thereon. The City is not aware of any facts that would make such Audited General Purpose Financial Statements misleading. The Audited General Purpose Financial Statements are for the fiscal year ended June 30, 2024, and are not current. The City neither requested nor obtained the consent of CliftonLarsonAllen LLP to include the report, and CliftonLarsonAllen LLP has performed no procedures subsequent to rendering its opinion on the financial statements.

CONCLUDING STATEMENT

To the extent that any statements made in this Official Statement involve beliefs, assumptions, estimates, projections, forecasts, or other matters of opinion, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty and no representation is made that any of these statements have been or will be realized. Such beliefs, assumptions, estimates, projections, forecasts or other matters of opinion are forward looking statements which must be read with an abundance of caution. Information set forth in this Official Statement has been derived from the records of the City and from certain other sources, as referenced, and is believed by the City to be accurate and reliable. Information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed.

Neither this Official Statement nor any statements that may have been or that may be made orally or in writing are to be construed as a part of a contract with the original purchasers or subsequent owners of the Bonds. **This Official Statement has been prepared by the City and executed for and on behalf of the City by its Deputy City Manager/Chief Financial Officer, as indicated below.**

CITY OF MESA, ARIZONA

By: _____
Deputy City Manager/Chief Financial Officer

**CITY OF MESA, ARIZONA
GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION**

General

The City is the third largest city in the State and the 36th largest city in the United States. Founded in 1878 and incorporated in 1883, the City had an estimated 2024 population of 524,892. The following table illustrates the City's population statistics since 1990, along with the population statistics for the County and the State, respectively.

POPULATION STATISTICS

Year	City of Mesa	Maricopa County	State of Arizona
2024 Estimate (a)	524,892	4,726,247	7,621,703
2020 Census	504,258	4,420,568	7,151,502
2010 Census	439,041	3,817,117	6,392,017
2000 Census	396,375	3,072,149	5,130,632
1990 Census	288,091	2,122,101	3,665,228

(a) Estimate as of July 1, 2024 (published December 2024).

Source: U.S. Census Bureau, Population Division – *Annual Estimates of the Resident Population*, Arizona Office of Economic Opportunity – *State, County, Place Level Population Estimates for July 1*, and U.S. Census Bureau (2020, 2010, 2000 and 1990) – *Census of Population and Housing*.

The following table sets forth a record of the City's geographic area since 1970.

SQUARE MILE STATISTICS**City of Mesa, Arizona**

Year	Square Miles
2020	140.44
2010	133.14
2000	125.00
1990	122.11
1980	66.31
1970	20.80

Municipal Government and Organization

The City operates under a charter form of government with citizens electing a Mayor and six City Councilmembers to set policy for the City. In 1998, a voter initiative was approved changing the way that City Councilmembers are elected from an at-large to a district system. Six districts were created in March 2000 with City Councilmembers serving staggered four-year terms. The Mayor continues to be elected at-large every four years. The Mayor and City Councilmembers are elected on a non-partisan basis, and the Vice Mayor is a City Councilmember selected by the City Council.

The City Manager, who has full responsibility for carrying out City Council policies and administering City operations, is appointed by the City Council. The City Manager is responsible for the appointment of City department heads. Additionally, City employees are hired under merit system procedures as specified in the City Charter. The various functions of City government and operations are undertaken by City employees working in the various City departments.

City Administrative Staff

Christopher Brady, City Manager. Mr. Brady was appointed by the City Council to serve as City Manager effective January 1, 2006. Under the City’s council-manager form of government, the City Manager serves as the chief operating officer of the City, one of the fastest-growing cities of the United States. Mr. Brady implements the policies established by the City Council and coordinates all City departments and other affairs assigned by the City Charter. Prior to joining the City, Mr. Brady served as Assistant City Manager for the City of San Antonio, Texas. Mr. Brady has a Bachelor of Fine Arts degree in Political Science and a Master of Public Administration degree from Brigham Young University. Mr. Brady has announced he will retire on May 31, 2025.

Michael Kennington, Deputy City Manager/Chief Financial Officer. Mr. Kennington was hired as the City’s Chief Financial Officer in July 2012 and was promoted to Deputy City Manager/Chief Financial Officer in 2019. He is responsible for the City’s overall financial policies, strategies, planning, and forecasts. Mr. Kennington has a Master of Accountancy degree and Master of Business Administration degree from Brigham Young University and is a Certified Public Accountant.

Scott Butler, Assistant City Manager. Mr. Butler is an Assistant City Manager for the City overseeing a variety of departments and initiatives including Police, Fire, Municipal Court, Mayor and City Council Office, Federal and State Affairs, Transportation, Transit, Falcon Field Airport, Grants, and the Public Information Office. Mr. Butler has been appointed by the City Council as the new City Manager, effective June 1, 2025.

Prior to joining the City in 2005, Mr. Butler served in variety of roles at the local, state and federal level. He served as policy advisor for the Judiciary Committee of the Georgia House of Representatives and as a media/elected official outreach liaison for the White House Office of Scheduling and Advance. While serving as a Senior Policy Advisor to the Georgia Secretary of State, he helped lead the department’s efforts to implement the first statewide electronic voting system in the nation.

Mr. Butler has a Bachelor of Arts degree in Political Science from the University of Georgia and a Master of Public Administration degree from Arizona State University.

Economy

The City’s major economic sectors are comprised of manufacturing, non-manufacturing, government, and commercial activities (including construction and commerce), and tourism.

The following table sets forth unemployment rate averages for the United States, the State, the County and the City for the current year and most recent five years for which such information is available.

UNEMPLOYMENT RATE AVERAGES

Year	United States	State of Arizona (a)	Maricopa County (a)	City of Mesa (a)
2025 (b)	4.5%			
2024 (c)	4.0	3.6%	3.2%	3.2%
2023	3.6	3.7	3.4	3.5
2022	3.7	3.7	3.3	3.4
2021	5.4	5.0	4.6	4.5
2020	8.1	7.8	7.3	7.2

- (a) This table includes restated data: Local Area Unemployment Statistics (“LAUS”) program data is intermittently revised to incorporate new population controls, updated inputs, re-estimation of models, and adjustment to new census division and national control totals.
- (b) Data is not seasonally adjusted, is an average through February 2025.
- (c) Data is not seasonally adjusted, is preliminary and is an average through December 2024 for LAUS data.

Source: U.S. Department of Labor, Bureau of Labor Statistics– *Local Area Unemployment Statistics* and *National Labor Force Statistics*. Data accessed March 14, 2025.

Manufacturing and Non-Manufacturing Employment

A list of significant employers located within the City is set forth in the following table.

MAJOR EMPLOYERS

City of Mesa, Arizona

Employer	Description	Approximate Employment
Mesa Public Schools	Public Education	7,650
Banner Health Systems	Hospital Network	6,140
City of Mesa	Government	4,410
The Boeing Company	Helicopter Manufacturing and Assembly	3,780
Wal-Mart	Retail	2,830
Maricopa County Community College	Higher Education	1,840
Frys Food Stores (The Kroger Company)	Retail	1,230
Dexcom	Medical Equipment and Supplies	1,150
Home Depot	Retail	1,130
Gilbert Public Schools	Public Education	1,100

Source: City of Mesa, Arizona - *Annual Comprehensive Financial Report for Fiscal Year 2023/24*.

Mesa Gateway Airport and the Airport/Campus District

Mesa Gateway Airport (formerly known as Williams Gateway Airport, and subsequently Phoenix-Mesa Gateway Airport) has three runways (10,401 feet, 10,201 feet, and 9,300 feet) and a passenger terminal. Mesa Gateway Airport is a small-hub commercial airport serving the Mesa metropolitan area with direct service to more than 45 destinations currently provided by Allegiant Air and Sun Country Airlines.

Mesa Gateway Airport is also developing as an international aerospace center with aircraft maintenance, modification, testing, and pilot training. Currently more than 60 companies operate on the airport, including manufacturer service centers for Gulfstream, Cessna and Embraer. In 2021, the Arizona Department of Transportation completed an economic impact study of the State’s airport system, including Mesa Gateway Airport. According to that study, the airport’s economic benefit (including all multiplier effects) totaled \$1.8 billion, with \$829.4 million in economic activity generated by on-airport activity, creating and supporting 10,224 jobs in the area.

Mesa Gateway Airport is owned and operated by the Mesa Gateway Airport Authority whose members include the City, Town of Gilbert, Town of Queen Creek, the City of Apache Junction, and the Gila River Indian Community.

Adjacent to Mesa Gateway Airport, the Airport/Campus District serves approximately 8,700 students. The campus includes five higher education partners - Arizona State University (“ASU”) Polytechnic campus, Chandler-Gilbert Community College, Embry-Riddle Aeronautical University, Mesa Community College and UND Aerospace (University of North Dakota, John D. Odegard School of Aerospace Sciences – Phoenix Flight Training Center). The ASU Polytechnic campus is 600-acres and includes advanced learning labs and classroom space, faculty offices and a 450-seat auditorium.

State Route 24, a one-mile freeway segment extending access from the existing State Route 202 freeway eastward, was completed May 2014. This freeway segment lies immediately north of Mesa Gateway Airport and provides freeway access to the east side of the airport property. Such access is beneficial for the economic development of properties located on, and adjacent to, Mesa Gateway Airport, as well as future terminal development on the east side.

Construction

The following tables set forth annual records of building permit values and new housing permits issued within the City.

VALUE OF BUILDING PERMITS City of Mesa, Arizona (\$000's omitted)

Fiscal Year	Residential	Commercial	Other	Total
2024/25 (a)	\$347,674	\$1,629,052	\$1,188	\$1,977,915
2023/24	596,590	1,579,275	2,465	2,178,330
2022/23	379,304	2,620,529	3,035	3,002,868
2021/22	894,064	1,348,806	3,112	2,245,982
2020/21	740,870	1,074,928	4,499	1,820,297
2019/20	795,733	544,562	2,076	1,342,371

(a) Partial Fiscal Year data from July 1, 2024, through December 31, 2024.

Construction is valued on the basis of estimated cost, not on market price or value of construction at the time the permit is issued. The date on which the permit is issued is not to be construed as the date of construction.

NEW HOUSING PERMITS City of Mesa, Arizona

Fiscal Year	Total New Housing Units
2024/25 (a)	3,433
2023/24	5,095
2022/23	743
2021/22	2,296
2020/21	2,183
2019/20	2,340

(a) Partial Fiscal Year data from July 1, 2024, through December 31, 2024.

The date on which the permit is issued is not to be construed as the date of construction.

Retail

The following table sets forth a record of retail sales activity within the City.

TAXABLE RETAIL SALES City of Mesa, Arizona

Fiscal Year	Retail Sales
2024/25 (a)	\$3,422,355,458
2023/24	8,438,742,187
2022/23	8,483,005,834
2021/22	8,134,561,575
2020/21	7,171,741,191
2019/20	5,776,270,849

(a) Partial Fiscal Year data from July 1, 2024, through December 31, 2024.

Tourism

The tourism sector is a significant contributor to the City's economy. The City's hotels, motels, golf courses, parks and playgrounds, restaurants and retail shops provide tourists with accommodations and recreational facilities. There are more than 60 hotels in the City, with all of the major hotel brands represented. The table below contains a listing of certain hotels located within the City.

HOTELS City of Mesa, Arizona

<u>Hotel Name</u>	<u>Number of Sleeping Rooms</u>
Phoenix Marriott Mesa	275
Hilton Phoenix East-Mesa	260
Holiday Inn Mesa	246
Dobson Ranch Inn & Suites	213
Arizona Golf Resort	187
Sheraton Mesa at Wrigleyville West	180
Westgate Painted Mountain	152
Hyatt Place Phoenix-Mesa	152
Marriott Courtyard	149
Best Western Mezona Inn	132
Country Inn and Suites	126
La Quinta (West)	125
Days Hotel Mesa-Gilbert	120
Quality Inn/Suites	119

Source: Mesa Convention and Visitors Bureau.

The City owns and operates the Mesa Convention Center (the "Convention Center") which offers convention facilities. The Convention Center is situated on a 17-acre site adjacent to the Phoenix Marriott Mesa. The Convention Center includes Centennial Hall, which is a multipurpose facility of approximately 15,000 square feet, and the Centennial Conference Center and the Rendezvous Center, which offer an additional 18,500 square feet of meeting space. The City operates and maintains 58 parks, including 11 sports complexes and 133 basins covering more than 2,000 acres. In addition, the City manages 9 aquatic facilities, 2 Major League Baseball Spring Training stadiums and a par 72, 18-hole championship golf course. The award-winning Mesa Arts Center facility opened in spring of 2005 and is located in the downtown area of the City. The Mesa Arts Center is a 212,775 square-foot performing arts, visual arts and arts education facility, the largest and most comprehensive arts center in the State.

Agriculture

Although still a contributor to the economic base, the agricultural sector is no longer a significant factor of the City's economy due to the industrial, commercial, and residential development which has occurred over the past 30 years. The principal products of the City's remaining agricultural sector are dairy and citrus.

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**CITY OF MESA, ARIZONA
FINANCIAL DATA**

Current Year Statistics (For Fiscal Year 2024/25)**City of Mesa, Arizona**

Total General Obligation Bonds to be Outstanding	\$ 492,390,000 *(a)
Total Utility Systems Revenue Bonds Outstanding	1,049,456,505 (b)
Total Utility Systems Revenue Obligations to be Outstanding	601,715,000 *(c)
Total Street and Highway User Revenue Bonds Outstanding	18,540,000 (d)
Total Excise Tax Revenue Obligations Outstanding	45,365,000 (e)
Net Assessed Limited Property Value	4,894,665,847 (f)(g)
Estimated Net Full Cash Value	89,846,125,845 (g)(h)

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- (a) Represents all general obligation bonds of the City to be outstanding including the Bonds. See “STATEMENTS OF BONDS OUTSTANDING – General Obligation Bonds to be Outstanding” in this appendix.
- (b) Represents all utility systems revenue bonds outstanding. See “STATEMENTS OF BONDS OUTSTANDING – Utility Systems Revenue Bonds Outstanding” in this appendix.
- (c) Represents all utility systems revenue obligations to be outstanding following the issuance of the 2025 Utility Obligations. See “STATEMENTS OF BONDS OUTSTANDING – Utility Systems Revenue Obligations to be Outstanding” in this appendix and “THE BONDS – Other Expected Debt Offerings”.
- (d) Represents all street and highway user revenue bonds outstanding. See “STATEMENTS OF BONDS OUTSTANDING – Street and Highway User Revenue Bonds Outstanding” in this appendix.
- (e) Represents all excise tax revenue obligations outstanding. See “STATEMENTS OF BONDS OUTSTANDING – Excise Tax Revenue Obligations Outstanding” in this appendix.
- (f) Net of property exempt from taxation; reflects application of applicable assessment ratios.
- (g) The City’s preliminary Fiscal Year 2025/26 Net Assessed Limited Property Value is estimated at \$5,166,189,908, a change of approximately 5.55% from the Fiscal Year 2024/25 Net Assessed Limited Property Value. The City’s preliminary Fiscal Year 2025/26 estimated net full cash value, as defined in footnote (h), is estimated at \$87,660,089,888, a change of approximately -2.43% from the Fiscal Year 2024/25 estimated net full cash value. Valuations are not official until approved by the Board of Supervisors of the County on or before the third Monday in August for each Fiscal Year. Although the final valuations are not expected to differ materially from the estimated valuations, they are subject to positive or negative adjustments until approved by the Board of Supervisors.
- (h) Estimated net full cash value is the total market value of the property less unsecured personal property and less estimated exempt property within the City, as projected by the Arizona Department of Revenue, Division of Property and Special Taxes.

Source: *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue.

* Subject to change.

STATEMENTS OF BONDS OUTSTANDING

General Obligation Bonds to be Outstanding City of Mesa, Arizona

Issue Series	Purpose	Original Amount	Maturity Date Range	Balance Outstanding
2012	Various Purpose	\$27,290,000	7-1-13/32	\$ 16,000,000
2013	Various Purpose	59,960,000	7-1-14/33	35,400,000
2014	Various Purpose	37,550,000	7-1-15/34	20,425,000
2015	Various Purpose	13,690,000	7-1-16/35	4,665,000
2016A	Refunding	20,475,000	7-1-17/27	15,465,000
2016B	Refunding	22,935,000	7-1-17/29	11,495,000
2016	Various Purpose	37,700,000	7-1-17/36	25,850,000
2017	Refunding	47,450,000	7-1-17/29	30,695,000
2017	Various Purpose	47,180,000	7-1-17/37	31,530,000
2018	Various Purpose	16,120,000	7-1-19/38	5,850,000
2019	Various Purpose	33,065,000	7-1-20/39	13,685,000
2020	Various Purpose	22,075,000	7-1-21/40	9,320,000
2020	Refunding	23,900,000	7-1-21/30	19,640,000
2021	Various Purpose	19,030,000	7-1-21/41	1,780,000
2021	Refunding	14,495,000	7-1-21/31	11,035,000
2022	Various Purpose	22,620,000	7-1-23/32	9,050,000
2023	Various Purpose	83,340,000	7-1-24/43	74,105,000
Total General Obligation Bonds Outstanding				\$335,990,000
Plus the Bonds				156,400,000*
Total General Obligation Bonds to Be Outstanding				<u>\$492,390,000*</u>

Utility Systems Revenue Bonds Outstanding City of Mesa, Arizona

Issue Series	Purpose	Original Amount	Maturity Date Range	Balance Outstanding
2007	Utility Improvement	65,550,000	7-1-23/31	\$ 2,215,000
2008	Utility Improvement	52,875,000	7-1-23/32	915,000
2009	WIFA Loans	3,758,810	7-1-10/29	826,505
2013	Utility Improvement	47,290,000	7-1-37	47,290,000
2014	Utility Improvement	36,385,000	7-1-37/38	36,385,000
2014	Refunding	102,945,000	7-1-18/30	78,550,000
2015	Utility Improvement	30,220,000	7-1-20/39	24,720,000
2016	Refunding	138,035,000	7-1-25/32	138,035,000
2016	Utility Improvement	90,500,000	7-1-20/40	85,125,000
2017	Refunding	75,435,000	7-1-23/28	70,185,000
2017	Utility Improvement	123,875,000	7-1-21/41	114,650,000
2018	Utility Improvement	112,120,000	7-1-19/42	94,120,000
2019A	Utility Improvement	93,825,000	7-1-20/43	78,825,000
2019B	Refunding	54,225,000	7-1-20/33	42,510,000
2019C	Refunding	79,335,000	7-1-20/35	62,185,000
2020	Utility Improvement	71,070,000	7-1-21/44	61,480,000
2020	Refunding	37,675,000	7-1-34	37,675,000
2021	Utility Improvement	34,685,000	7-1-22/45	28,895,000
2021	Refunding	44,870,000	7-1-35	44,870,000
Total Utility Systems Revenue Bonds Outstanding				<u>\$1,049,456,505</u>

* Subject to change.

**Utility Systems Revenue Obligations to be Outstanding
City of Mesa, Arizona**

Issue Series	Purpose	Original Amount	Maturity Date Range	Balance Outstanding
2021	Utility Improvement	\$ 14,015,000	7-1-23/45	\$12,015,000
2022A	Utility Improvement	54,705,000	7-1-29/46	54,705,000
2022B	Utility Improvement	16,075,000	7-1-23/28	10,645,000
2022C	Refunding	57,655,000	7-1-36	57,655,000
2023	Utility Improvement	193,710,000	7-1-24/48	188,955,000
Total Utility Systems Revenue Obligations Outstanding				\$323,975,000
Plus the 2025 Utility Obligations				277,740,000* (a)
Total Utility Systems Revenue Obligations to be Outstanding				<u>\$601,715,000*</u>

(a) The City expects to offer the 2025 Utility Obligations pursuant to a separate official statement.

**Street and Highway User Revenue Bonds Outstanding
City of Mesa, Arizona**

Issue Series	Purpose	Original Amount	Maturity Date Range	Balance Outstanding
2007	Street Improvements	\$10,675,000	7-1-23/27	\$ 1,000,000
2015	Refunding	17,555,000	7-1-24/27	17,540,000
Total Street and Highway User Revenue Bonds Outstanding				<u>\$18,540,000</u>

**Excise Tax Revenue Obligations Outstanding
City of Mesa, Arizona**

Issue Series	Purpose	Original Amount	Maturity Date Range	Balance Outstanding
Senior Obligations:				
2020	ASU Project	\$36,010,000	7-1-21/40	\$31,630,000
Subordinate Obligations:				
2012	Mesa Gateway Airport Authority	19,220,000	7-1-14/38	13,735,000
Total Excise Tax Revenue Obligations Outstanding				<u>\$45,365,000</u>

**Direct General Obligation Bonded Debt, Legal Limitation
And Unused General Obligation Bonding Capacity (a)
City of Mesa, Arizona**

The Arizona Constitution provides that the general obligation bonded indebtedness for a city for general municipal purposes may not exceed six percent of the Net Full Cash Assessed Value of the taxable property in that city. In addition, an incorporated city may become indebted in an amount not exceeding an additional twenty percent of the Net Full Cash Assessed Value of the city for supplying such city with water, artificial light, or sewers, when the works for supplying such water, light, or sewers are or shall be owned and controlled by the municipality, and for the acquisition and development by the city of land or interests therein for open space preserves, parks, playgrounds and recreational facilities, public safety, law enforcement, fire and emergency services facilities and streets and transportation facilities.

* Subject to change.

General Municipal Purpose Bonds

Total 6% General Obligation Bonding Capacity	\$ 598,237,507	
Less 6% Original Issue Premium	(1,134,000)	* (b)
Less 6% General Obligation Bonds Outstanding	(15,751,060)	*
Net 6% General Obligation Bonding Capacity	<u>\$ 581,352,447</u>	*

Streets and Public Safety Bonds

Total 20% General Obligation Bonding Capacity	\$1,994,125,026	
Less 20% Original Issue Premium	(24,106,000)	* (b)
Less 20% General Obligation Bonds Outstanding	(476,638,940)	*
Net 20% General Obligation Bonding Capacity	<u>\$1,493,380,086</u>	*

- (a) General obligation bonding capacity is calculated using the City's Fiscal Year 2024/25 Net Full Cash Assessed Value of \$9,970,625,133. Table includes the Bonds.
- (b) \$18,575,000* of this amount is premium on the Bonds and reduces (i) the borrowing capacity of the City under the Arizona Constitution and (ii) the principal amount of general obligation bonds authorized at elections held on November 6, 2018, November 3, 2020, November 8, 2022, and November 5, 2024. The City's borrowing capacity (but not authorization) will be recaptured as premium is amortized.

The City plans to amortize such premium as shown in the following table.

**Schedule of Original Issue Premium Amortization
For General Obligation Bonding Capacity**

Period Ending (July 1)	General Obligation Bonds, Series 2020	General Obligation Refunding Bonds, Series 2020	General Obligation Bonds, Series 2021	General Obligation Refunding Bonds, Series 2021	General Obligation Bonds, Series 2022	General Obligation Bonds, Series 2023	The Bonds*	Combined *
2025	\$ 10,000	\$ 270,000	\$ 5,000	\$ 170,000	\$ 60,000	\$ 380,000	\$ 270,000	\$ 1,165,000
2026	10,000	310,000	5,000	185,000	65,000	170,000	10,000	755,000
2027	10,000	345,000	5,000	205,000	65,000	180,000	10,000	820,000
2028	15,000	390,000	-	220,000	70,000	190,000	10,000	895,000
2029	15,000	430,000	-	240,000	75,000	200,000	90,000	1,050,000
2030	15,000	3,060,000	5,000	-	80,000	210,000	595,000	3,965,000
2031	15,000		5,000	1,400,000	80,000	220,000	750,000	2,470,000
2032	15,000		5,000		85,000	230,000	500,000	835,000
2033	15,000		5,000			240,000	375,000	635,000
2034	15,000		5,000			250,000	1,140,000	1,410,000
2035	15,000		5,000			265,000	1,150,000	1,435,000
2036	15,000		5,000			280,000	1,000,000	1,300,000
2037	15,000		5,000			290,000	1,025,000	1,335,000
2038	15,000		5,000			305,000	1,075,000	1,400,000
2039	15,000		5,000			320,000	930,000	1,270,000
2040	15,000		10,000			340,000	825,000	1,190,000
2041			10,000			355,000	675,000	1,040,000
2042			10,000			375,000	480,000	865,000
2043						390,000	265,000	655,000
2044							485,000	485,000
2045							265,000	265,000
Total	\$225,000	\$4,805,000	\$95,000	\$2,420,000	\$580,000	\$5,190,000	11,925,000	\$25,240,000

* Subject to change.

**Direct and Overlapping General Obligation Bonded Debt to be Outstanding
City of Mesa, Arizona**

Overlapping Jurisdiction	Portion Applicable to City of Mesa (a)		
	General Obligation Bonded Debt (b)	Approximate Percentage	Net Debt Amount
State of Arizona	None	5.535%	None
Maricopa County	None	8.392	None
Maricopa County Community College District	\$ 57,615,000	8.392	\$ 4,834,777
Maricopa County Special Health Care District	544,135,000	8.505	46,279,948
East Valley Institute of Technology District No. 401	None	17.280	None
Mesa Unified School District No. 4	211,485,000	86.461	182,852,631
Tempe Elementary School District No. 3	161,650,000	1.103	1,782,361
Tempe Union High School District No. 213	144,820,000	0.471	682,483
Gilbert Unified School District No. 41	108,900,000	29.369	31,983,097
Queen Creek Unified School District No. 95	103,600,000	42.307	43,829,851
Higley Unified School District No. 60	61,210,000	4.478	2,741,171
Eastmark Community Facilities District No. 1	54,870,000	100.000	54,870,000
Eastmark Community Facilities District No. 2	5,040,000	100.000	5,040,000
Cadence Community Facilities District	12,200,000	100.000	12,200,000
City of Mesa	492,390,000*	100.000	492,390,000
Total Direct and Overlapping General Obligation Bonded Debt to be Outstanding			<u>\$879,486,318</u>

* (c)

*

- (a) Proportion applicable to the City is computed on the ratio of Net Assessed Limited Property Value as calculated for Fiscal Year 2024/25 for the overlapping jurisdiction to the amount of such valuation which lies within the City.
- (b) Includes total general obligation bonds outstanding less redemption funds on hand. Does not include authorized but unissued general obligation bonds of such jurisdictions which may be issued in the future. Authorized but unissued amounts in the following table may be subject to additional reductions based on net premium amounts. Additional bonds may also be authorized by voters within overlapping jurisdictions pursuant to future elections.

Overlapping Jurisdiction	Authorized but Unissued
Tempe Elementary School District No. 3	\$277,565,000
Eastmark Community Facilities District No. 1	363,220,000
Eastmark Community Facilities District No. 2	64,205,000
Cadence Community Facilities District	30,954,024
City of Mesa	433,416,000*(d)

Also does not include the obligation of the Central Arizona Water Conservation District (“CAWCD”) to the United States Department of the Interior (the “Department of the Interior”), for repayment of certain capital costs for construction of the Central Arizona Project (“CAP”), a major reclamation project that has been substantially completed by the Department of the Interior. The obligation is evidenced by a master contract between CAWCD and the Department of the Interior. In April of 2003, the United States and CAWCD agreed to settle litigation over the amount of the construction cost repayment obligation, the amount of the respective obligations for payment of the operation, maintenance and replacement costs and the application of certain revenues and credits against such obligations and costs. Under the agreement, CAWCD’s obligation for substantially all of the CAP features that have been constructed so far will be set at \$1.646 billion, which amount assumes (but does not mandate) that the United States will acquire a total of 667,724 acre-feet of CAP water for federal purposes. The United States will complete unfinished CAP construction work related to the water supply system and regulatory storage stages of CAP at no additional cost to CAWCD. Of the \$1.646 billion repayment obligation, 73% will be interest bearing and the remaining 27% will be non-interest bearing. These percentages have been fixed for the entire 50-year repayment period, which commenced October 1, 1993. CAWCD is a multi-county water conservation district having boundaries coterminous with the exterior boundaries of Arizona’s Maricopa, Pima and Pinal Counties. It

* Subject to change.

was formed for the express purpose of paying administrative costs and expenses of the CAP and to assist in the repayment to the United States of the CAP capital costs. Repayment will be made from a combination of power revenues, subcontract revenues (i.e., agreements with municipal, industrial and agricultural water users for delivery of CAP water) and a tax levy against all taxable property within CAWCD's boundaries. At the date of this Official Statement, the tax levy is limited to 14 cents per \$100 of Net Assessed Limited Property Value, of which 14 cents is currently being levied. (See Arizona Revised Statutes, Sections 48-3715 and 48-3715.02.) There can be no assurance that such levy limit will not be increased or removed at any time during the life of the contract. Does not include the obligation of the Maricopa County Flood Control District (the "County Flood Control District") to contribute \$70 to \$80 million to the CAP. The County Flood Control District's sole source of revenue to pay the contribution will be ad valorem taxes on real property and improvements.

- (c) Includes the Bonds. Does not include the City's utility systems revenue bonds outstanding in the aggregate principal amount of \$1,049,456,505. Does not include the City's utility systems revenue obligations to be outstanding in the aggregate principal amount of \$601,715,000*. Does not include the City's street and highway user revenue bonds outstanding in the aggregate principal amount of \$18,540,000. Does not include the City's excise tax revenue obligations outstanding in the aggregate principal amount of \$45,365,000. Such excise tax revenue obligations are secured and payable from a pledge of the City's transaction privilege tax revenues and certain other General Fund revenues.
- (d) Net of the Bonds.

Source: The various entities.

Direct and Overlapping General Obligation Bonded Debt Ratios City of Mesa, Arizona

	Per Capita Bonded Debt Population at 524,892 (a)	As a Percentage of City's	
		2024/25 Net Assessed Limited Property Value	2024/25 Estimated Net Full Cash Value
Direct General Obligation Bonded Debt* (b)	\$ 938	10.06%	0.55%
Direct and Overlapping General Obligation Debt* (b)	1,676	17.97	0.98

(a) Estimate as of July 1, 2024 (published December 2024).

(b) Includes the Bonds.

Source: Arizona Department of Administration, Office of Employment and Population Statistics and *State and County 2024 Abstract of the Assessment Roll*, Arizona Department of Revenue.

Other Indebtedness City of Mesa, Arizona

The City has other obligations which are payable from various City funds, including purchase obligations and other contractual commitments. For additional information with respect to such obligations, please refer to Note 9 of the City's Audited General Purpose Financial Statements for the Fiscal Year Ended June 30, 2024, contained in APPENDIX D of this Official Statement.

Pensions and Other Post Employment Benefits City of Mesa, Arizona

All benefitted employees of the City are covered by one of three pension systems. The Arizona State Retirement System ("ASRS") is for the benefit of the employees of the state and certain other governmental jurisdictions. All benefitted City employees, except sworn fire and police personnel and the City Council, are included in the plan that is a multiple-employer cost-sharing defined benefit pension plan. All sworn fire and police personnel participate in the Public Safety Personnel Retirement System ("PSPRS") that is an agent multiple-employer defined benefit pension plan. The Mayor

* Subject to change.

and City Council contribute to the State’s Elected Officials Retirement Plan (“EORP”) that is also a multiple-employer cost-sharing pension plan. The EORP is not described herein because of its relative insignificance to the City’s financial statements.

In addition, eligible employees are covered by other post-employment benefit plans. All sworn fire and police personnel participate in the PSPRS that is an agent multiple employer defined benefit health insurance premium benefit (“OPEB”) plan. Eligible City employees also participate in the City’s defined benefit medical plan OPEB plan. Eligible City employees covered by Arizona State Retirement System also participate in the ASRS OPEB plan. The ASRS OPEB plan is not described below because of its relative insignificance to the financial statements.

At June 30, 2024, the City reported the following unfunded liabilities related to pensions and OPEB for all plans to which it contributes (in thousands):

Net Pension and OPEB Liabilities		
Plan	Governmental Activities	Business-Type Activities
ASRS	\$ 205,913	\$ 55,398
PSPRS-Fire	261,760	-
PSPRS-Police	498,380	-
OPEB-Police	11,501	-
City OPEB	831,324	83,224
Total (a)	<u>\$1,808,877</u>	<u>\$138,623</u>

(a) Totals may not add due to rounding.

For a more detailed description of these plans and the City contributions to the various plans, please refer to Note 16 of the City’s Audited General Purpose Financial Statements for the Fiscal Year Ended June 30, 2024, contained in APPENDIX D of this Official Statement.

PROPERTY TAXES

The City operated without a property tax from Fiscal Year 1944/45 to Fiscal Year 2008/09. The City began to impose a property tax in Fiscal Year 2009/10 for payment of a portion of the City’s outstanding general obligation bonds.

As described under the heading “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS,” the City will be required by law to levy or to cause to be levied on all the taxable property in the City a continuing, direct, annual, *ad valorem* property tax sufficient to pay all principal, interest, and costs of administration for the Bonds as the same become due. The State’s *ad valorem* property tax levy and collection procedures are summarized under this heading “PROPERTY TAXES.”

Taxable Property

Real property and improvements and personal property are either valued by the Assessor of the County or the Arizona Department of Revenue (the “Department of Revenue”). Property valued by the Assessor of the County is referred to as “locally assessed” property and generally encompasses residential, agricultural and traditional commercial and industrial property. Property valued by the Department of Revenue is referred to as “centrally valued” property and generally includes large mine and utility entities.

Locally assessed property is assigned two values: Full Cash Value and Limited Property Value (both as defined herein). Centrally valued property is assigned one value: Full Cash Value.

Full Cash Value

In the context of a specific property parcel, full cash value (“Full Cash Value”) is statutorily defined to mean “that value determined as prescribed by statute” or if no statutory method is prescribed it is “synonymous with market value which means that estimate of value that is derived annually by using standard appraisal methods and techniques,” which generally include the market approach, the cost approach and the income approach. In valuing locally assessed property, the Assessor of the County generally uses a cost approach to value commercial/industrial property and a market approach to value residential property. In valuing centrally valued property, the Department of Revenue begins generally with information provided by taxpayers and then applies procedures provided by State law. State law allows taxpayers to

appeal such Full Cash Values by providing evidence of a lower value, which may be based upon another valuation approach. Full Cash Value is used as the ceiling for determining Limited Property Value. Unlike Limited Property Value, increases in Full Cash Value are not limited.

Limited Property Value

In the context of a specific property parcel, limited property value (“Limited Property Value”) is a property value determined pursuant to the Arizona Constitution and the Arizona Revised Statutes. Except as described in the next sentence, for locally assessed property in existence in the prior year, Limited Property Value is limited to the lesser of Full Cash Value or an amount 5% greater than Limited Property Value determined for the prior year for such specific property parcel. In the following circumstances, Limited Property Value is established at a level or percentage of Full Cash Value that is comparable to that of other properties of the same or similar use or classification: property that was erroneously totally or partially omitted from the property tax rolls in the preceding tax year, except as a result of the matters described in this sentence; property for which a change in use has occurred since the preceding tax year and property that has been modified by construction, destruction, or demolition since the preceding valuation year such that the total value of the modification is equal to or greater than fifteen percent of the Full Cash Value. (Limited Property Value of property that has been split, subdivided, or consolidated varies depending on when the change occurred.) A separate Limited Property Value is not provided for centrally valued property.

Full Cash Value and Limited Property Value for Taxing Jurisdictions

The Full Cash Value in the context of a taxing jurisdiction is the sum of the Full Cash Value associated with each parcel of property in the jurisdiction. Full Cash Value of the jurisdiction is the basis for determining constitutional and statutory debt limits for certain political subdivisions in Arizona, including the City.

The Limited Property Value in the context of a taxing jurisdiction is the sum of the Limited Property Value associated with each parcel of locally assessed property within the jurisdiction plus the sum of the Full Cash Value associated with each parcel of centrally valued property within the jurisdiction. Limited Property Value of the jurisdiction is used as the basis for levying both primary and secondary taxes. See “Primary Taxes” and “Secondary Taxes” below.

Property Classification and Assessment Ratios

All property, both real and personal, is assigned a classification (defined by property use) and related assessment ratio that is multiplied by the Limited Property Value or Full Cash Value of the property, as applicable, to obtain the “Limited Assessed Property Value” and the “Full Cash Assessed Value,” respectively.

The assessment ratios for each property classification are set forth by tax year in the following table.

Property Tax Assessment Ratios (Tax Year)

Property Classification (a)	2021	2022	2023	2024	2025
Mining, Utility, Commercial and Industrial (b)	18.0%	17.5%	17.0%	16.5%	16.0%
Agricultural and Vacant Land	15.0	15.0	15.0	15.0	15.0
Owner Occupied Residential	10.0	10.0	10.0	10.0	10.0
Leased or Rented Residential	10.0	10.0	10.0	10.0	10.0
Railroad Private Car Company and Airline Flight Property (c)	15.0	15.0	14.0	14.0	13.0

- (a) Additional classes of property exist, but seldom amount to a significant portion of a municipal body’s total valuation.
- (b) The assessment ratio for this property classification will decrease to 15.5% for tax year 2026 and 15.0% for each tax year thereafter.
- (c) This percentage is determined annually pursuant to Arizona Revised Statutes, Section 42-15005.

Source: *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue.

Primary Taxes

Per State statute, taxes levied for the maintenance and operation of counties, cities, towns, school districts, community college districts and the State are “primary taxes.” Primary taxes are levied against Net Assessed Limited Property Value (as defined herein). “Net Assessed Limited Property Value” is determined by excluding the value of property exempt from taxation from Limited Assessed Property Value of locally assessed property and from Full Cash Assessed Value of centrally valued property and combining the resulting two amounts.

The primary taxes levied by each county, city, town and community college district are constitutionally limited to a maximum increase of 2% over the maximum allowable prior year’s levy limit plus any taxes on property not subject to taxation in the preceding year (e.g., new construction and property brought into the jurisdiction because of annexation). The 2% limitation does not apply to primary taxes levied on behalf of school districts.

The combined taxes on owner occupied residential property only, for purposes other than voter-approved bond indebtedness and overrides and certain special district assessments, are constitutionally limited to 1% of the Limited Property Value of such property.

Secondary Taxes

Per State statute, taxes levied for payment of bonds like the Bonds, voter-approved budget overrides, the maintenance and operation of special purpose districts such as sanitary, fire, road improvement and career technical education districts, and taxes levied by school districts for qualified desegregation expenditures are “secondary taxes.” Like primary taxes, secondary taxes are also levied against Net Assessed Limited Property Value. There is no constitutional or statutory limitation on annual levies for voter approved bond indebtedness and overrides and certain special district assessments.

“Net Full Cash Assessed Value” is determined by excluding the value of property exempt from taxation from Full Cash Assessed Value of both locally assessed and centrally valued property and combining the resulting two amounts. Net Full Cash Assessed Value is the basis for determining general obligation bonded debt limitations for certain political subdivisions in the State, including the City.

Tax Procedures

The State tax year has been defined as the calendar year, notwithstanding the fact that tax procedures begin prior to January 1 of the tax year and continue through May of the succeeding calendar year.

On or before the third Monday in August each year the Board of Supervisors of the County prepares the tax roll setting forth certain valuations by taxing district of all property in the County subject to taxation. The tax roll is then forwarded to the Treasurer of the County (the “Treasurer”). (The Assessor of the County is required to have completed the assessment roll by December 15th of the year prior to the levy. This roll identifies the valuation and classification of each parcel located within the County for the tax year.)

With the various budgetary procedures having been completed by the governmental entities, the appropriate tax rate for each jurisdiction is then levied upon each non-exempt parcel of property in order to determine the total tax owed by each property owner. Any subsequent decrease in the value of the tax roll due to appeals or other reasons reduces the amount of taxes received by each jurisdiction.

The property tax lien on real property attaches on January 1 of the year the tax is levied. Such lien is prior and superior to all other liens and encumbrances on the property subject to such tax except liens or encumbrances held by the State or liens for taxes accruing in any other years.

The State Legislature, from time to time, may change the manner in which taxes are levied, including changing the assessment ratios and property classifications. The City cannot determine whether any such measures will become law or how they might affect property tax collections for the City. However, removing or amending limits on the growth rate of Limited Property Value for locally assessed property would require further amendment to the State Constitution.

In 2021, the Arizona Court of Appeals ruled in *Qasimyar v. Maricopa County* that certain transitions between property classifications qualified as a “change in use” requiring recalculation of the limited property value of the affected properties. On April 5, 2024, the Treasurer of the County released estimated financial impacts to the various taxing jurisdictions. The Treasurer of the County also indicated that the refund process would begin in July 2024 and is expected to conclude in June 2025. The refunds will result in a reduction in cash from property tax revenue for the taxing

jurisdictions, including the City. The City's estimated reduction in property revenues is approximately \$2,049,213 (excluding additional interest at the current rate of 8%) per the Treasurer of the County. This amount is attributable to secondary property tax revenues which is used to pay debt service on general obligation bonds. The City will have sufficient funds on deposit to pay principal of and interest on its general obligation bonds on a timely basis even with the one-time reduction in secondary tax revenues as a result of the refunds, and as of the date of this Official Statement the City does not anticipate any material adverse financial or operation effect as a result of the refunds.

Delinquent Tax Procedures

The property taxes due the City are billed, along with State and other taxes, each September and are due and payable in two installments on October 1 and March 1 and become delinquent on November 1 and May 1, respectively. Delinquent taxes are subject to an interest penalty of 16% per annum prorated monthly as of the first day of the month. (Delinquent interest is waived if a taxpayer, delinquent as to the November 1 payment, pays the entire year's tax bill by December 31.) After the close of the tax collection period, the Treasurer prepares a delinquent property tax list and the property so listed is subject to a tax lien sale in February of the succeeding year. In the event that there is no purchaser for the tax lien at the sale, the tax lien is assigned to the State, and the property is reoffered for sale from time to time until such time as it is sold, subject to redemption, for an amount sufficient to cover all delinquent taxes.

After three years from the sale of the tax lien, the tax lien certificate holder may bring an action in a court of competent jurisdiction to foreclose the right of redemption and, if the delinquent taxes plus accrued interest are not paid by the owner of record or any entity having a right to redeem, a judgment is entered ordering the Treasurer to deliver a treasurer's deed to the certificate holder as prescribed by law.

Chapter 176, Laws of Arizona 2024 (commonly referred to by its original bill number as "SB 1431") revises the redemption and foreclosure process for tax lien certificate holders whereby a delinquent taxpayer may request an entry of judgment directing the sale of the property for excess proceeds. If a delinquent taxpayer requests an excess proceeds sale, and an entry of judgment is granted to direct such excess proceeds sale, a tax lien certificate holder's potential financial return on the subject tax lien eligible for foreclosure may decrease relative to the tax lien certificate holder's potential financial return on such tax lien prior to the enactment of SB 1431. Therefore, in connection with the new excess proceeds sale process instituted by SB 1431, it is reasonable to conclude that "tax sale investors" may be less willing to purchase tax liens. The effective date of SB 1431 is September 14, 2024. None of the City, Financial Advisor or the counsel or agents of either of them, are able to determine or predict what impact, if any, SB 1431 will have on property tax collections in the City.

In the event of bankruptcy of a taxpayer pursuant to the United States Bankruptcy Code (the "Bankruptcy Code"), the law is currently unsettled as to whether a lien can attach against the taxpayer's property for property taxes levied during the pendency of bankruptcy. Such taxes might constitute an unsecured and possibly non-interest bearing administrative expense payable only to the extent that the secured creditors of a taxpayer are oversecured, and then possibly only on the prorated basis with other allowed administrative claims. It cannot be determined, therefore, what adverse impact bankruptcy might have on the ability to collect *ad valorem* taxes on property of a taxpayer within the City. Proceeds to pay such taxes come only from the taxpayer or from a sale of the tax lien on delinquent property.

When a debtor files or is forced into bankruptcy, any act to obtain possession of the debtor's estate, any act to create or perfect any lien against the property of the debtor or any act to collect, assess or recover a claim against the debtor that arose before the commencement of the bankruptcy is stayed pursuant to the Bankruptcy Code. While the automatic stay of a bankruptcy court may not prevent the sale of tax liens against the real property of a bankrupt taxpayer, the judicial or administrative foreclosure of a tax lien against the real property of a debtor would be subject to the stay of bankruptcy court. It is reasonable to conclude that "tax sale investors" may be reluctant to purchase tax liens under such circumstances, and, therefore, the timeliness of the payment of post-bankruptcy petition tax collections becomes uncertain.

It cannot be determined what impact any deterioration of the financial conditions of any taxpayer, whether or not protection under the Bankruptcy Code is sought, may have on payment of or the secondary market for the Bonds. None of the City, Financial Advisor or their respective agents or consultants has undertaken any independent investigation of the operations and financial condition of any taxpayer, nor have they assumed responsibility for the same.

In the event the County is expressly enjoined or prohibited by law from collecting taxes due from any taxpayer, such as may result from the bankruptcy of a taxpayer, any resulting deficiency could be collected in subsequent tax years by adjusting the City's tax rate charged to non-bankrupt taxpayers during such subsequent tax years.

TAX RATES, VALUES AND TAX COLLECTIONS

Direct and Overlapping Assessed Values and Total Tax Rates Per \$100 Assessed Value

Overlapping Jurisdiction	2024/25 Net Assessed Limited Property Value	2024/25 Combined Tax Rate Per \$100 of Net Assessed Limited Property Value (a)(b)
State of Arizona	\$88,425,611,337	None
Maricopa County	58,328,686,358	\$1.1591
Maricopa County Community College District	58,328,686,358	1.1047
Maricopa County Fire District Assistance	58,328,686,358	0.0080 (c)
Maricopa County Flood Control District	53,876,587,196	0.1470 (d)
Maricopa County Special Health Care District	57,548,876,687	0.2665
Maricopa County Library District	58,328,686,358	0.0470
Central Arizona Water Conservation District	57,548,876,687	0.1400 (e)
East Valley Institute of Technology District	28,325,407,262	0.0500
Mesa Unified School District No. 4	4,064,865,288	6.5261
Tempe Elementary School District No. 3	2,026,991,042	4.0477
Tempe Union High School District No. 213	4,742,511,408	2.3628
Gilbert Unified School District No. 41	2,865,936,353	5.2795
Queen Creek Unified School District No. 95	1,111,471,558	6.5413
Higley Unified School District No. 60	1,024,175,873	5.8667
Eastmark Community Facilities District No. 1	188,429,569	2.8100
Eastmark Community Facilities District No. 2	13,970,224	2.6600
Cadence Community Facilities District	42,085,792	2.4400
City of Mesa	4,894,665,847	0.8582

- (a) Represents the combined tax rate includes the tax rate for debt service payments and the tax rate for all other purposes such as maintenance and operation and capital outlay.
- (b) All levies for library districts, hospital districts, fire districts, technology districts, water conservation districts and flood control districts are levied on the net full cash assessed value.
- (c) The County is mandated to levy a tax annually in support of fire districts in the County.
- (d) Does not include the personal property assessed valuation within the County.
- (e) Includes only the assessed valuation located within the County.

Source: *State and County 2024 Abstract of the Assessment Roll*, Arizona Department of Revenue and *Maricopa County 2024 Tax Levy*, Maricopa County – Finance Department.

Combined Total Tax Rates Per \$100 Assessed Value

There are 18 taxing jurisdictions which overlap the City's boundaries. The total overlapping property tax rate per \$100 of assessed value for property owners within the City ranges from \$9.0600 to \$13.1318.

Source: Maricopa County – Finance Department.

**Net Assessed Limited Property Value by Property Classification
City of Mesa, Arizona**

Set forth below is a breakdown of the City's Net Assessed Limited Property Value by property classification for the most recent five Fiscal Years such information is available.

Class	2020/21	2021/22	2022/23	2023/24	2024/25
Utilities, Commercial & Industrial	\$1,037,228,320	\$1,110,534,438	1,153,863,242	\$1,224,126,705	\$1,392,874,410
Agriculture and Vacant	81,934,953	80,930,826	87,141,358	97,719,921	102,455,522
Residential (Owner Occupied)	1,763,163,855	1,890,191,281	2,004,050,009	2,119,990,651	2,249,803,980
Residential (Rental)	836,375,958	889,782,304	964,177,339	1,047,271,253	1,117,028,983
Railroad	755,445	830,039	1,194,347	1,097,223	2,609,239
Residential Historic	16,434,450	17,572,452	22,995,114	26,383,374	29,274,881
Rented Residential Historic	103,874	114,261	114,521	119,406	125,377
Improvements	213,203	143,475	100,632	389,519	493,454
Total (a)	<u>\$3,736,210,059</u>	<u>\$3,990,099,076</u>	<u>\$4,233,636,562</u>	<u>\$4,517,098,052</u>	<u>\$4,894,665,847</u>

(a) Totals may not add due to rounding.

Source: *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue.

Comparative Net Assessed Limited Property Value Comparisons and Trends

Fiscal Year	City of Mesa	Maricopa County	State of Arizona
2024/25	\$4,894,665,847	\$58,328,686,358	\$88,425,611,337
2023/24	4,517,098,052	54,722,326,231	83,026,530,244
2022/23	4,233,636,562	51,575,018,185	78,405,598,978
2021/22	3,990,099,076	48,724,126,672	74,200,233,397
2020/21	3,736,210,059	45,704,969,813	69,914,507,682

Source: *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue.

**Estimated Net Full Cash Value (a)
City of Mesa, Arizona**

Fiscal Year	City of Mesa
2024/25	\$89,846,125,845 (b)
2023/24	72,316,478,822
2022/23	55,958,146,848
2021/22	51,311,123,782
2020/21	46,382,667,125
2019/20	41,894,491,557

(a) The City's estimated net full cash value approximates the total market value of all taxable property located within the City, less the estimated exempt property within the City as calculated by the Arizona Department of Revenue, Division of Property and Special Taxes.

(b) Full Cash Value of the property for Fiscal Year 2024/25 is \$99,690,275,413.

Net Assessed Limited Property Values of Major Taxpayers (a)(b)
City of Mesa, Arizona

Taxpayer (c)(d)	2024/25 Net Assessed Limited Property Value	As % of City's Total 2024/25 Net Assessed Limited Property Value
MPT OF MESA LLC	\$ 28,880,854	0.59%
SACHS RANCH CO LLCHURLEY LAND CO LLC	22,176,882	0.45
REDALE LLC	19,732,211	0.40
WAL-MART STORES INC	15,219,594	0.31
CSHV ELLIOT 202 LLC	14,365,081	0.29
CUBES AT MESA GATEWAY BUILDING C LLC	14,107,015	0.29
HUB AT 202 OWNCO LLC	11,862,660	0.24
HUGHES HELICOPTERS INC	11,789,671	0.24
COMMERCIAL METALS COMPANY	10,420,664	0.21
WHITESTONE VILLAGE SQUARE AT DANA PARK LLC	9,830,108	0.20
	\$158,384,740	3.24%

- (a) The City has not made an independent determination of the financial position of any of the City's major property taxpayers.
- (b) Indicates Net Assessed Limited Property Value utilizing current constitutional and statutory property valuation requirements.
- (c) Some of the major taxpayers are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information (collectively, the "Filings") may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the Filings can be obtained from the public reference section of the Commission at prescribed rates. In addition, the Filings may also be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005. The Filings may also be obtained through the internet on the Commission's EDGAR database at www.sec.gov.
- None of the City, Bond Counsel or Financial Advisor has examined the information set forth in the Filings for accuracy or completeness, nor have they assumed responsibility for the same.
- (d) See "SPECIAL NOTE" for a description of Salt River Project property value equivalent and voluntary contribution in lieu of property taxes.

Source: Maricopa County Assessor's Office.

SPECIAL NOTE: The assessed valuation of property owned by the Salt River Project Agricultural Improvement and Power District ("SRP") is not included in the assessed valuation of the City in the prior tables or in any other valuation information set forth in this Official Statement. Because of SRP's quasi-governmental nature, property owned by SRP is exempt from property taxation.

However, SRP may elect each year to make voluntary contributions in lieu of property taxes with respect to certain of its electrical facilities (the "SRP Electric Plant"). If SRP elects to make the in lieu contribution for the year, the Full Cash Value of the SRP Electric Plant and the in lieu contribution amount is determined in the same manner as the Full Cash Value and property taxes owed is determined for similar non-governmental public utility property, with certain special deductions.

If SRP elected not to make such contributions, the City would be required to contribute funds from other sources or levy an increased tax rate on all other taxable property to provide sufficient amounts to pay debt service on the Bonds. If after electing to make the in lieu contribution, SRP then failed to make the in lieu contribution when due, the Treasurer and the City have no recourse against the property of SRP and there may be a delay in the payment of that portion of the debt service on the Bonds that would have been paid by SRP's in lieu contribution.

Since 1964, when the in lieu contribution was originally authorized by the Arizona Revised Statutes, SRP has always made that election. The Fiscal Year 2024/25 in lieu Net Full Cash Assessed Value of SRP within the City is \$77,940,656 which represents approximately 1.5924% of the Net Assessed Limited Property Value in the City. SRP's total estimated contribution in lieu of property tax payments will be approximately \$668,887 for Fiscal Year 2024/25.

**Real and Secured Property Taxes Levied and Collected
City of Mesa, Arizona**

Prior to Fiscal Year 2009/10, the City had operated without a property tax levy since Fiscal Year 1944/45. Beginning in Fiscal Year 2009/10 the City imposed a property tax for payment of a portion of the City's outstanding general obligation bonds. The table below sets forth the City's tax collections since Fiscal Year 2019/20.

Fiscal Year	Tax Rate	City Tax Levy	Collected to June 30 of Initial Fiscal Year (a)		Cumulative Collection to December 31, 2024 (a)	
			Amount	% of Levy	Amount	% of Levy (b)
2024/25	\$0.8582	\$42,006,022		(c)	\$24,266,209	58.60%
2023/24	0.8582	39,046,647	\$37,874,301	97.00%	38,170,083	97.76
2022/23	0.9157	38,988,582	38,408,321	98.51	38,410,561	98.52
2021/22	1.1319	45,764,929	44,510,447	97.26	44,717,188	97.71
2020/21	1.1171	41,872,027	41,248,944	98.51	41,421,929	98.93
2019/20	1.1870	41,252,407	40,467,226	98.10	40,854,672	99.04

- (a) Taxes are collected by the Treasurer. Taxes in support of debt service are levied by the County Board of Supervisors as required by Arizona Revised Statutes. Delinquent taxes are subject to an interest and penalty charge of 16.00% per annum, which is prorated at a monthly rate of 1.33%. Interest and penalty collections for delinquent taxes are not included in the collection figures above but are deposited in the County General Fund.
- (b) Percentage of levy collected is calculated using the adjusted levy as of June 30 of the initial Fiscal Year or as of the query date, respectively.
- (c) Fiscal Year 2024/25 taxes in course of collection: first installment is due on October 1, 2024, and is delinquent on November 1, 2024; second installment is due on March 1, 2025, and is delinquent on May 1, 2025.

Source: Maricopa County Treasurer's Office.

**CITY OF MESA, ARIZONA
UTILITY SYSTEMS INFORMATION**

Electric System

The City Energy Resources Department's Electric Utility System ("Electric System") has been in operation since 1917. The Electric System's electric service area ("ESA") covers approximately five and a half square miles including the downtown business center of the City. As of Fiscal Year 2023/24 year end, the Electric System served a total of 18,154 customers comprised of 15,383 residential and 2,771 commercial and other customers. The system experienced a peak integrated hourly demand in calendar year 2024 of 86.25 megawatts ("MW"s) in July and Fiscal Year 2023/24 system energy requirements of 334,726 megawatt hours ("MWh") were metered at the Rogers Substation, the Electric System's point of supply.

During Fiscal Year 2023/24, the Electric System's power and transmission resource scheduling and utilization were managed through its participation in the Resources Management Services program ("RMS") administered by the Western Area Power Administration ("Western") of the United States Department of Energy. Western provided scheduling, dispatching and accounting functions and purchased supplemental power, as needed, on a monthly, daily and real-time basis. The RMS group consists of the active members of the City, Electrical District Number Two (ED-2), the Town of Fredonia, and Aha Macav Power Service. As part of the RMS group, Western pools these entities' loads and resources to achieve the benefits of diversity and greater economies of scale in purchased power transactions.

The Electric System is pursuing two specific types of solar projects: (1) a smaller, utility-connected solar project in the downtown Mesa area that would generally be 1,000kW or less per installation (a "Smaller Solar Project") and (2) a larger, utility scale solar project that would be located outside of the City's service territory (a "Larger Solar Project"). A Smaller Solar Project would make up a small portion of the Electric System's power supply portfolio accounting for approximately 0.5% of the annual energy for the Electric System for the first round of solar installations (a total of 806kW). A Larger Solar Project has the potential to capture economies of scale, such that the energy purchased from a project is anticipated to be less expensive than the current energy available through conventional market purchases (and thereby reducing the overall cost of electricity for the City's customers). The City Council has approved negotiations for a potential Larger Solar Project, but as of the date of this Official Statement, the City is unable to predict if such negotiations will result in the furtherance or completion of a Larger Solar Project.

The supply-side resource portfolio of the Electric System for Fiscal Year 2023/24 was comprised of long-term purchased power agreements and short-term seasonal and daily power market purchases. The Electric System contracts for long-term power based on the results of competitive requests for proposals, and the executed contracts from the proposal process are included in the table below. Additionally, as a member in RMS, the City has access to the wholesale power supply market and the ability to engage in *ad hoc*, short-term firm and non-firm transactions. Power supply resources for the Electric System as of February 2025 are as follows:

Electric Power Resources	Product	Delivery Point	Start Date	Expiration Dates	Maximum Contract MW	
					Summer	Winter
Western Area Power Administration:						
Parker-Davis Project	Hydro			Sep-2028	10.4	8
Colorado River Storage Project	Hydro			Sep-2057	4.3	3.4
BP Energy Company	6x16	WW500	Jun-2025	Sep-2026	15	0
Citigroup Energy Inc.	7x16	PPK	Jul-2025	Aug-2027	10	0
Constellation Energy Generation, LLC	7x16	WW500	Jul-2024	Aug-2025	5	0
Exelon Generation Company, LLC	7x24	WW500	Feb-2022	Dec-2025	10	10
Constellation Energy Generation, LLC	7x24	Mead	May-2024	Apr-2025	15	15
Constellation Energy Generation, LLC	7x24	Mead	May-2025	Apr-2028	15	15
Salt River Project Irrigation & Electrical District	Firm with RECs	PPK	Jan-2025	Dec-2034	16	14
Onyx Solar Group LLC	Solar	ESA	2022	2047	806 kW	806 kW
Onyx Solar Group LLC	Solar	ESA	2025	2050	2.8	2.8

The City's purchased power and energy resources are contractually transmitted over Western's Parker-Davis and Pacific-Intertie transmission systems. Beginning January 1, 2024, with Western's "One Transmission Rate" ("OTR") project, the City was able to reduce its transmission expenses substantially by rolling its point-to-point transmission resources (15 MW from West Wing 500 to Pinnacle Peak 230) into its Network Integrated Transmission Service resources which eliminated the capacity charges for the point-to-point resources (an annual savings of \$302,000). Power is then transmitted and distributed to the City's service area through associated distribution transformers and lines. As of February 2025, there were approximately 66 miles of overhead primary and approximately 108 miles of underground primary distribution lines that distribute power to the City's end-use customers.

The table below contains information with respect to the City's Electric System.

Current Electric System Fees and Charges (a)

Description of Electric Services	Fee/Charge (b) Fiscal Year 2023/24
Residential Electric Service = E1.1	
Monthly Bill Per Meter	
May 1 to October 31st	
Customer Charge	\$16.75
Usage Charge	
First 1200 kWh	\$0.05231 per kWh
> 1200 kWh	\$0.05027 per kWh
November 1 to April 30th	
Customer Charge	\$16.75
Usage Charge	
First 800 kWh	\$0.04317 per kWh
> 800 kWh	\$0.02502 per kWh
Energy Cost Adjustment Factor (c)	
Minimum	\$16.75
Non-Residential Service = E3.1	
Monthly Bill Per Meter	
May 1 to October 31st	
Customer Charge (d)	\$14.72
Demand Charge	
Generation	
First 50 kW	\$0.00 per kW
>50 kW	\$3.52 per kW
Distribution	
First 50 kW	\$0.00 per kW
>50 kW	\$0.3968 per kW
Energy Cost Adjustment Factor(b)	
Distribution	
First 15,000 kWh	\$0.06491 per kWh
15,001-75,000 kWh	\$0.04591 per kWh
>75,000 kWh	\$0.02901 per kWh
November 1 to April 30th	
Customer Charge (c)	\$14.72
Demand Charge	
Generation	
First 50 kW	\$0.00
>50 kW	\$3.20 per kW
Distribution	
First 50 kW	\$0.00
>50 kW	\$0.1150 per kW
Energy Cost Adjustment Factor (b)	
Distribution	
First 15,000 kWh	\$0.05375 per kWh
15,001-75,000 kWh	\$0.03916 per kWh
>75,000 kWh	\$0.02060 per kWh

(a) The information in this table reflects only certain basic fees and charges of the City's Electric System and is not a comprehensive statement of all such fees.

(b) The City may require special service agreements for consumers requiring large electric loads.

- (c) The Energy Cost Adjustment Factor is a monthly per kilowatt hours (“kWh”) charge that was implemented November 1, 2004, which allows for the full recovery of the costs of fuel and purchased power. The average Fiscal Year 2023/24 factor for residential was \$0.09570 per kWh and the average Fiscal Year 2023/24 factor for non-residential was \$0.08435 per kWh.
- (d) Monthly Customer Charge for single phase E3.1 customers. Monthly Customer Charge for three phase E3.1 customers is \$20.74.

The information above reflects only certain basic fees and charges of the City’s Electric System and is not a comprehensive statement of all such fees.

**Electric System Rate Changes
(2019 – 2025)**

Date	Rate Change
February 1, 2025	\$2.75 & \$5.00 (a)
February 1, 2024	\$2.25 & \$5.00 (b)
January 1, 2023	\$0.00
February 1, 2022	\$1.50 & \$2.50 (c)
January 1, 2021	\$1.00 (d)
August 1, 2020	\$1.00 (e)
August 1, 2019	\$0.00

- (a) For residential customers, the monthly fixed component of rates (Electric System Service Charge) was increased by \$2.75. For commercial customers, the monthly fixed component of rates was increased by \$5.00.
- (b) For residential customers, the monthly fixed component of rates (Electric System Service Charge) was increased by \$2.25. For commercial customers, the monthly fixed component of rates was increased by \$5.00.
- (c) For residential customers, the monthly fixed component of rates (Electric System Service Charge) was increased by \$1.50. For commercial customers, the monthly fixed component of rates was increased by \$2.50.
- (d) For residential and commercial customers, the monthly fixed component of rates (Electric System Service Charge) was increased by \$1.00.
- (e) For residential customers only, the monthly fixed component of rates (Electric System Service Charge) was increased by \$1.00.

**Electric System Customers
(Fiscal Years 2019/20 - 2023/24) (a)**

Fiscal Year	Residential Customers	Commercial Customers	Other Customers	Total Customers
2023/24	15,383	2,546	225	18,154
2022/23	15,082	2,546	223	17,851
2021/22	14,782	2,565	226	17,573
2020/21	14,778	2,517	224	17,519
2019/20	14,467	2,335	224	17,026

- (a) Electric System customers as of June 30 for each Fiscal Year or “Fiscal Year End” customers.

The following is a list of the ten largest Electric System customers in alphabetical order for Fiscal Year 2023/24.

Ten Largest Electric System Customers (a)

Bashas Market
Centurylink, Inc.
Ensemble Mesa Partners, LLC (Delta Marriott)
Epicurean Fine Food, Inc.
Mesa Arizona Temple
Mesa Cold Storage, Inc.
Mesa Public Schools
Rohrer Corporations
Valley Healing Group, Inc.
Valley Metro Rail

-
- (a) This represents an aggregation of all of the electric meters under each customer and so each entity may have multiple meters and/or locations. The City receives electric services from the Electric System and records the revenue as interdepartmental revenue.

The combined 2023/24 Electric System fees/charges for the top ten Electric System customers set forth above was \$4.0 million, constituting approximately 8% of the total 2023/24 Electric System operating revenue. No individual Electric System customer above constitutes more than 2% of the total 2023/24 Electric System operating revenue. Additionally, while the list above is representative of the top ten Electric System customers as of Fiscal Year 2023/24, customer consumption can fluctuate, among other things, with customer process changes, efficiency enhancement, changes to business practices and locations, and the weather. This can result in yearly shifts in the rankings of the specific customers. However, the City consistently uses budget forecasting methods to account for such variances.

The City also receives electric services from the Electric System and records the revenue as interdepartmental revenue. For Fiscal Year 2023/24, Electric System interdepartmental revenues were \$5.3 million. The City as a customer constitutes approximately 10% of the total 2023/24 Electric System operating revenue.

Natural Gas System

The City Energy Resources Department's Natural Gas Utility System ("Natural Gas System") has been in operation since 1917 and was ranked by the American Public Gas Association ("APGA") as of Fiscal Year 2023/24, as the 11th largest publicly-owned natural gas utility system in the United States in terms of customers served. The Natural Gas System's service territory is comprised of two major service areas: 1) the City Service Area ("CSA") of approximately 90 square miles within the City limits; and 2) the Magma Service Area ("MSA"), a 236 square mile system located southeast of the City in Pinal County, Arizona. As of Fiscal Year 2023/24 year end, the City's combined Natural Gas System operated 1,521 miles of distribution mains and served approximately 77,050 total customers comprised of 74,382 residential and 2,668 commercial and other customers.

The City's Natural Gas System's natural gas supplies and associated contracts have been structured to fulfill not only existing system requirements but anticipate system growth and peak needs of that growth. During Fiscal Year 2023/24, the Natural Gas System's natural gas supplies were provided by BP Energy Company ("BP"), ConocoPhillips ("COP"), and Tenaska ("TMV"). The natural gas supplies provided by BP, COP, and TMV came from both the San Juan Basin in New Mexico and the Permian Basin in West Texas through five separate contracts.

The natural gas was transported via a major pipeline system owned and operated by El Paso Natural Gas Company LLC, a Kinder Morgan company ("EPNG"). EPNG provided the transport service under the terms and conditions of Transportation Service Agreements ("TSA") No. FT2AF000 and No. FT2AE000 that were effective February 1, 2013. During Fiscal Year 2013/14, TSA No. FT2AE000 was extended for 10 years effective July 1, 2014, given that it was due to expire June 30, 2014; In 2018, TSA No. FT2AE000 was amended, and an additional year was added to the contract term. TSA No. FT2AF000 continues on an "evergreen" year-to-year basis. Additionally, in early 2025, the City executed TSA No. 62138-FT1EPNG. The TSAs provide the City's Natural Gas System with the ability to transport its total, daily natural gas supplies to the current five (5) Natural Gas System-owned gate stations located in both the CSA and MSA. Additionally, the City has begun construction on a sixth gate station in the MSA which will also supply gas transported via EPNG that is anticipated to be complete this year and the City is expanding the Clausen Gate station to accommodate additional capacity from the newest TSA. Although transmission is anticipated to be adequate to accommodate normal

growth in the Natural Gas System, constraints on interstate and regional transmission have been identified as potential limiting factors.

For Fiscal Year 2023/24, the Natural Gas System experienced a total coincident hourly system peak demand of 1,139 dekatherms per hour (“DTh/hr”) on January 9th, 2024 in the CSA and a peak demand of 711 DTh/hr on January 9th, 2024 in the MSA. Total natural gas supply deliveries at the Natural Gas System’s gate stations during Fiscal Year 2023/24 were 3,886,389 dekatherms (“DTh”). Facilities and distribution infrastructure necessary to provide service to the majority of the CSA has been completed with the exception of infill projects. Continued growth of the Natural Gas System, especially in the MSA will require the extension of distribution mainlines and associated infrastructure in order to serve developing residential and commercial areas.

The following tables provide information with respect to the City's Natural Gas System.

Current Natural Gas System Fees and Charges (a)

Description of Natural Gas Services	Fee/Charge Fiscal Year 2023/24
City Service Area Residential Gas Service = G1.1	
May 1st through October 31st	
Gas System Service Charge	\$17.31
First 25 Therms	\$0.7019 / therm
All Additional Therms	\$0.3201 / therm
Natural Gas Supply Cost Adjustment (b)	
November 1st through April 30th	
Gas System Service Charge	\$20.24
First 25 Therms	\$0.7019 / therm
All Additional Therms	\$0.7019 / therm
Natural Gas Supply Cost Adjustment (a)	
City Service Area General Gas Service = G3.1	
May 1st through October 31st	
Monthly Service Charge	\$41.66
First 1500 Therms	\$0.5439 / therm
All Additional Therms	\$0.3493 / therm
Natural Gas Supply Cost Adjustment (a)	
November 1st through April 30th	
Monthly Service Charge	\$51.34
First 1500 Therms	\$0.5891 / therm
All Additional Therms	\$0.5046 / therm
Natural Gas Supply Cost Adjustment (a)	
Magma Service Area Residential Gas Service = GM1.1	
May 1st through October 31st	
Gas System Service Charge	\$18.30
First 25 Therms	\$0.7739 / therm
All Additional Therms	\$0.3529 / therm
Natural Gas Supply Cost Adjustment (a)	
November 1st through April 30th	
Gas System Service Charge	\$21.54
First 25 Therms	\$0.7739 / therm
All Additional Therms	\$0.7740 / therm
Natural Gas Supply Cost Adjustment (a)	
Magma Service Area General Gas Service = GM3.1	
May 1st through October 31st	
Monthly Service Charge	\$48.48
First 1500 Therms	\$0.6719 / therm
All Additional Therms	\$0.4314 / therm
Natural Gas Supply Cost Adjustment (a)	
November 1st through April 30th	
Monthly Service Charge	\$60.41
First 1500 Therms	\$0.7274 / therm
All Additional Therms	\$0.6232 / therm
Natural Gas Supply Cost Adjustment (a)	

- (a) The information in this table reflects only certain basic fees and charges of the City's Natural Gas System and is not a comprehensive statement of all such fees.
- (b) The Natural Gas Supply Cost Adjustment allows for the full recovery of the cost of natural gas. It is a monthly per billed therm charge. The average factor for Fiscal Year 2023/24 for residential and general service was \$0.34263 per therm.

**Natural Gas System Rate Changes
(2019-2025)**

Date	Rate Changes
March 1, 2025	\$0.00 & 3.00 (a)
February 1, 2024	\$0.75 & \$2.00 (b)
January 1, 2023	\$0.75 & \$2.00 (c)
February 1, 2022	\$0.50 (d)
January 1, 2021	\$0.25 & \$2.00 (e)
August 1, 2020	\$0.75 & \$2.00 (f)
August 1, 2019	\$0.00

- (a) The increase in the monthly fixed component of rates (Service Charge) affected non-residential customers (\$3.00).
- (b) The increase in the monthly fixed component of rates (Service Charge) affected both residential (\$0.75) and non-residential customers (\$2.00).
- (c) The increase in the monthly fixed component of rates (Service Charge) affected both residential (\$0.75) and non-residential customers (\$2.00).
- (d) The increase in the monthly fixed component of rates (Service Charge) affected only residential customers.
- (e) The increase in the monthly fixed component of rates (Service Charge) affected both residential (\$0.25) and non-residential customers (\$2.00).
- (f) The increase in the monthly fixed component of rates (Service Charge) affected both residential (\$0.75) and non-residential customers (\$2.00).

**Natural Gas System Customers
(Fiscal Years 2019/20 - 2023/24) (a)**

Fiscal Year	Residential Customers	Commercial Customers	Other Customers	Total Customers
2023/24	74,382	2,431	237	77,050
2022/23	71,725	2,394	236	74,355
2021/22	69,595	2,353	234	72,182
2020/21	67,718	2,331	232	70,281
2019/20	66,061	2,338	225	68,624

- (a) Natural Gas System customers as of June 30 for each Fiscal Year or “Fiscal Year End” customers.

The following is a list of the ten largest Natural Gas System customers in alphabetical order for Fiscal Year 2023/24.

Ten Largest Natural Gas System Customers (a)

Arizona Corrugated Container
Banner Corporate Center - Mesa
Commercial Metals Company
Dexcom, Inc.
Mesa Organic Baking Company, Inc.
Mesa Public Schools
Pacific Standard Specialties, Inc.
Regional Public Transit Authority
The Boeing Company
Waste Management of Arizona, Inc.

- (a) This represents an aggregation of all of the gas meters under each customer and so each entity may have multiple meters and/or locations. The City receives gas services from the Natural Gas System and records the revenue as interdepartmental revenue.

The combined Fiscal Year 2023/24 Natural Gas System fees/charges for the top ten Natural Gas System customers set forth above was \$6.0 million, constituting approximately 8% of the total Fiscal Year 2023/24 Natural Gas System operating revenue. No individual Natural Gas System customer constitutes more than 2% of the total Fiscal Year 2023/24 Natural Gas System operating revenue. Additionally, while the list above is representative of the top ten Natural Gas System customers as of Fiscal Year 2023/24, customer consumption can fluctuate, among other things, with customer process changes, efficiency enhancement, changes to business practices and locations and the weather. This can result in yearly shifts in the rankings of the specific customers. However, the City consistently uses conservative budget forecasting methods to account for such variances.

The City receives gas services from the Natural Gas System and records the revenue as interdepartmental revenue. For Fiscal Year 2023/24 Natural Gas System interdepartmental revenues for the City were \$0.9 million.

Water System

The water utility system of the City (the “Water System”) serves a population of over 521,604 residing within a 170 square mile area. The Water System currently consists of approximately 160,456 residential, commercial and other connections. The City is well positioned to provide reliable delivery of quality water to meet current and future demands.

Water is provided from three general sources: the Salt and Verde River system, the Colorado River via the Central Arizona Project (“CAP”) canal, and groundwater wells. In addition, the City has rights to stored groundwater in an amount equal to approximately five times its annual demand to mitigate future drought. The City is currently designated with a 100-Year Assured Water Supply by the Arizona Department of Water Resources. The City has adequate supplies for normal growth and has worked hard to provide current and future availability of water supplies for normal and drought conditions. The City has also adopted regulations which require new large water users to acquire additional supplies to accommodate their consumption.

Surface water from the Salt and Verde Rivers is treated at the Val Vista Water Treatment Plant. The plant is jointly owned by the City and the City of Phoenix (“Phoenix”). Currently, the plant has a treatment capacity of 220 million gallons per day (“mgd”), of which the City owns 90 mgd. The plant produces approximately 39% of the water delivered by the City.

Colorado River water is delivered to the City via the CAP Canal. The water is treated at the Brown Road Water Treatment Plant (“BRWTP”) and the Signal Butte Water Treatment Plant (“SBWTP”). Currently the BRWTP has a treatment capacity of 72 mgd and produces approximately 41% of the City’s water. SBWTP has a treatment capacity of 24 mgd and produces approximately 16% of the City’s water. The SBWTP Phase II Expansion project is currently underway, and construction is expected to be completed by February 2027. This expansion project will increase treatment capacity from 24 to 48 mgd and add 8 million gallons of storage.

Groundwater wells produce the remaining 4% of the water delivered by the City on an average day. The City currently has 35 active groundwater wells with a pumping capacity of approximately 87 mgd. The continued development of new wells provides water supplies for future growth, but more importantly, provides redundancy in case of drought, scheduled maintenance of surface water canals, or operational issues within the surface water system.

In addition to the plants and wells outlined above, the City has 19 reservoirs and other storage facilities in the Water System service area capable of holding 109 million gallons of treated water. The City has approximately 2,637 miles of water distribution mains. A backflow prevention program has been implemented to protect the quality of the drinking water from possible sources of contamination. The total current production capacity of the Water System is approximately 273 mgd. The record peak demand day occurred in 2005 and amounted to approximately 138 million gallons of water delivered. The average demand in calendar year 2024 was 88 mgd, with a peak day of 124 million gallons.

The City is actively involved in promoting water conservation. As public education plays a large role in conservation, the City makes available a variety of free publications, participates in community and business sponsored events, maintains a speaker’s bureau, and sponsors a youth education program. The City has also instituted a rebate program for low water use landscaping, and has generally incorporated an inclining block rate structure to encourage water conservation.

The City’s water master plan was last updated in 2018. An update to the water master plan is currently underway and is expected to be completed in 2025.

Notwithstanding the foregoing, while the multiple sources of supply available to the City along with the various plants, wells, reservoirs and other facilities may help to mitigate risk, future water availability, drought, flooding, environmental

conditions and other climate related conditions in Arizona and the other Colorado River Basin states are unpredictable and subject to change. For example, since January 2022, Arizona has operated under a drought contingency plan and has received a reduction to its deliveries of Colorado River water. Additional reductions may result from the 2026 re-consultation on the Colorado River by the Bureau of Reclamation and Colorado River Basin States. The impacts associated with climate and natural disasters and other “force majeure” events on the City cannot be predicted, but could be significant.

The Lead and Copper Rule Revisions, announced by the EPA in November 2023, require water systems to prepare and maintain an inventory of service line materials. Initial inventories were required to be submitted to state primacy agencies by October 16, 2024.

Water Quality staff reviewed records and performed field verifications along the customer service lines and the City (public) side to determine service line material. Data for 170,966 service lines were uploaded into the 120 Water database in compliance with the October 16, 2024 initial inventory deadline.

Remaining inventory includes 7,715 unverified service lines (4,984 residential unknown service lines). The City has not identified any lead service line materials and records indicate that there is no lead in the Water System.

The Water System is in full compliance with the Lead and Copper Rule promulgated by the EPA that limits the concentration of lead and copper allowed in the drinking water at the consumer’s tap. The rule also limits the permissible amount of pipe corrosion occurring due to the water itself. The City completed required triennial monitoring in 2024.

The fifth Unregulated Contaminant Monitoring Rule (“UCMR5”) requires monitoring of the drinking water entry points of public water systems for 29 selected per- and poly-fluoroalkyl substances (“PFAS”). The City monitoring is expected to be completed in November 2025. Monitoring results to date comply with the final PFAS National Primary Drinking Water Regulation (“NPDWR”) contaminant levels in the published rule. The City intends to utilize the UCMR5 monitoring data to satisfy some of the initial monitoring requirements of the PFAS NPDWR rule.

The following tables provide information with respect to the City’s Water System.

Current Water System Fees and Charges (a)

Description of Water System Services	Fees/Charges Fiscal Year 2023/24
Monthly Minimum Bill-All Classes, All Zones*	
3/4 Inch	\$30.93
1 Inch	\$34.65
1 1/2 Inch	\$48.50
2 Inches	\$63.62
3 Inches	\$126.00
4 Inches	\$199.57
6 Inches	\$382.19
8 Inches	\$565.97
10 Inches	\$766.75
*Includes the first 3,000 gallons of water as a minimum charge for capacity availability	
Monthly Volume Charge - Residential	
First 7,000 Gallons of Water	\$3.51/1,000 Gallons
Next 8,000 Gallons of Water	\$5.30/1,000 Gallons
Next 9,000 Gallons of Water	\$6.43/1,000 Gallons
Additional Usage	\$7.18/1,000 Gallons

(a) The information in this table reflects only certain basic fees and charges of the City’s Water System and is not a comprehensive statement of all such fees.

**Water System Rate Changes
(2019-2025)**

Date	Rate Change
February 1, 2025	4.00%
February 1, 2024	3.00
January 1, 2023	2.75
February 1, 2022	2.50
January 1, 2021	1.50
July 1, 2020	0.00
July 1, 2019	0.00

**Water System Customers
(Fiscal Years 2019/20 - 2023/24) (a)**

Fiscal Year	Residential Customers	Commercial Customers	Multi-Unit Customers	Total Customers
2023/24	141,556	11,929	4,861	158,346
2022/23	140,104	12,414	4,697	157,215
2021/22	139,209	12,067	4,663	155,939
2020/21	137,538	11,330	4,615	153,483
2019/20	136,045	11,106	4,619	151,770

(a) Water System customers as of June 30 for each Fiscal Year or “Fiscal Year End” customers.

The following is a list of the ten largest Water System customers in in alphabetical order for Fiscal Year 2023/24.

Ten Largest Water System Customers

Banner Corporate Center - Mesa
Cadence Homeowners Association
Cal-Am, Inc.
Commercial Metal Company
Eastmark Residential Association
Gilbert Public Schools
Mesa Public Schools
Niagara Bottling, LLC
Platypus Development, LLC
The Church of Jesus Christ of Latter-Day Saints

The combined Fiscal year 2023/24 Water System fees/charges for the top ten Water System customers set forth above was \$10.3 million constituting approximately 5% of the total Fiscal Year 2023/24 Water System operating revenue. Additionally, while the list above is representative of the top ten Water System customers as of Fiscal Year 2023/24, customer consumption can fluctuate, among other things, with customer process changes, efficiency enhancement, changes to business practices and locations and the weather. This can result in yearly shifts in the rankings of the specific customers. However, the City consistently uses budget forecasting methods to account for such variances.

The City also receives water services from the Water System and records the revenue as interdepartmental revenue. For Fiscal Year 2023/24 Water System interdepartmental revenues for the City were \$4.7 million.

Wastewater System

The City’s wastewater collection system (the “Wastewater System”) currently serves approximately 136,444 connections.

The Phoenix-operated 91st Avenue Wastewater Treatment Plant (“WWTP”), which is jointly owned by the City, Phoenix, and three other nearby municipalities within the Sub-Regional Operating Group (“SROG”), currently has a 205 mgd capacity. The City’s share of that amount is approximately 29 mgd.

The City's Northwest Water Reclamation Plant ("NWWRP") currently has a treatment capacity of 18 mgd. Reclaimed water from the NWWRP is currently primarily delivered to the Granite Reef Underground Storage Project where it is stored to meet future potable water demands. The NWWRP also has solids treatment processing capabilities.

The Southeast Water Reclamation Plant ("SEWRP") serves the northeastern part of the City and has a plant liquids handling capacity of 8 mgd. Bio-solids from the SEWRP are sent to the Phoenix-operated 91st Avenue Wastewater Treatment Plant ("WWTP") for further processing. Substantial components of this facility are nearing the end of useful service, and it is being carefully reviewed by the City with respect to future operations.

The Greenfield Water Reclamation Plant ("GWRP") is a regional plant operated by the City, and co-owned with the Towns of Gilbert and Queen Creek. The GWRP serves the southeast portion of the City and a segment of the northeast portion of the City. The GWRP liquids treatments capacity is currently 30 mgd of which the City of Mesa owns 14 mgd and has a bio-solids processing capacity of 38 mgd of which the City owns 22 mgd.

Reclaimed water from the SEWRP and the GWRP is delivered to the Gila River Indian Community (the "Community") for agricultural use as part of a contractual water exchange. Through this exchange, the City receives four acre-feet of CAP water for delivery by its potable system for every five acre-feet of reclaimed water that is delivered to the Community. The Central Mesa Reuse Pipeline ("CMRP") project will allow reclaimed water from the City's NWWRP to be delivered to the Community. This project, expected to be completed by early 2026, will improve upon the existing contractual water exchange and enhance the City's CAP water portfolio. Moreover, this project will provide for additional redundancy in case of drought, and further support future customer demand and economic development in southeast Mesa. Upon completion of the CMRP, the City anticipates the ability to deliver up to 10,000 additional acre-feet of effluent in return for CAP water.

In addition to the various treatment facilities outlined above, the City has approximately 1,849 miles of sewer mains, 14 lift stations, 21 odor control stations, 8 metering stations, and 31 diversion structures in its wastewater collection system. In addition, the City is part owner in the Baseline/Southern Interceptors, and the Salt River Outfall interceptor mains that convey wastewater to the 91st Avenue WWTP. The City's Wastewater System master plan was last updated in 2018. An update to the wastewater master plan is currently underway and is expected to be completed in 2025.

The City's Wastewater System and current agreements allow for a treatment capacity of approximately 60 mgd. The average during calendar year 2024 was 30.71 mgd, with a peak day of 42.84 million gallons.

The Wastewater System is authorized to discharge treated domestic wastewater from the three reclamation plants. Water System staff monitor discharges as specified in five Aquifer Protection Permits ("APP"), three Arizona Pollutant Discharge Elimination System ("AZPDES") Permits, and one National Pollutant Discharge Elimination System ("NPDES") Permit. Each month, 1,564 parameters are tested and reported to meet compliance for the APPs, AZPDES and NPDES permits. In addition, each water reclamation plant is monitored for compliance with air quality permits. Regular evaluations and recommendations are performed to ensure continued compliance with applicable environmental regulations.

The following tables provide information with respect to the City's Wastewater System.

Current Wastewater System Fees and Charges (a)

Description of Wastewater System Services	Fee/Charge Fiscal Year 2023/24
Residential Sewer Service - Inside City	
Monthly Bill	
Service Charge	\$22.43
User Charge Component (average winter water consumption)	\$1.83/ 1,000 gallons
Capital Related Component (average winter water consumption in excess of 5,000 gallons)	\$3.33/ 1,000 gallons
General Commercial Sewer Service - Inside City	
Monthly Bill	
Service Charge	\$24.54
User Charge Component (all water used)	\$1.96/ 1,000 gallons
Capital Related Component (all water used in excess of 5,000 gallons)	\$3.53/ 1,000 gallons
Multi-Unit Dwelling Sewer Service - Inside City	
Monthly Bill	
Service Charge	\$24.54
User Charge Component (all water used)	\$1.96/ 1,000 gallons
Capital Related Component (all water used in excess of 5,000 gallons)	\$3.53/ 1,000 gallons

(a) The information in this table reflects only certain basic fees and charges of the City's Wastewater System and is not a comprehensive statement of all such fees.

**Wastewater System Rate Changes
(2019-2025)**

Date	Rate Change
February 1, 2025	7.50%
February 1, 2024	4.75
January 1, 2023	4.25
February 1, 2022	3.00
January 1, 2021	3.50
July 1, 2020	0.00
July 1, 2019	0.00

**Wastewater System Customers
(Fiscal Years 2019/20 - 2023/24) (a)**

Fiscal Year	Residential Customers	Commercial Customers	Multi-Unit Customers	Industrial Customers	Other Customers	Total Customers
2023/24	132,120	5,644	4,561	0	608	142,933
2022/23	130,345	5,492	4,562	0	609	141,008
2021/22	129,279	5,427	4,533	0	608	139,847
2020/21	127,376	5,331	4,481	0	510	137,698
2019/20	125,645	5,248	4,478	0	598	135,969

(a) Wastewater System customers as of June 30 for each Fiscal Year or "Fiscal Year End" customers.

Ten Largest Wastewater System Customers

Arizona State University - East
Banner Corporate Center - Mesa
Cal-Am Properties, Inc.
Casa Fiesta Tempe Limited Partnership
Fry's Food Stores
International Rectifier EPI Services
Mesa Public Schools
MHC Viewpoint, LLC
Niagara Bottling, LLC
Town of Gilbert

The combined Fiscal Year 2023/24 Wastewater System fees/charges for the top ten Wastewater System customers set forth above was \$5.3 million constituting approximately 5% of the total Fiscal Year 2023/24 Wastewater System operating revenue. Additionally, while the list above is representative of the top ten Wastewater System customers as of Fiscal Year 2023/24, customer consumption can fluctuate, among other things, with customer process changes, efficiency enhancement and changes to business practices and locations. This can result in yearly shifts in the rankings of the specific customers. However, the City consistently uses budget forecasting methods to account for such variances.

The City receives wastewater services from the Wastewater System and records the revenue as interdepartmental revenue. For Fiscal Year 2023/24 Wastewater System interdepartmental revenues for the City were \$0.4 million.

Solid Waste System

The City's solid waste system (the "Solid Waste System") is the exclusive provider of solid waste collection services to single family residences located within the City. Standard residential solid waste service includes once per week collection of trash. The residential Solid Waste System currently consists of approximately 139,477 customers. The City continues to operate a permanent Household Hazardous Materials (HHM) facility.

The City competes with private solid waste hauler and collection services for commercial customers within the City. The City commercial program has approximately 2,215 customers. The City also provides roll off services to both residential and commercial customers and serves approximately 1,079 customers.

The City has agreements with multiple vendors that operate landfills, transfer stations and recycling centers for the disposal of solid waste and processing of recyclable materials. The City completes a procurement process in connection with the agreements with such vendors to ensure contracted vendors have sufficient disposal capacity to support City demand. The City additionally completes studies and forecasts to determine long-term planning objectives with respect to safe, appropriately permitted, and reliable landfill capacity in future years. These additional facilities allow the City to reduce its overall operating costs, and the facilities meet all Federal Subtitle D requirements.

The information in the following tables above reflects only certain basic fees and charges of the City's Solid Waste System and is not a comprehensive statement of all such fees.

Current Solid Waste System Fees and Charges

Residential Solid Waste System Monthly Billing (Fiscal Year 2023/24)

Rates Applicable Per Dwelling Unit (4 or Less Residential Units Per Structure)

R1.2, R1.2A, R1.2B, R1.21, R1.22, R1.23, R1.28

Rate R1.2*:	\$31.44 per dwelling unit for once per week 90 gallon trash barrel and recycling barrel collection.
Rate R1.2A*:	\$28.06 per dwelling unit for once per week 60 gallon trash barrel and recycling barrel collection.
Rate R1.2B*:	\$26.44 per dwelling unit for once per week 35 gallon trash barrel and recycling barrel collection.
Rate R1.21:	\$14.84 per additional 90 gallon trash barrel collected on the same day as the first trash barrel. Service will be billed for a minimum of six months. This rate is only eligible for R1.2, R1.24 and R1.29 customers.
Rate R1.22:	\$14.84 per additional 60 gallon trash barrel collected on the same day as the first trash barrel. Service will be billed for a minimum of six months.
Rate R1.23:	\$33.73 for the first 90 gallon trash barrel in addition to the R1.2 or R1.24 rate for twice per week trash collection. A \$14.99 service fee applies to each additional barrel that is serviced twice per week.
Rate R1.28:	\$7.43 per 90 gallon green waste barrel collected once per week in conjunction with City of Mesa trash service. Service will be billed for a minimum of six months.

* An \$0.96 per billing cycle Mesa Green and Clean fee will be assessed to each dwelling unit.

Rates Applicable Per Dwelling Unit (5 or More Residential Units Per Structure)

R1.21, R1.22, R1.23, R1.24, R1.25, R1.28

Rate R1.24*:	\$28.06 per dwelling unit for a multi-unit structure with five or more residential units for once per week 90 gallon trash barrel and recycling barrel collection when the water account servicing the units is active with one bill payee.
Rate R1.25*:	\$28.06 per dwelling unit for a multi-unit structure with five or more residential units for once per week 60 gallon trash barrel and recycling barrel collection when the water account servicing the units is active with one bill payee.
Rate R1.21:	\$14.84 per additional 90 gallon trash barrel collected on the same day as the first trash barrel. Service will be billed for a minimum of six months. This rate is only eligible for R1.2, R1.24 and R1.29 customers.
Rate R1.22:	\$14.84 per additional 60 gallon trash barrel collected on the same day as the first trash barrel. Service will be billed for a minimum of six months.
Rate R1.23:	\$33.73 for the first 90 gallon trash barrel in addition to the R1.2 or R1.24 rate for twice per week trash collection. A \$14.99 service fee applies to each additional barrel that is serviced twice per week.
Rate R1.28:	\$7.43 per 90 gallon green waste barrel collected once per week in conjunction with City of Mesa trash service. Service will be billed for a minimum of six months.

* An \$0.96 per billing cycle Mesa Green and Clean fee will be assessed to each dwelling unit.

Rates Applicable Per Dwelling Unit (Every Other Week Recycling)

R1.28, R1.29, R2.9A, R2.9B

Rate R1.29*:	\$30.42 per dwelling unit for once per week 90 gallon trash barrel collection and every other week recycling barrel collection.**
Rate R2.9A*:	\$27.02 per dwelling unit for once per week 60 gallon trash barrel collection and every other week recycling barrel collection.**
Rate R2.9B*:	\$25.43 per dwelling unit for once per week 35 gallon trash barrel collection and every other week recycling barrel collection.**
Rate R1.28:	\$7.43 per 90 gallon green waste barrel collected once per week in conjunction with City of Mesa trash service. Service will be billed for a minimum of six months.

* A \$0.96 per billing cycle Mesa Green and Clean fee will be assessed to each dwelling unit. Service will be billed for a minimum of six months.

** Applicability subject to approval of the Solid Waste Division of the City's Environmental Management and Sustainability Department.

Commercial Solid Waste System Monthly Billing

Rate R3.8, R6.2:	\$31.44 for the first 90 gallon trash barrel and recycling barrel for once per week collection.
Rate R3.8A, R6.2A:	\$28.06 for the first 60 gallon trash barrel and recycling barrel for once per week collection.
Rate R3.81, R6.21:	\$14.84 per additional 90 gallon trash barrel for once per week collection on same geographic in-zone day as the first barrel. This rate is only eligible for R3.8 and R6.2 customers. Service will be billed for a minimum of six months.
Rate R3.83, R6.23:	\$14.84 per additional 60 gallon trash barrel for once per week collection on same geographic in-zone day as the first barrel. Service will be billed for a minimum of six months.
Rate R3.82, R6.22:	\$33.73 for the first 90 gallon trash barrel in addition to the above R3.8, R6.2 rate for twice per week collection. A \$14.99 service fee applies to each additional barrel that is serviced twice per week.
Rate R3.88, R6.28:	\$7.43 per 90 gallon green waste barrel collected once per week in conjunction with City of Mesa trash service. Service will be billed for a minimum of six months.

**Solid Waste System Residential Rate Changes
(2019-2025)**

Date	Rate Change
February 1, 2025	5.50%
February 1, 2024	3.00
February 1, 2023	2.00
February 1, 2022	2.00
January 1, 2021	0.00
March 1, 2020	0.00
July 1, 2019	0.00

**Solid Waste System Customers
(Fiscal Years 2019/20 - 2023/24) (a)**

Fiscal Year	Residential Customers	Commercial Customers	Roll Off Customers	Total Customers
2023/24	139,477	2,215	1,079	142,771
2022/23	138,736	2,357	1,326	142,419
2021/22	138,502	2,482	1,632	142,616
2020/21	136,462	2,429	1,689	140,580
2019/20	135,463	2,416	1,629	139,508

(a) Solid Waste System customers as of June 30 for each Fiscal Year or "Fiscal Year End" customers.

The following is a list of the ten largest Solid Waste System customers in alphabetical order for Fiscal Year 2023/24.

Ten Largest Solid Waste System Customers

Cal-Am Properties, Inc.
Casa Fiesta Temple Limited Partnership
Equity Lifestyles Properties, Inc. DBA MHC Operating LP
Mesa Public Schools
MHC Monte Vista, LLC
MHC Viewpoint, LLC
MPS-Refuse Only Accounts
Norton S. Karno, APC ERT
Tesoro at Greenfield Condominium Association
Vista del Sol, LLC

The combined Fiscal Year 2023/24 Solid Waste System fees/charges for the top ten Solid Waste System customers set forth above was \$2.7 million constituting approximately 4% of the total Fiscal Year 2023/24 Solid Waste System operating revenue. No individual Solid Waste System customer above constitutes more than 1% of the total Fiscal Year 2023/24 Solid Waste System operating revenue.

The City receives solid waste services from the Solid Waste System and records the revenue as interdepartmental revenue. For Fiscal Year 2023/24 Solid Waste System interdepartmental revenues for the City were \$0.7 million.

Billing and Collection Procedures

The City bills its utility customers in cycles throughout the month with each customer being billed at approximately the same time every month. Electric, gas and water accounts are based on meter readings, wastewater charges are based on water usage and solid waste disposal fees vary depending on the size of the containers and frequency of collections.

The City's collection procedures for delinquent utility accounts involve a series of billings and notices with a discontinuance of service at the end of 72 days. Due to the collection procedures, utility deposits required on various accounts and the nature of the service being provided, the City has experienced write-offs at or below one-quarter of one percent during the past three fiscal years.

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CITY OF MESA, ARIZONA

**AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS FOR
THE FISCAL YEAR ENDED JUNE 30, 2024**

The following audited financial statements are the most recent available to the City. These audited financial statements are not current and may not represent the current financial conditions of the City.

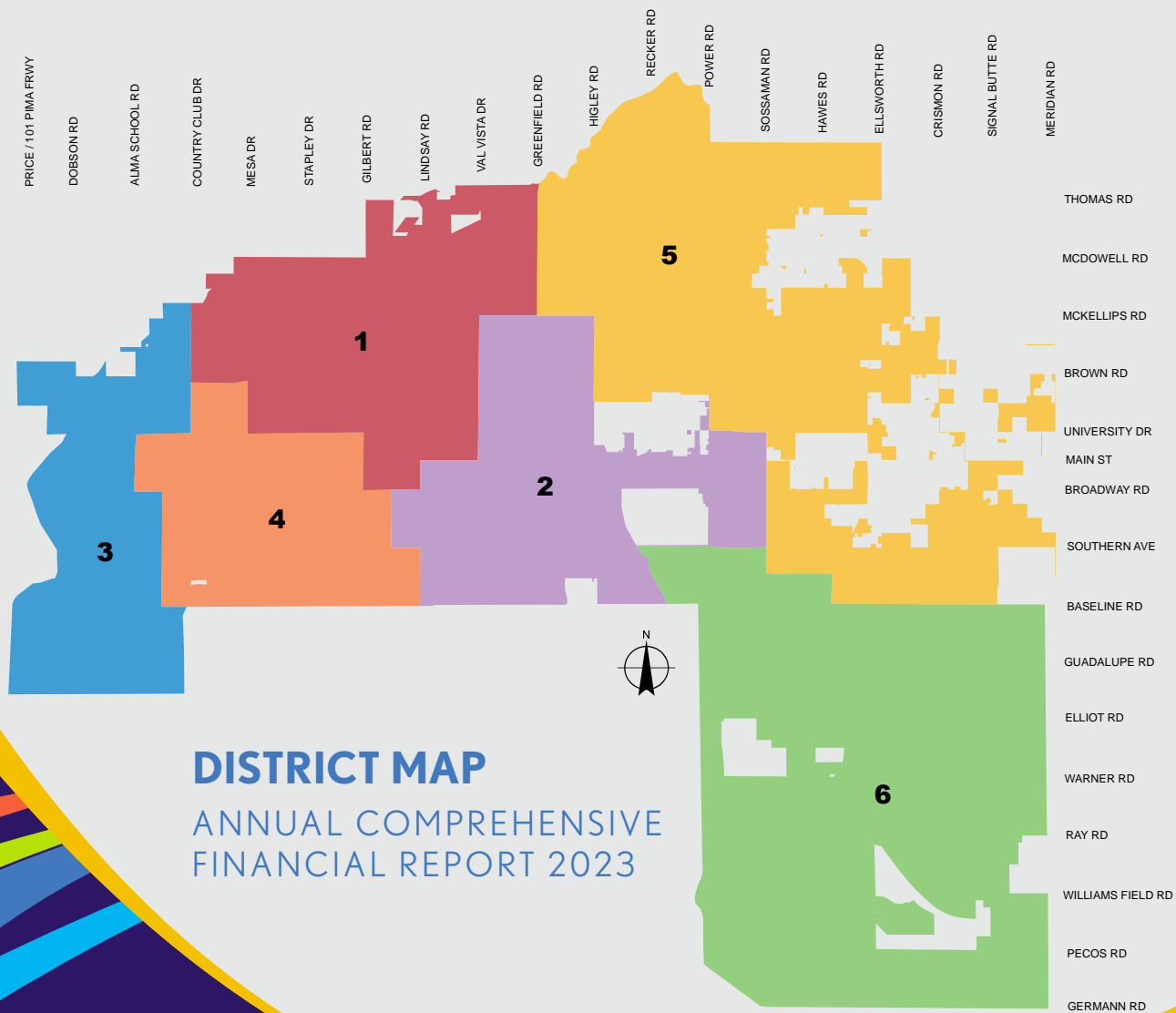
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CITY OF MESA, AZ

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED | JUNE 30, 2024



Mayor **John Giles**

Vice Mayor **Francisco Heredia** - District 3

Councilmember **Mark Freeman** - District 1

Councilmember **Julie Spilsbury** - District 2

Councilmember **Jenn Duff** - District 4

Councilmember **Alicia Goforth** - District 5

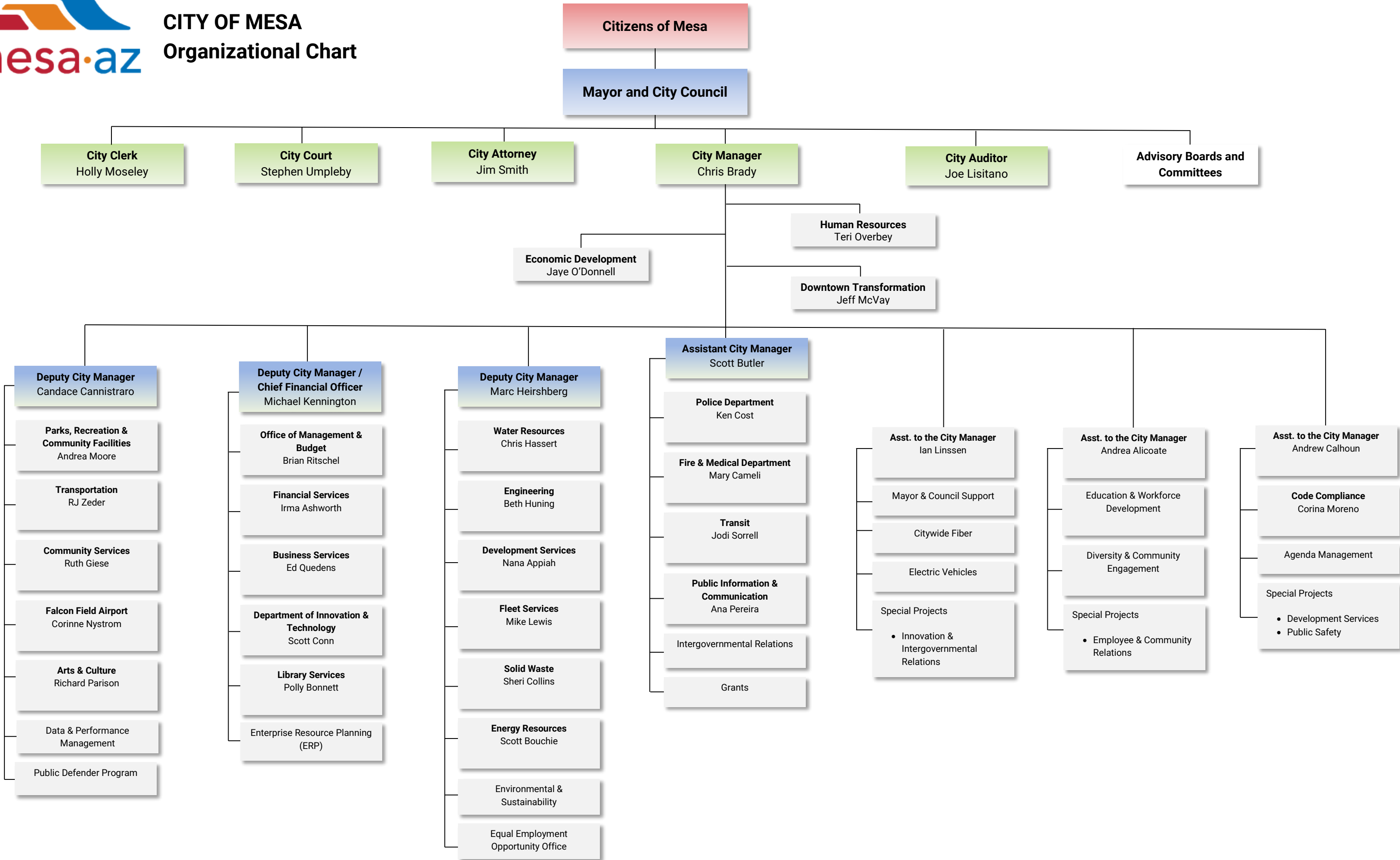
Councilmember **Scott Somers** - District 6

Chris Brady, City Manager
Scott Butler, Assistant City Manager

Prepared by: Financial Services Department
P.O. Box 1466 Mesa, Arizona 85211-1466 | (480) 644-2275 | www.mesaaz.gov



CITY OF MESA
Organizational Chart





INTRODUCTORY SECTION

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED | JUNE 30, 2024

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December 2, 2024

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

The Annual Comprehensive Financial Report of the City of Mesa (the “City”) for the fiscal year ended June 30, 2024 , is hereby submitted.

Prepared by the Financial Services Department, this report consists of management’s representations concerning the finances of the City of Mesa. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City’s financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, the City’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City’s financial statements have been audited by CliftonLarsonAllen, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City for the fiscal year ended June 30, 2024, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City’s financial statements for the fiscal year ended June 30, 2024, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor’s report is presented as the first component of the financial section of this report.

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

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

Profile of the City

The City was founded in 1878 and incorporated July 15, 1883, with an approximate population of 300 and an area of one square mile. Today, the City's estimated population, as measured by the US Census Bureau is 511,648 as compared with the 2020 decennial census count of 504,258. Total land area encompasses 138.7 square miles. The City is the 36th largest city in the United States and is the third largest city in the State of Arizona. Mesa is located 16 miles east of Phoenix, the State Capitol. The City operates under a Council-Manager form of government with citizens electing a Mayor and six Councilmembers to set policy for the City. City Councilmembers are elected from districts and serve terms of four years, with three members being elected every two years. The Mayor is elected at-large every four years. The Mayor and Council are elected on a non-partisan basis, and the Vice Mayor is selected by the City Council.

The Mayor and City Council are responsible for appointing the City Manager, City Attorney, City Auditor, City Clerk and the Presiding City Magistrate. The City Manager has full responsibility for carrying out City Council policies and administering City operations and is responsible for the hiring of City employees. Additionally, City employees are hired under merit system procedures as specified in the City Charter.

An allocated staff of 4,692 full-time (equivalent) City employees working within 28 different City departments undertakes the various functions of Mesa's city government and its operation. The City provides a full range of municipal services, including police and fire protection, parks and recreation, library, transportation, health and certain social services and general administration; and the City owns and operates enterprises including operations of electric, gas, water, wastewater, solid waste, and an airport.

Since 1952, Mesa has hosted the Chicago Cubs for Spring Training baseball. In 2014, the Cubs moved into the newly constructed Sloan Park where they continue to lead Major League Baseball in Spring Training attendance, averaging approximately 13,400 fans per game. The Oakland A's also call Mesa home for Spring Training, playing at the renovated Hohokam Stadium.

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

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

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

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

Factors Affecting Financial Condition

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

Local Economy

The City of Mesa continues to prosper and grow along with experiencing historic growth throughout all parts of the City in both commercial and residential development. From its historic downtown to the Technology Corridor in the southeast, the City has established a plan for sustainable growth and the support of the services needed by businesses and citizens for today and the future.

Mesa works to enhance the local economy by fostering a culture of quality, supporting the creation of higher wage jobs, promoting direct investment, and increasing the prosperity of our residents. Construction activity provides for revenues that will deliver a variety of significant City capital projects. Job expansion and higher paying jobs continue to expand the City's retail sales tax base which allows the City to support on-going operations. For the fiscal year (FY) ending June 30, 2024, local sales tax revenue was flat from the previous fiscal year. However, local sales tax revenue was 9.3% higher than the amount collected in FY 21/22. In addition, the transient lodging ('bed') tax collected in FY 23/24 was 6.5% higher than the amount collected in FY 21/22.

After setting a record during the previous year, the City's economic indicator for total value of construction in FY 23/24 was down 28% from FY 22/23. However, the total value of construction in FY 23/24 was flat from FY 21/22. Commercial construction was down 41% in FY 23/24 but was still 16% higher than FY 21/22. The corresponding dollar valuation associated with all FY 23/24 permits fell approximately \$850 million from the prior fiscal year.

Conservative budget practices and willingness to respond to economic indicators continue to allow the City to maintain unrestricted fund balance reserve levels as established in the City's financial policies. The FY 2025 budget continues the City's fiscally conservative approach and reinforces the City's effort to invest in economic development, improve public safety and attract and retain excellent employees. All fund balances were maintained at or above the levels prescribed by financial policy and prudent practice.

Major Initiatives

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

- Mesa's strong and resilient financial position was recognized this year as Fitch Ratings reaffirmed the top rating of AAA to the City's General Obligation (GO) bonds. S&P maintained their rating of AA for the City's GO bonds and reaffirmed their A+ rating on the City's utility revenue obligations. Moody's Ratings recently upgraded the City of Mesa's Highway User Revenue Fund (HURF) obligations, senior excise tax revenue obligations and subordinate excise tax revenue obligations to Aa2: outlook stable. Additionally, Mesa's General Obligation (GO) bond Aa2 rating was reaffirmed by Moody's.
- In November of 2023, Google announced its plans to build phase I of its data center campus in southeast Mesa, a \$600 million investment for 288,000 square feet to be completed in 2025. Additional phases are expected to be completed by 2030 bringing the project to 750,000 square feet and \$1 billion in capital investment.
- In December of 2023, Super Radiator Coils, a Minnesota-based company specializing in heat exchanging manufacturing, broke ground on 175,000 square feet of manufacturing and office space in Mesa's Gateway Area. The \$80 million project will employ 190 people.
- Also in December of 2023, Arizona State University started construction of its new center for manufacturing research and education at its Polytechnic campus in southeast Mesa. The 173,000 square-foot, three-story 12th Interdisciplinary Science and Technology Building (ISTB12) will house Ira A. Fulton Schools of Engineering's new School of Manufacturing Systems and Networks. ISTB12 is anticipated to open in November 2025.
- At the beginning of the year, Bloomberg Philanthropies awarded Mesa the What Works Cities Certification at the Gold Level for establishing exceptional data capabilities to inform policy decisions, allocate funding, improve services, evaluate program effectiveness, and engage

residents. What Works Cities Certification continues to set a standard of excellence for data-informed local government. The standard reflects the practices, policies, and resources municipal governments must have in place to effectively harness data for better decision-making.

- In January, DSV Air and Sea, the Denmark-based global transportation and logistics firm, paid \$46 million to buy 87 acres of land in Mesa to build a regional headquarters and a 1.73 million square-foot warehouse.
- In February, the Phoenix-Mesa Gateway Airport held a ribbon cutting ceremony for its new terminal. The 30,000 square foot south concourse terminal replaces a 14-year-old temporary passenger terminal annex. The \$28 million project provides the airport a larger, modern, energy-efficient, and ADA-enhanced commercial passenger facility designed to accommodate additional future growth.
- In February, Pentagon Technologies Group, Inc., a critical materials supplier of advanced chamber cleaning equipment consumables to leading-edge semiconductor foundries, announced that it is building a new \$50 million cleaning facility in Mesa. The 65,500 square-foot space will be the company's largest facility and create 300 new jobs over the next several years.
- In April, XNRGY Climate Systems, a North American leader in sustainable HVAC solutions, celebrated the groundbreaking of its new state-of-the-art manufacturing facility and U.S. headquarters at the Phoenix-Mesa Gateway Airport. The groundbreaking marks the beginning of a major expansion for XNRGY, solidifying its commitment to the U.S. market and sustainable climate control solutions. The facility is expected to commence operations in Q1 2025, creating over 900 new jobs.
- In May, Phoenix-Mesa Gateway Airport set a new record for commercial passenger activity for the month with 146,384 passengers, representing a 7% increase over the previous record set in May 2022.
- In June, Carbon Capture Inc. signed a lease for an 83,000 square-foot high-volume manufacturing facility in Mesa. The company's first manufacturing plant is projected to manufacture 4,000 direct air capture (DAC) modules per year, equal to 2 megatons of removal capacity at full capacity.
- In June, the Mesa City Council approved the zoning and development agreement for the development of an auto mall on 120 acres around the emerging State Route 24. The development is expected to include auto manufacturers, retail and multifamily units for rent.
- In June, Valley Metro was awarded a \$15.9 million federal grant to advance the Rio East Dobson Streetcar Extension Study to extend the streetcar line 4.35 miles from Tempe into Mesa. The grant underscores the project's potential to boost economic development, improve air quality, provide high-capacity transit options for historically underserved areas and meet the evolving needs of the community.
- In 2024, WalletHub ranked Mesa as the **25th best-run city in the United States**, the highest ranking of any Arizona city. **Mesa also had the 5th best economy** according to the study. WalletHub measures the effectiveness of local leadership by determining how well city officials manage and spend public funds compared to the quality of services residents receive against the city's total budget. Using that approach, WalletHub compared the operating efficiency of 148 of the largest U.S. cities to reveal which among them are managed best.
- In July, Southern Cross Aviation, a leading wholesale aviation parts distributor, announced its expansion to Mesa to support the thriving general aviation, commercial aviation, and defense aerospace industries in Greater Phoenix. The company will invest over \$10 million in its new 23,599 square-foot facility dedicated to stocking and distributing aviation parts and components.
- In July, Komatsu announced an expansion in Mesa with a new 225,000 square-foot facility. The expanded sales and service facility represents a multi-million-dollar strategic investment and

underscores Komatsu's commitment to Mesa. The new facility is scheduled for completion in the spring of 2026.

- In August, Magna, a mobility technology company and one of the largest suppliers in the automotive space, announced that it is building a manufacturing facility in Mesa. The nearly 230,000 square-foot facility is expected to create hundreds of new jobs. Magna's new manufacturing facility highlights Arizona's rapidly growing automotive ecosystem that includes electric vehicle manufacturers Lucid and Nikola as well as automated vehicle innovators such as May Mobility and Gatik.
- In August, KoMiCo, a South Korea based company focused on precision cleaning and advanced coatings for devices and tools used in semiconductor manufacturing, bought a building in Mesa for its third location in the United States. The site will be the company's largest U.S. facility and represents about \$50 million in capital expenditure for the company. It is expected to open in 2026 and will create about 200 jobs. KoMiCo is a vendor to both Taiwan Semiconductor Manufacturing Company and Intel, which are in the middle of massive construction projects in north Phoenix and Chandler, respectively.
- In September, Quantum Industrial Services LLC, a vertically integrated mechanical and plumbing contractor, leased 135,759 square feet of industrial space in Mesa to serve as a new pipe fabrication shop to service clients across the Western U.S. The facility will house cutting edge fabrication technologies which enhance precision, productivity, and safety. The assembly and fabrication plant will employ 200 workers.
- In October, Nucleus RadioPharma, the world's first fully integrated development, manufacturing, and supply chain organization for radiopharmaceuticals, announced that it has signed a lease and committed to build a new manufacturing facility in Mesa. The 53,000-square-foot facility will create 50 new skilled jobs and be operational in mid-2026.
- In October, Google Fiber opened its first brick-and-mortar office in Arizona at Mesa Riverview. Mesa was the first city in the nation with an eight-gigabit service after the fiber optic internet provider first went online in 2023 in Mesa. The city entered into an agreement with Google Fiber in 2022 providing the company permission to micro trench into city streets to lay down fiber optic cables.

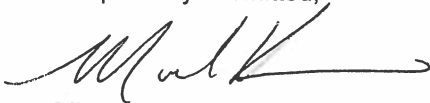
Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its annual comprehensive financial report for the fiscal year ended June 30, 2023. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized annual comprehensive 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 annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,

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

Michael Kennington,
Deputy City Manager/Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Mesa
Arizona**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morrell

Executive Director/CEO



FINANCIAL SECTION

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED | JUNE 30, 2024



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mesa, Arizona (City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mesa, Arizona, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the financial statements, for the year ended June 30, 2024, the City adopted new accounting guidance for compensated absences. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual nonmajor fund financial statements and schedules is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Phoenix, Arizona
December 2, 2024

Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2024

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, 2024. The reader is encouraged to consider the information presented here in conjunction with the transmittal letter presented on pages IV - IX, as well as the financial statements beginning on page 17 and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The City's total revenues increased by \$134.5 million from \$1.4 billion to \$1.5 billion. The increase in revenues is primarily from Unrestricted Investment Income (\$47.8 million), Unrestricted Intergovernmental (\$43.7 million), Capital Grants & Contributions (\$24.7 million), and Charges for services (\$17.9 million).
- The City's Governmental Funds reported a combined ending fund balance of \$869.6 million, a \$117.9 million increase from the previous year. Approximately 58 percent of the total governmental fund balance amount, or \$503.0 million, is designated by the City as committed, assigned and unassigned. The remaining 42 percent or \$366.6 million is designated as non-spendable or restricted.
- The total fund balance for the General Fund was \$422.7 million, which represents an increase of \$47.3 million over prior year. The increase is a combination of an increase in Sales Tax and Investment Income.
- The City's Enterprise Fund reported a combined total net position of \$474.4 million, which represents an increase of \$21.6 million over the prior year. The increase is primarily due to an increase in Charges for Services.

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: (1) Government-Wide Financial Statements, (2) Fund Financial Statements, and (3) 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 17-19) are designed to provide a broad overview of the City's finances in a manner similar to private businesses.

The *Statement of Net Position* presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference being reported as *net position*. Over time increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* shows how the net position changed over the most recent fiscal year. All changes to net position are reported at the time that the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This is the accrual basis of accounting. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both the Government-Wide Financial Statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*Governmental Activities*) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (*Business-*

Type Activities). The Governmental activities of the City include general government, public safety, community environment and cultural-recreational. The Business-Type activities include private sector type activities such as the City-owned utilities (electric, gas, water, wastewater, solid waste and district cooling), as well as the City-owned airport.

Fund Financial Statements

The fund financial statements (pages 20-29) focus on individual parts of the City government, reporting the City's operations in more detail than the Government Wide Financial Statements. They are used to maintain control over resources that have been segregated for specific activities or objectives and to ensure compliance with finance-related legal requirements. Fund financial statements are presented for Governmental Funds and Proprietary 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, the Governmental Funds Financial Statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating the City's near-term financing requirements. Since the Governmental Fund Financial Statements focus on near-term spendable resources, while the Governmental Activities on the Government-Wide Financial Statements have a longer-term focus, a reconciliation of the differences between the two is provided with the fund financial statements and in Note 2 to the basic financial statements.

Proprietary funds are generally used to account for services for which the City charges customers (either outside customers, or internal departments of the City). Proprietary Funds provide the same type of information as shown in the Government-Wide Financial Statements only with more detail. Proprietary funds utilize the same method used by the private sector businesses, the accrual basis of accounting. The City maintains the following two types of Proprietary Funds:

- Enterprise Funds are used to report the same functions as Business-Type Activities in the Government-Wide Financial Statements. The City uses separate funds to account for the operations of the City-owned utilities (electric, gas, water, wastewater, solid waste and district cooling), as well as the City-owned airport. The Utility fund is considered a major fund and the Airport is a non-major Enterprise Fund.
- The Internal Service Funds are used to account for its fleet support; materials and supplies; printing and graphics; property and public liability; workers' compensation; and employee benefits self-insurance programs. Since the primary customers of the internal service funds are the Governmental Activities, the assets and liabilities of those funds are included in the Governmental Activities' column of the Government-Wide Statement of Net Position. The Internal Service Funds are combined into a single column on the Proprietary Fund Financial Statements. Individual fund data for the Internal Service Funds can be found in the combining statements.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to the full understanding of the data provided in the Government-Wide and Fund Financial Statements and should be read with the financial statements. The notes to the financial statements can be found on pages 30-89 of this report.

Required Supplementary Information (RSI)

In addition to the financial statements and accompanying notes, this report presents certain required supplementary information including the city-wide budgetary comparison schedule, changes in net pension liability, employer pension contributions, and changes in other post-employment benefits (OPEB) liability. RSI and accompanying notes can be found on pages 90-106 of this report.

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 years ending June 30, 2024, and 2023.

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

	Governmental Activities		Business-Type Activities		Total Government	
	2024	2023	2024	2023	2024	2023
Cash and Other Assets	\$1,499,081	\$1,415,565	\$ 788,154	\$ 708,677	\$2,287,235	\$2,124,242
Capital Assets	1,830,466	1,722,053	1,547,985	1,424,562	3,378,451	3,146,615
Total Assets	3,329,547	3,137,618	2,336,139	2,133,239	5,665,686	5,270,857
Deferred Amounts on Refunding	3,182	4,202	17,828	20,463	21,010	24,665
Deferred Outflows on Pensions & OPEB	298,479	292,707	15,306	17,557	313,785	310,264
Total Deferred Amounts	301,661	296,909	33,134	38,020	334,795	334,929
Non-Current Liabilities, Due Within One Year	74,745	68,002	62,666	56,036	137,411	124,038
Non-Current Liabilities, Due In More Than One Year	524,567	485,431	1,434,632	1,305,232	1,959,199	1,790,663
Other Liabilities	241,780	245,547	187,360	156,212	429,140	401,759
Net Pension & OPEB Liability	1,788,214	1,643,536	136,582	125,288	1,924,796	1,768,824
Total Liabilities	2,629,306	2,442,516	1,821,240	1,642,768	4,450,546	4,085,284
Deferred Inflows on Pensions & OPEB	167,201	190,500	17,943	20,268	185,144	210,768
Deferred Inflows on Leases	49,952	63,269	55,646	55,336	105,598	118,605
	217,153	253,769	73,589	75,604	290,742	329,373
Net Investment in Capital Assets	1,317,166	1,229,376	82,964	92,703	1,400,130	1,322,079
Restricted Net Position	382,409	357,673	122,088	114,531	504,497	472,204
Unrestricted Net Position	(914,825)	(848,807)	269,392	245,653	(645,433)	(603,154)
Total Net Position	\$ 784,750	\$ 738,242	\$ 474,444	\$ 452,887	\$1,259,194	\$1,191,129

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

	Governmental Activities		Business-Type Activities		Total Government	
	2024	2023	2024	2023	2024	2023
Program Revenues:						
Charges for Services	\$ 132,016	\$ 126,244	\$ 470,018	457,904	\$ 602,034	\$ 584,148
Operating Grants & Contributions	78,057	75,436	236	268	78,293	75,704
Capital Grants & Contributions	14,618	24,611	56,440	21,796	71,058	46,407
General Revenues:						
Sales Taxes	329,821	331,144	—	—	329,821	331,144
Property Taxes	47,924	46,906	—	—	47,924	46,906
Occupancy Taxes	6,837	7,319	—	—	6,837	7,319
Unrestricted Intergovernmental	290,065	246,412	—	—	290,065	246,412
Utility Development Fees	—	—	7,395	14,142	7,395	14,142
Contributions	27,428	31,799	—	—	27,428	31,799
Unrestricted Investment Income (loss)	46,922	8,542	13,092	3,672	60,014	12,214
Gain on Sale of Capital Assets	200	1,854	—	—	200	1,854
Miscellaneous	13,226	8,233	7,783	1,252	21,009	9,485
Total Revenues	<u>987,114</u>	<u>908,500</u>	<u>554,964</u>	<u>499,034</u>	<u>1,542,078</u>	<u>1,407,534</u>
Governmental Activities Expenses:						
General Government	225,391	192,361	—	—	225,391	192,361
Public Safety	525,883	430,267	—	—	525,883	430,267
Community Environment	192,205	157,270	—	—	192,205	157,270
Cultural-Recreational	107,468	100,791	—	—	107,468	100,791
Interest on Long-Term Debt	16,793	16,138	—	—	16,793	16,138
Business-Type Activities:					—	—
Electric	—	—	49,009	48,672	49,009	48,672
Gas	—	—	46,078	51,105	46,078	51,105
Water	—	—	151,246	128,558	151,246	128,558
Wastewater	—	—	89,096	82,752	89,096	82,752
Solid Waste	—	—	55,972	51,213	55,972	51,213
Airport	—	—	13,302	7,671	13,302	7,671
District Cooling	—	—	1,570	1,528	1,570	1,528
Total Expenses	<u>1,067,740</u>	<u>896,827</u>	<u>406,273</u>	<u>371,499</u>	<u>1,474,013</u>	<u>1,268,326</u>
Increase (Decrease) in Net Position Before Transfers	(80,626)	11,673	148,691	127,535	68,065	139,208
Transfers	<u>127,134</u>	<u>119,599</u>	<u>(127,134)</u>	<u>(119,599)</u>	<u>—</u>	<u>—</u>
Change in Net Position	46,508	131,272	21,557	7,936	68,065	139,208
Net Position - Beginning	<u>738,242</u>	<u>606,970</u>	<u>452,887</u>	<u>444,951</u>	<u>1,191,129</u>	<u>1,051,921</u>
Net Position - Ending	<u>\$ 784,750</u>	<u>\$ 738,242</u>	<u>\$ 474,444</u>	<u>\$ 452,887</u>	<u>\$ 1,259,194</u>	<u>\$ 1,191,129</u>

Analysis of Government-Wide Net Position

The City's overall Net Position increased \$68.1 million from \$1.2 billion to \$1.3 billion at the end of fiscal year 2024. The Restricted portion of the City's Net Position increased \$32.3 million from \$472.2 million to \$504.5 million. Restricted Net Position represents resources that are subject to external restrictions on how they may be used. The restricted balances that increased in the current year include restrictions for public safety, and transportation programs. The Unrestricted Net Position of \$(645.4) million is primarily due to the impact of the long-term liability associated with pensions and OPEB of (\$1.8 billion).

Several factors contributed to the overall increase in Net Position:

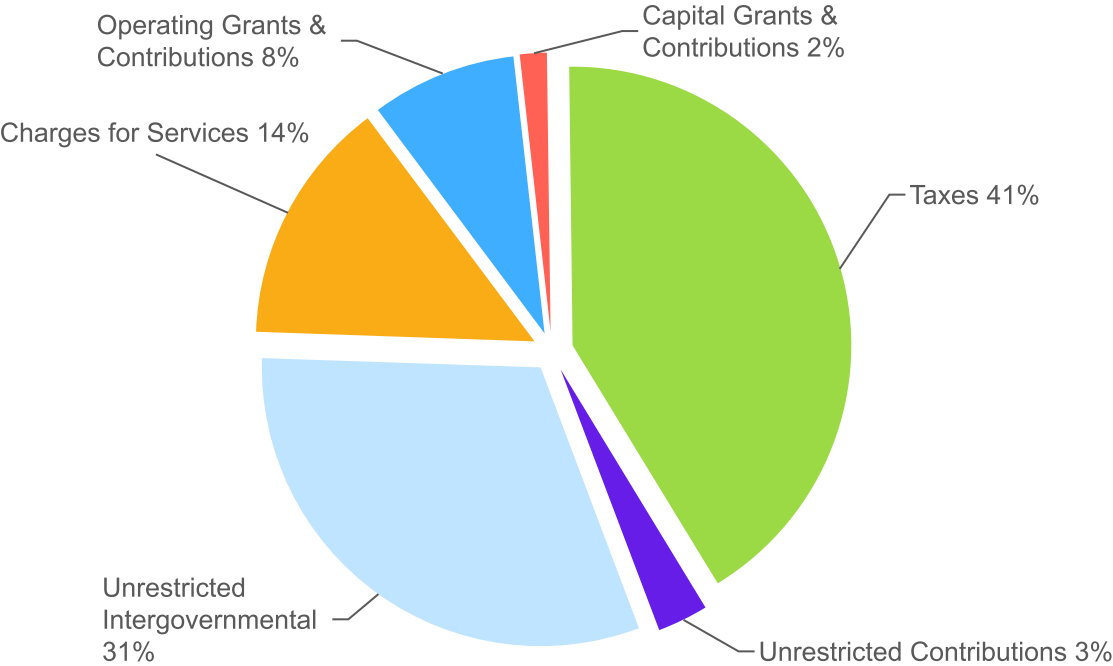
- Unrestricted Intergovernmental Revenues increased \$43.7 million due to an increase in State Shared Sales Tax revenues.
- Unrestricted Investment Income increased \$47.8 million. This is due to the change in fair value of investments from a \$12.2 million gain in prior year to a \$60.0 million gain in current year.

Governmental Activities

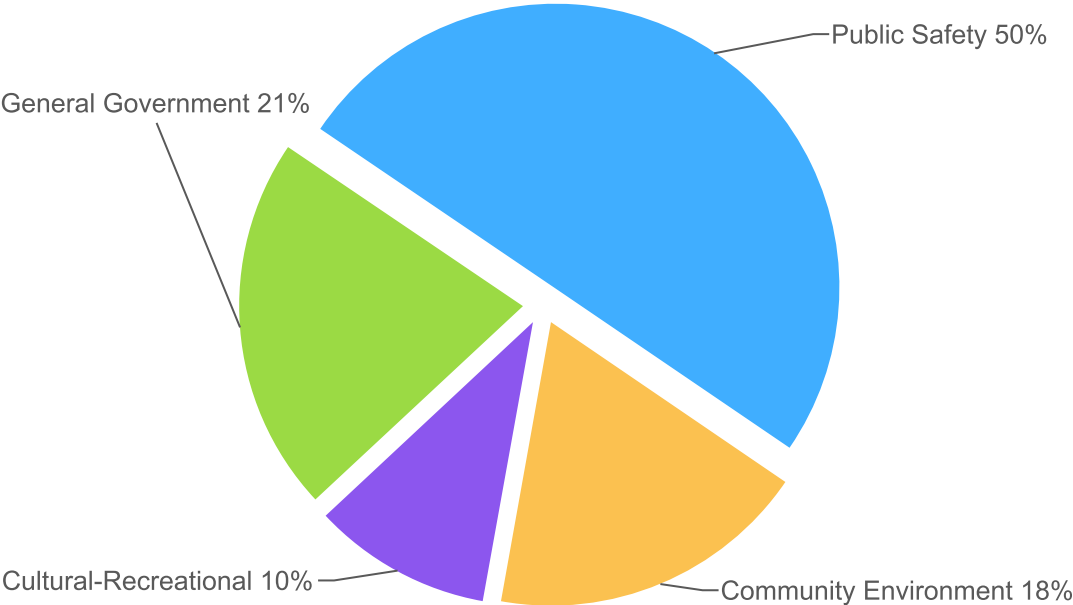
In fiscal year 2024, Governmental Activities increased their Net Position by \$46.5 million from \$738.2 million to \$784.8 million. The increase in Net Position for the Governmental Activities is from the overall increase in revenues, as described above.

As presented in the following two graphs, the largest funding sources for the governmental activities are Taxes (41%), Unrestricted Intergovernmental (31%) and Charges for Services (14%). The largest users of resources for the governmental activities are Public Safety (50%), General Government (21%) and Community Environment (18%).

**Governmental Activities
Revenues by Source
Fiscal Year Ended June 30, 2024**

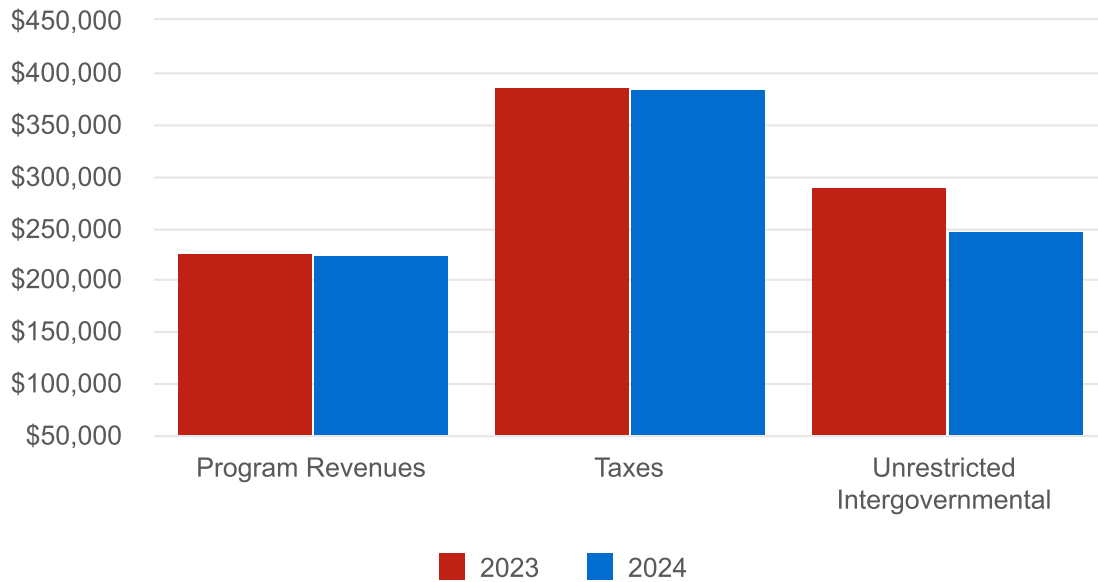


**Governmental Activities
Functional Expenses
Fiscal Year Ended June 30, 2024**

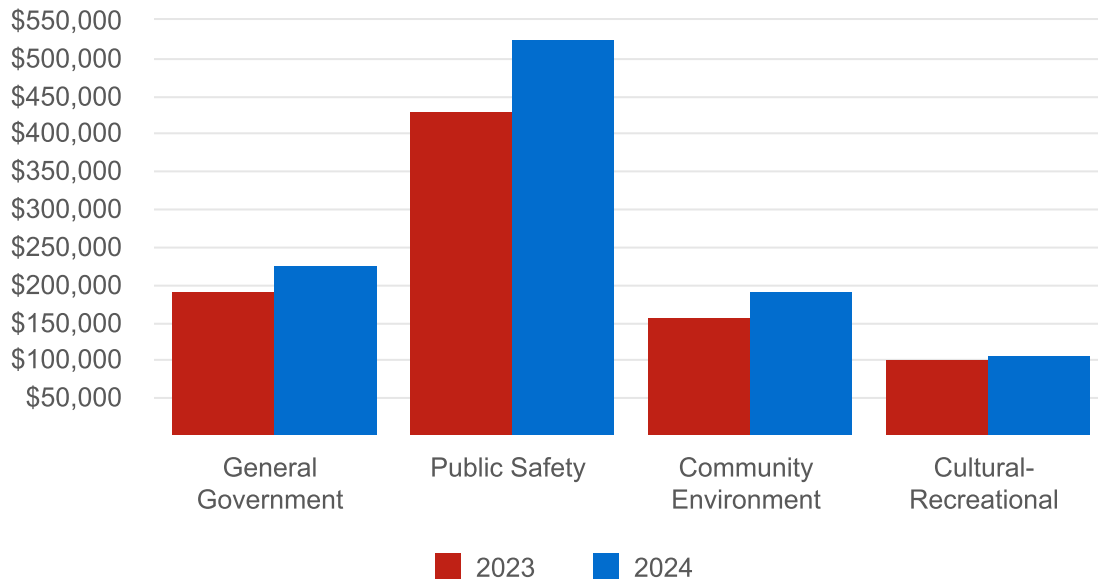


The following two graphs compare Governmental Activities revenues and expenses from fiscal year 2024 to fiscal year 2023.

Governmental Activities - Revenues by Source
Two Year Comparison
(In thousands of dollars)



Governmental Activities - Functional Expenses
Two Year Comparison
(In thousands of dollars)



Fund Financial Statement Analysis

The following is a brief discussion of some of the funds within the Governmental Activities.

General Fund

The General Fund is the primary operating fund of the City and accounts for many of the major functions of the government including general government, public safety, community environment and cultural-recreational. The total fund balance of the General Fund was \$422.7 million, while unassigned fund balance was \$194.1 million.

The total fund balance of the City's General Fund increased by \$47.3 million during the current fiscal year from \$375.4 million to \$422.7 million. The increase is due to a \$40.4 million increase in State Shared Sales Tax revenues.

Non-Major Governmental Funds

The Non-Major Governmental Funds include Special Revenue, Capital Project and Debt Service funds. The fund balance of the Non-Major Governmental funds was \$446.9 million, with the majority classified as Restricted.

Total fund balance of the Non-Major Governmental Funds increased by \$70.6 million during the current fiscal year. This is due to a combination of an increase in the Special Revenue funds (\$40.8 million) and an increase in the Capital Projects funds (\$30.87) million.

- The increase in the Special Revenue funds is due to the increase in Unrestricted Investment Income as previously discussed.
- Capital Project funds fund balance increased primarily in the Parks Capital fund due to the issuance of General Obligation Bonds, and slower than anticipated spending.

Budgetary Highlights

The City's annual budget is the legally adopted expenditure control document of the City. The legally adopted budget is at a citywide level that includes all Governmental and Enterprise Funds. A budget schedule at the citywide level is presented in the Required Supplementary Information Section. The schedule compares the original adopted budget, the budget as amended throughout the year, and the actual expenditures prepared on a budgetary basis.

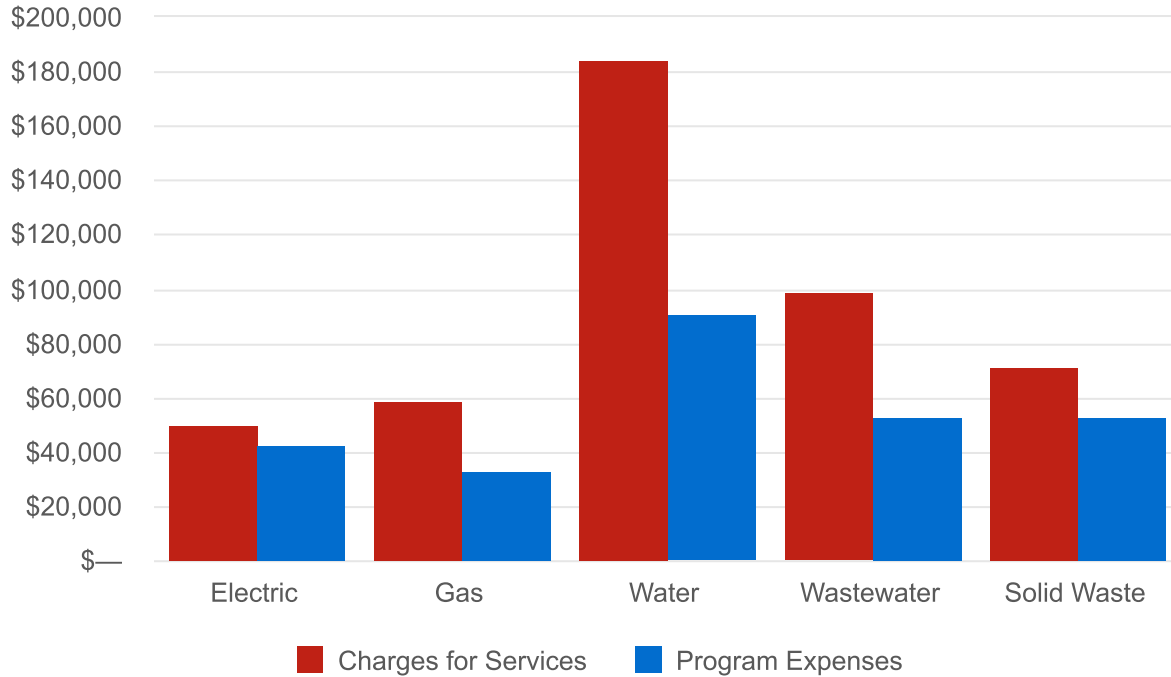
Budgeted amounts may change within funds and between funds. Transfers between funds or departmental groups may be made upon City Manager approval and do not require council action (see Note 1.f. of the notes to the financial statements for more information on budget policies). There were no budget amendments that increased the overall City adopted budget during fiscal year 2024.

Business-Type Activities

The following graphs present utility revenues and expenses for fiscal year 2024. The City's largest utility, Water, had a net revenue/expense gain of \$93.2 million and Wastewater had a net revenue/expense gain of \$45.6 million, whereas the remaining Utilities saw a more moderate net revenue/expense gain.

Utility Revenues Charges for Services and Program Expenses Fiscal Year 2024

(In thousands of dollars)



Total Business-Type Activities program and general revenues increased by \$55.9 million from \$499.0 million to \$555.0 million. The increase is primarily related to an increase in Capital Grants & Contributions by \$34.6 million. Developer Contributions for both water and wastewater infrastructure was the largest contributor to this increase.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities amounts to \$3.1 billion (net of accumulated depreciation/amortization) as of June 30, 2024. This net investment in capital assets includes land, buildings, other improvements, machinery and equipment, intangibles, infrastructure, leases and subscription-based information technology arrangements (SBITAs). 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 on June 30, 2024, and 2023:

Capital Assets (net of accumulated depreciation/amortization) As of June 30 <i>(In thousands of dollars)</i>						
	Governmental Activities		Business-Type Activities		Total Government	
	2024	2023	2024	2023	2024	2023
Land	\$ 419,761	\$ 413,564	\$ 31,786	\$ 31,698	\$ 451,547	\$ 445,262
Infrastructure - Nondepr	3,597	3,597	17,666	17,666	21,263	21,263
Construction-in-Progress	186,489	119,210	191,396	129,835	377,885	249,045
Buildings	359,751	342,111	27,428	28,288	387,179	370,399
Other Improvements	143,117	138,470	35,205	36,982	178,322	175,452
Machinery & Equipment	117,272	103,714	26,178	23,628	143,450	127,342
Intangibles	—	1	3,579	3,691	3,579	3,692
Infrastructure	577,269	574,014	1,214,747	1,152,774	1,792,016	1,726,788
Leases	21,739	24,664	—	—	21,739	24,664
SBITAs	1,471	2,709	—	—	1,471	2,709
Total	<u>\$ 1,830,466</u>	<u>\$ 1,722,054</u>	<u>\$ 1,547,985</u>	<u>\$ 1,424,562</u>	<u>\$ 3,378,451</u>	<u>\$ 3,146,616</u>

The City's total capital asset balances on June 30, 2024, increased by \$231.8 million in comparison with prior year balances. Construction in Progress increased by \$128.8 million. There were several large projects that either started this year or had significant expenses. These projects included the expansion to Signal Butte Water Treatment Plant (\$17 million), Central Mesa Reuse Pipeline (\$34 million), Advanced Metering Infrastructure "AMI" (\$30 million), Public Safety Facilities (\$24 million), Red Mountain Park expansion (\$32 million) and the new City Hall (\$22 million). Infrastructure assets increased \$65.2 million, primarily due to Water, Wastewater and Streets Infrastructure projects.

Additional information on the City's capital assets can be found in Note 8 of the notes to the basic financial statements.

Debt Administration

At the end of the fiscal year 2024, the City had total long-term bond obligations and notes payable outstanding of \$1.9 billion. Of this amount, \$336.0 million comprises debt backed by the full faith and credit of the City, \$1.5 billion represents bonds secured by specified revenue sources (i.e., Utility System Revenue, Highway User Revenue, Sales Tax) and \$22.1 million in lease liability and \$1.9 million in SBITAs liability.

The City's total outstanding debt includes \$93 million in Community Facility District (CFD) bonds. Special Assessment revenues and secondary property tax are collected to make the annual Community Facility District bond debt payments. The City has no liability for the Community Facility District bonds. However, the City is contingently liable in the event that the Special Assessment revenues are insufficient to satisfy the Special Assessment Bond debt payments.

The following schedule shows the outstanding long-term debt of the City as of June 30, 2024, and 2023.

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

	Governmental Activities		Business-Type Activities		Total Government	
	2024	2023	2024	2023	2024	2023
General Obligation Bonds	\$335,990	\$ 284,955	\$ —	\$ —	\$ 335,990	\$ 284,955
Utility System Revenue Bonds	—	—	1,063,125	1,112,515	1,063,125	1,112,515
Utility Revenue Obligations	—	—	323,975	138,725	323,975	138,725
Highway User Revenue Fund	18,540	29,030	—	—	18,540	29,030
Excise Tax Obligations	31,630	32,935	—	—	31,630	32,935
Community Facility District	92,971	98,955	—	—	92,971	98,955
Notes Payable	—	—	827	983	827	983
Leases	22,077	24,715	—	—	22,077	24,715
SBITAs	1,900	2,866	—	—	1,900	2,866
Total	<u>\$503,108</u>	<u>\$ 473,456</u>	<u>\$ 1,387,927</u>	<u>\$ 1,252,223</u>	<u>\$ 1,891,035</u>	<u>\$ 1,725,679</u>

The City's current bond ratings are as follows:

	Rating Agency		
	Standard and Poor's Corporation	Moody's Investors Service	Fitch Ratings
General Obligation Bonds	AA	Aa2	AAA
Highway User Revenue Bonds	AA	Aa2	N/A
Utility System Revenue Bonds	AA-	Aa2	N/A
Utility System Obligations	A+	Aa3	N/A
Excise Tax Obligations	AA+	Aa2	N/A

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, sewer, light, parks, open space preserves, playgrounds, recreational facilities, public safety, law enforcement, fire emergency, streets and transportation may not exceed 20% of a City's full cash net assessed valuation, nor may outstanding general obligation bonded debt for all other purposes exceed 6% of a City's full cash net assessed valuation.

The City's total debt margin available on June 30, 2024, was \$480.2 million in the 6% capacity and \$1.3 billion in the 20% capacity. Additional information on the City's long-term obligations can be found in Note 9 of the notes to the basic financial statements and Table 10 in the Statistical Section.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

On June 3, 2024, the City Council approved a \$2.69 billion budget, which is an increase of \$130 million compared to prior year's budget. The adopted fiscal year 2025 budget continues the City's fiscally conservative approach. The Governmental Funds financial principles include 10%-15% fund balance over a 5-year forecasted period, sustainability of programs and services, competitive wages and benefits for employees, and investment in capital and lifecycle replacement projects. The Utility Fund financial principles includes 20% or higher reserve fund balance, and affordable utility services. The City's conservative budget practices and willingness to respond to economic indicators continues to allow the City to maintain unrestricted fund balance reserve levels as established in the City's financial policies.

The fiscal year 2024-25 assessed valuation increased 8.4% to \$4.9 billion. On June 3 2024, the City Council voted to maintain the City' secondary property tax rate at \$0.8582 per \$100 assessed valuation.

REQUESTS FOR INFORMATION

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



BASIC FINANCIAL SECTION

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED | JUNE 30, 2024

City of Mesa, Arizona
Statement of Net Position
June 30, 2024
(in thousands)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Pooled Cash and Investments	\$ 953,810	\$ 93,398	\$ 1,047,208
Accounts Receivable, Net	78,087	107,834	185,921
Accrued Interest Receivable	3,948	905	4,853
Due from Other Governments	58,515	2,644	61,159
Inventory	11,984	—	11,984
Prepaid and Deposits	8,852	5,296	14,148
Restricted Assets:			
Pooled Cash and Investments	20,105	192,728	212,833
Cash with Fiscal Agent	53,917	89,509	143,426
Accounts Receivable, net	20,586	—	20,586
Due from Other Governments	1,505	—	1,505
Customer Deposits	—	3,923	3,923
Joint Venture Construction Deposits	—	18,182	18,182
Investment in Joint Ventures	287,772	273,735	561,507
Capital Assets, Not Being Depreciated	609,847	240,848	850,695
Capital Assets, Being Depreciated, Net	1,220,619	1,307,137	2,527,756
Total Assets	<u>3,329,547</u>	<u>2,336,139</u>	<u>5,665,686</u>
Deferred Outflows of Resources			
Debt Refunding	3,182	17,828	21,010
Pensions and OPEB	298,479	15,306	313,785
Total Deferred Outflows of Resources	<u>301,661</u>	<u>33,134</u>	<u>334,795</u>
Liabilities			
Accounts Payable and Accrued Liabilities	77,040	14,084	91,124
Claims Payable	45,123	—	45,123
Customer and Defendant Deposits	10,096	—	10,096
Unearned Revenue	48,895	—	48,895
Liabilities Payable from Restricted Assets	60,626	173,276	233,902
Noncurrent Liabilities:			
Due Within One Year	74,745	62,666	137,411
Due in More Than One Year:			
Lease and SBITA Liability	20,908	—	20,908
Bonds and Notes Payable	458,845	1,429,209	1,888,054
Compensated Absences	44,814	5,423	50,237
Net Pension and OPEB Liability	1,788,214	136,582	1,924,796
Total Liabilities	<u>2,629,306</u>	<u>1,821,240</u>	<u>4,450,546</u>
Deferred Inflows of Resources			
Pensions and OPEB	167,201	17,943	185,144
Leases	49,952	55,646	105,598
Total Deferred Inflows of Resources	<u>217,153</u>	<u>73,589</u>	<u>290,742</u>
Net Position			
Net Investment in Capital Assets	1,317,166	82,964	1,400,130
Restricted For:			
Bond Indentures	—	47,488	47,488
Construction	3,508	18,182	21,690
Debt Service	51,473	56,418	107,891
Public Safety	118,019	—	118,019
Transportation Programs	196,051	—	196,051
Other Programs	13,358	—	13,358
Unrestricted	(914,825)	269,392	(645,433)
Total Net Position	<u>\$ 784,750</u>	<u>\$ 474,444</u>	<u>\$ 1,259,194</u>

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

City of Mesa, Arizona
Statement of Activities
For the Fiscal Year-Ended June 30, 2024
(in thousands)

<u>Functions/Programs:</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General Government	\$ 225,391	\$ 31,415	\$ 21,772	\$ 8,625
Public Safety	525,883	52,892	16,447	571
Community Environment	192,205	23,586	39,545	199
Cultural-Recreational	107,468	24,123	293	5,223
Interest on Long-Term Debt	16,793	—	—	—
Total Governmental Activities	<u>1,067,740</u>	<u>132,016</u>	<u>78,057</u>	<u>14,618</u>
Business-type Activities:				
Electric	49,009	50,234	—	241
Gas	46,078	58,932	—	17,122
Water	151,246	184,360	173	27,226
Wastewater	89,096	98,598	—	8,207
Solid Waste	55,972	71,773	63	56
Airport	13,302	4,798	—	3,588
District Cooling	1,570	1,323	—	—
Total Business-type Activities	<u>406,273</u>	<u>470,018</u>	<u>236</u>	<u>56,440</u>
Total Government	<u>\$ 1,474,013</u>	<u>\$ 602,034</u>	<u>\$ 78,293</u>	<u>\$ 71,058</u>

General Revenues:

Sales Taxes
Property Taxes
Occupancy Taxes
Unrestricted Intergovernmental Revenues
Utility Development Fees
Contributions Not Restricted to Specific Programs
Investment Income (Loss)
Gain on Sale of Capital Asset
Miscellaneous Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Total Net Position - Beginning

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (163,579)	\$ —	\$ (163,579)
(455,973)	—	(455,973)
(128,875)	—	(128,875)
(77,829)	—	(77,829)
(16,793)	—	(16,793)
<u>(843,049)</u>	<u>—</u>	<u>(843,049)</u>
—	1,466	1,466
—	29,976	29,976
—	60,513	60,513
—	17,709	17,709
—	15,920	15,920
—	(4,916)	(4,916)
—	(247)	(247)
<u>—</u>	<u>120,421</u>	<u>120,421</u>
(843,049)	120,421	(722,628)
329,821	—	329,821
47,924	—	47,924
6,837	—	6,837
290,065	—	290,065
—	7,395	7,395
27,428	—	27,428
46,922	13,092	60,014
200	—	200
13,226	7,783	21,009
127,134	(127,134)	—
<u>889,557</u>	<u>(98,864)</u>	<u>790,693</u>
46,508	21,557	68,065
<u>738,242</u>	<u>452,887</u>	<u>1,191,129</u>
<u>\$ 784,750</u>	<u>\$ 474,444</u>	<u>\$ 1,259,194</u>

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

City of Mesa, Arizona

Balance Sheet

Governmental Funds

June 30, 2024

(in thousands)

	General Fund	Total Non- Major Governmental Funds	Total Governmental Funds
Assets			
Pooled Cash and Investments	\$ 389,355	\$ 502,248	\$ 891,603
Accounts Receivable, Net	75,403	2,006	77,409
Accrued Interest Receivable	1,583	2,113	3,696
Due from Other Governments	26,208	32,307	58,515
Due from Other Funds	18,062	—	18,062
Prepaid Costs	4,860	1,665	6,525
Restricted Assets:			
Pooled Cash and Investments	—	20,105	20,105
Cash with Fiscal Agent	—	53,917	53,917
Accounts Receivable	—	20,586	20,586
Due from Other Governments	—	1,505	1,505
Total Assets	<u>\$ 515,471</u>	<u>\$ 636,452</u>	<u>\$ 1,151,923</u>
Liabilities			
Accounts Payable and Accrued Liabilities	\$ 34,127	\$ 37,934	\$ 72,061
Due to Other Funds	—	14,510	14,510
Customer and Defendant Deposits	1,624	8,472	10,096
Unearned Revenue	3,858	45,037	48,895
Payable from Restricted Assets:			
Accrued Interest Payable	—	10,576	10,576
Matured Bonds Payable	—	50,050	50,050
Total Liabilities	<u>39,609</u>	<u>166,579</u>	<u>206,188</u>
Deferred Inflows of Resources			
Unavailable Revenue	3,178	22,990	26,168
Deferred Inflows Related to Leases	49,952	—	49,952
Total Deferred Inflows of Resources	<u>53,130</u>	<u>22,990</u>	<u>76,120</u>
Fund Balance			
Nonspendable	4,860	1,665	6,525
Restricted	—	360,119	360,119
Committed	8,628	27,600	36,228
Assigned	215,138	84,806	299,944
Unassigned	194,106	(27,307)	166,799
Total Fund Balances	<u>422,732</u>	<u>446,883</u>	<u>869,615</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 515,471</u>	<u>\$ 636,452</u>	<u>\$ 1,151,923</u>

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

City of Mesa, Arizona

Reconciliation of the Balance Sheet of Governmental Funds

To the Statement of Net Position

June 30, 2024

(in thousands)

Fund Balances - total governmental funds	\$ 869,615
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Amounts reported for governmental activities in the statement of net position are different because (also see Note 2 to the basic financial statements):

Capital Assets used in governmental activities are not financial resources and therefore not reported in governmental funds.	1,826,285
--	-----------

Other assets used in governmental activities are not financial resources and therefore not reported in the governmental funds.	288,265
--	---------

Deferred outflows related to deferred amounts on refunding and pensions are not financial resources and therefore not reported on the funds.	297,526
--	---------

Long-term liabilities, including bonds payable, lease liabilities and net pension liabilities are not due and payable in the current period and therefore not reported in the governmental funds.	(2,347,201)
---	-------------

Deferred inflows relating to pensions represent a future acquisition on net position that is not reported in the funds. Also, because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by unavailable revenue in the funds.	(135,359)
--	-----------

Internal service funds are used by management to charge the costs of certain activities to individual funds.	<u>(14,381)</u>
--	-----------------

Net position of the governmental activities - statement of net position	<u><u>\$ 784,750</u></u>
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The accompanying notes are an integral part of these financial statements.

City of Mesa, Arizona

Statement of Revenues, Expenditures

and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2024

(in thousands)

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Sales Taxes	\$ 198,077	\$ 131,744	\$ 329,821
Property Taxes	—	47,658	47,658
Occupancy Taxes	2,321	4,516	6,837
Special Assessments	—	1,736	1,736
Licenses and Permits	35,735	4,219	39,954
Intergovernmental	250,757	131,983	382,740
Charges for Services	60,009	22,347	82,356
Fines and Forfeitures	6,829	1,958	8,787
Investment Income (Loss)	22,467	21,584	44,051
Contributions	19	128	147
Miscellaneous Revenue	8,462	6,356	14,818
Total Revenues	<u>584,676</u>	<u>374,229</u>	<u>958,905</u>
Expenditures			
Current:			
General Government	117,979	15,492	133,471
Public Safety	361,458	73,131	434,589
Community Environment	27,941	97,532	125,473
Cultural-Recreational	66,914	11,248	78,162
Debt Service:			
Principal	3,549	50,200	53,749
Interest	487	18,801	19,288
Service Charges	—	14	14
Cost of Issuance	—	481	481
Capital Outlay	18,909	194,285	213,194
Total Expenditures	<u>597,237</u>	<u>461,184</u>	<u>1,058,421</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(12,561)</u>	<u>(86,955)</u>	<u>(99,516)</u>
Other Financing Sources (Uses)			
Transfers In	139,545	80,031	219,576
Transfers Out	(80,048)	(12,301)	(92,349)
Gain on Sale of Capital Asset	249	330	579
Face Amount of Bonds Issued	—	83,340	83,340
Financing of SBITA	131	—	131
Premium on Issuance of Bonds (Net)	—	6,153	6,153
Total Other Financing Sources (Uses)	<u>59,877</u>	<u>157,553</u>	<u>217,430</u>
Net Change in Fund Balances	47,316	70,598	117,914
Fund Balance - Beginning	<u>375,416</u>	<u>376,285</u>	<u>751,701</u>
Fund Balances - Ending	<u>\$ 422,732</u>	<u>\$ 446,883</u>	<u>\$ 869,615</u>

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

City of Mesa, Arizona

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, 2024
(in thousands)

Net change in fund balances - total governmental funds	\$	117,914
--	----	---------

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.	(2,143)
---	---------

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.	(125,614)
---	-----------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$192,390 exceeded depreciation/amortization (\$75,741) in the current period.	116,649
---	---------

Governmental funds report capital outlays for lease and SBITAs as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as amortization expense. This is the amount by which capital outlay \$131 exceeded amortization (\$4,222) in the current period.	(4,091)
--	---------

The net effect of miscellaneous transactions involving capital assets (e.g., donations, transfers and disposals) is to decrease net position.	(4,666)
---	---------

Change in equity in Joint Venture	(12,289)
-----------------------------------	----------

The issuance of long-term debt and financing of leases provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes financial resources of governmental funds. Neither transaction has any effect on net position.	(29,722)
---	----------

Governmental funds report the effect of premiums and deferred amounts related to refunding when the new debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(3,163)
--	---------

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.	<u>(6,367)</u>
--	----------------

Change in net position of the governmental activities - statement of activities	\$	<u>46,508</u>
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The accompanying notes are an integral part of these financial statements.

City of Mesa, Arizona
 Statement of Net Position
 Proprietary Funds
 June 30, 2024
 (in thousands)

	Business-Type Activities			Governmental Activities
		Non-Major Fund Airport		
	Utility		Total	Internal Service Funds
Assets				
Current Assets:				
Pooled Cash and Investments	\$ 87,065	\$ 6,333	\$ 93,398	\$ 62,207
Accounts Receivable (Net of Allowances)	48,874	58,960	107,834	663
Accrued Premiums Receivable	—	—	—	15
Accrued Interest Receivable	876	29	905	252
Due from Other Governments	289	2,355	2,644	—
Inventory	—	—	—	11,984
Deposits and Prepaid Costs	5,296	—	5,296	1,834
Restricted Assets:				
Pooled Cash and Investments	191,860	868	192,728	—
Cash with Fiscal Agents	89,509	—	89,509	—
Customer Deposits	3,923	—	3,923	—
Joint Venture Construction Deposits	18,182	—	18,182	—
Total Current Assets	445,874	68,545	514,419	76,955
Noncurrent Assets:				
Investment in Joint Ventures	273,735	—	273,735	—
Lease Asset	—	—	—	92
Capital Assets, Not Being Depreciated	231,442	9,406	240,848	844
Capital Assets, Being Depreciated, Net	1,287,778	19,359	1,307,137	3,245
Total Noncurrent Assets	1,792,955	28,765	1,821,720	4,181
Total Assets	2,238,829	97,310	2,336,139	81,136
Deferred Outflows of Resources				
Refundings	17,828	—	17,828	—
Pensions and OPEB	14,922	384	15,306	4,135
Total Deferred Outflows of Resources	32,750	384	33,134	4,135
Total Assets and Deferred Outflows of Resources	\$2,271,579	\$ 97,694	\$ 2,369,273	\$ 85,271

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

City of Mesa, Arizona
 Statement of Net Position
 Proprietary Funds
 June 30, 2024
 (in thousands)

	Business-Type Activities			Governmental Activities
		Non-Major Fund		Internal
	Utility	Airport	Total	Service Funds
Liabilities				
Current Liabilities - Payable From Current Assets:				
Accounts Payable and Accrued Liabilities	\$ 12,730	\$ 1,354	\$ 14,084	\$ 4,979
Claims Payable	—	—	—	45,123
Due to Other Funds	—	—	—	3,552
Current Liabilities-Payable From Restricted				
Accounts Payable and Accrued Liabilities	27,487	1,710	29,197	—
Interest Payable	31,659	—	31,659	—
Matured Bonds Payable	57,850	—	57,850	—
Customer Deposits and Prepayments	53,952	618	54,570	—
Current Portion of Long-Term Liabilities:				
Current Portion of Bonds Payable	59,630	—	59,630	—
Current Portion of Notes Payable	159	—	159	—
Current Portion of OPEB Liability	2,000	40	2,040	846
Current Portion of Compensated Absences	753	84	837	163
Total Current Liabilities	<u>246,220</u>	<u>3,806</u>	<u>250,026</u>	<u>54,663</u>
Long-Term Liabilities:				
Bonds Payable	1,428,541	—	1,428,541	—
Notes Payable	668	—	668	—
Lease Liability	—	—	—	103
Compensated Absences	5,241	182	5,423	1,124
Net Pension and OPEB Liability	<u>133,225</u>	<u>3,357</u>	<u>136,582</u>	<u>38,088</u>
Total Long-Term Liabilities	<u>1,567,675</u>	<u>3,539</u>	<u>1,571,214</u>	<u>39,315</u>
Total Liabilities	<u>1,813,895</u>	<u>7,345</u>	<u>1,821,240</u>	<u>93,978</u>
Deferred Inflows of Resources				
Pensions and OPEB	17,536	407	17,943	5,674
Deferred Inflows Related to Leases	—	55,646	55,646	—
Total Deferred Inflows of Resources	<u>17,536</u>	<u>56,053</u>	<u>73,589</u>	<u>5,674</u>
Net Position				
Net Investment in Capital Assets	54,199	28,765	82,964	4,181
Restricted For:				
Bond Indentures	47,488	—	47,488	—
Construction	18,182	—	18,182	—
Debt Service	56,418	—	56,418	—
Unrestricted	<u>263,861</u>	<u>5,531</u>	<u>269,392</u>	<u>(18,562)</u>
Total Net Position	<u>\$ 440,148</u>	<u>\$ 34,296</u>	<u>\$ 474,444</u>	<u>\$ (14,381)</u>

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

City of Mesa, Arizona

Statement of Revenues, Expenses

and Changes in Net Position

Proprietary Funds

For the Fiscal Year Ended June 30, 2024

(in thousands)

	Business-Type Activities			Governmental Activities
		Non-Major Fund Airport		
	Utility		Total	Internal Service Funds
Operating Revenues:				
Electric Charges	\$ 50,234	\$ —	\$ 50,234	\$ —
Gas Charges	58,932	—	58,932	—
Water Sales	184,360	—	184,360	—
Wastewater Charges	98,598	—	98,598	—
Solid Waste Charges	71,773	—	71,773	—
Airport Fees	—	4,798	4,798	—
District Cooling Charges	1,323	—	1,323	—
Charges For Services	—	—	—	43,383
Self-Insurance Contributions	—	—	—	119,943
Other Revenue	—	—	—	7,911
Total Operating Revenues	<u>465,220</u>	<u>4,798</u>	<u>470,018</u>	<u>171,237</u>
Operating Expenses:				
Electric	42,868	—	42,868	—
Gas	33,330	—	33,330	—
Water	91,126	—	91,126	—
Wastewater	52,972	—	52,972	—
Solid Waste	53,501	—	53,501	—
Airport	—	11,319	11,319	—
District Cooling	1,162	—	1,162	—
Warehouse, Maintenance & Services	—	—	—	47,817
Self-Insurance	—	—	—	132,207
Total Operating Expenses	<u>274,959</u>	<u>11,319</u>	<u>286,278</u>	<u>180,024</u>
Operating Income (Loss) Before Depreciation and Amortization	190,261	(6,521)	183,740	(8,787)
Depreciation and Amortization	<u>(64,155)</u>	<u>(1,977)</u>	<u>(66,132)</u>	<u>(397)</u>
Operating Income (Loss)	<u>126,106</u>	<u>(8,498)</u>	<u>117,608</u>	<u>(9,184)</u>

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

City of Mesa, Arizona

Statement of Revenues, Expenses

and Changes in Net Position

Proprietary Funds

For the Fiscal Year Ended June 30, 2024

(in thousands)

	Business-type Activities			Governmental Activities
	Utility	Non-Major Fund Airport	Total	Internal Service Funds
Nonoperating Revenues (Expenses):				
Investment Income	\$ 12,712	\$ 380	\$ 13,092	2,869
Intergovernmental	173	—	173	—
Lease Interest Revenue	—	1,189	1,189	—
Interest Expense:				
Bonds	(50,027)	—	(50,027)	—
Notes Payable	(22)	—	(22)	—
Lease	—	—	—	(3)
Gain/(Loss) on Sale of Capital Assets	(75)	(6)	(81)	—
Net Gain/(Loss) from Joint Venture	(3,002)	—	(3,002)	—
Utility Development Fees	7,395	—	7,395	—
Bond Issuance Costs	(731)	—	(731)	—
Miscellaneous Revenue	646	5,948	6,594	—
Total Nonoperating Revenues (Expenses)	<u>(32,931)</u>	<u>7,511</u>	<u>(25,420)</u>	<u>2,866</u>
Income before Transfers and Capital Contributions	93,175	(987)	92,188	(6,318)
Capital Contributions	52,915	3,588	56,503	44
Transfers In	17	—	17	—
Transfers Out	<u>(127,142)</u>	<u>(9)</u>	<u>(127,151)</u>	<u>(93)</u>
Change in Net Position	18,965	2,592	21,557	(6,367)
Total Net Position - Beginning	<u>421,183</u>	<u>31,704</u>	<u>452,887</u>	<u>(8,014)</u>
Total Net Position - Ending	<u>\$ 440,148</u>	<u>\$ 34,296</u>	<u>\$ 474,444</u>	<u>\$ (14,381)</u>

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

City of Mesa, Arizona
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2024
(in thousands)

	Business-type Activities			Governmental Activities
		Non-Major Fund		Internal
	Utility	Airport	Total	Service Funds
Cash Flows From Operating Activities:				
Cash Received From Customers	\$ 465,482	\$ 3,464	\$ 468,946	\$ —
Cash Received From Users	—	—	—	171,369
Cash Payments to Suppliers	(213,631)	(7,335)	(220,966)	(164,430)
Cash Payments to Employees	(47,724)	(1,897)	(49,621)	(10,205)
Other Nonoperating Revenue	646	5,948	6,594	—
Net Cash Provided by (Used For) Operating Activities	<u>204,773</u>	<u>180</u>	<u>204,953</u>	<u>(3,266)</u>
Cash Flows From Noncapital Financing Activities:				
Intergovernmental	2,354	(2,291)	63	—
Interfund Payable Increase	—	—	—	1,598
Transfers In from Other Funds	17	—	17	—
Transfers Out to Other Funds	<u>(127,141)</u>	<u>(9)</u>	<u>(127,150)</u>	<u>(93)</u>
Net Cash Provided by (Used For) Noncapital Financing Activities	<u>(124,770)</u>	<u>(2,300)</u>	<u>(127,070)</u>	<u>1,505</u>
Cash Flows From Capital and Related Financing Activities:				
Proceeds From Bond Sales	202,735	—	202,735	—
Proceeds From Sale of Capital Assets	—	(6)	(6)	—
Acquisition and Construction of Capital Assets	(121,400)	(1,799)	(123,199)	(917)
Principal Paid on Bonds and Notes Maturities	(51,816)	—	(51,816)	—
Principal Paid on Lease	—	—	—	(71)
Interest Paid on Bonds and Notes	(53,625)	—	(53,625)	—
Contributions From Other Governments	—	—	—	44
Interest Income/(Expense) on Leases	—	1,189	1,189	(3)
Bond Issuance Costs	(731)	—	(731)	—
Contributions and Capital Grants	<u>7,395</u>	<u>3,588</u>	<u>10,983</u>	<u>—</u>
Net Cash For Capital and Related Financing Activities	<u>(17,442)</u>	<u>2,972</u>	<u>(14,470)</u>	<u>(947)</u>
Cash Flows From Investing Activities:				
Interest Received on Investments	<u>12,718</u>	<u>380</u>	<u>13,098</u>	<u>2,860</u>
Net Cash Provided By Investing Activities	<u>12,718</u>	<u>380</u>	<u>13,098</u>	<u>2,860</u>
Net Change in Pooled Cash and Investments	75,279	1,232	76,511	152
Total Cash and Investments at Beginning of Year	<u>293,155</u>	<u>5,969</u>	<u>299,124</u>	<u>62,055</u>
Total Cash and Investments at End of Year	<u><u>\$ 368,434</u></u>	<u><u>\$ 7,201</u></u>	<u><u>\$ 375,635</u></u>	<u><u>\$ 62,207</u></u>

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

City of Mesa, Arizona
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2024
(in thousands)

	Business-type Activities			Governmental Activities
	Utility	Non-Major Fund Airport	Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash				
Provided by (Used For) Operating Activities:				
Operating Income (Loss)	\$ 126,106	\$ (8,498)	\$117,608	\$ (9,184)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities:				
Depreciation and Amortization	64,155	1,977	66,132	397
Miscellaneous Revenue	646	5,948	6,594	—
Changes in Assets and Liabilities:				
(Increase)/Decrease in Receivables	(2,706)	(1,334)	(4,040)	132
(Increase)/Decrease in Inventory	—	—	—	(1,872)
(Increase)/Decrease in Deposits and Prepaid Costs	1,108	39	1,147	(335)
(Increase)/Decrease in Deferred Outflows	2,220	31	2,251	1,589
Increase/(Decrease) in Accounts Payable	3,067	1,172	4,239	3,990
Increase/(Decrease) in Pension and OPEB Liability	10,802	492	11,294	504
Increase/(Decrease) in Deferred Inflows	(2,339)	324	(2,015)	(733)
Increase/(Decrease) in Other Accrued Expenses	1,714	29	1,743	2,246
Total Adjustments	78,667	8,678	87,345	5,918
Net Cash Provided By (Used For) Operating Activities	<u>\$ 204,773</u>	<u>\$ 180</u>	<u>\$204,953</u>	<u>\$ (3,266)</u>
Noncash Transactions Affecting Financial Position:				
Contributions of Capital Assets	\$ (52,915)	\$ —	\$ (52,915)	\$ —
Gain (Loss) on Sale of Capital Assets	(75)	—	(75)	—
Amortization of Bond Premium	10,442	—	10,442	—
Amortization of Deferred Amounts on Refunding	(2,635)	—	(2,635)	—

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

The City of Mesa, Arizona, (the City) was incorporated July 15, 1883, with an approximate population of 300 and an area of one square mile. The City's population as of the 2020 census is 504,258 within an area of approximately 138 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 and transportation. In addition, the City owns and operates an airport and a utility whose activities include operations of electricity, gas, water, wastewater, solid waste and district cooling.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The City's other significant accounting policies are described below:

a. Reporting Entity

The accompanying financial statements include the City and its blended component units, Eastmark and Cadence Community Facilities Districts, collectively referred to as "the financial reporting entity". In accordance with GASB Statement No. 14, and as amended by GASB Statements No. 61 and No. 80, the component units discussed below have been included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Community Facilities District ("Districts") The City has three municipal corporation political subdivisions of the State of Arizona that are organized to provide a vehicle for financing certain public infrastructure that is necessary for development of the land within the boundaries of the Districts. The City Council serves as the board of directors of the Districts and the City Manager currently serves as the Manager of the Districts.

Although the Districts are legally separate from the City, the Districts are reported as if they are part of the primary government because the District's governing body is substantively the same as the governing body of the City and management of the City has operational responsibility for the Districts. Separate financial statements for Eastmark Community Facilities District #1 can be obtained from the City's Finance Department, through Accounting Services at 20 E. Main Street, 3rd Floor, Mesa, Arizona 85211. Separate financial statements for Eastmark Community Facilities District #2 and Cadence Community Facilities District are not prepared.

b. Jointly Governed Organizations

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

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

Arizona Municipal Water Users Association (“AMWUA”) is a nonprofit corporation established and funded by cities in Maricopa County for the development of an urban water policy and to represent the cities’ interests before the Arizona legislature. In addition, AMWUA performs certain accounting, administrative and support services for the cities who are jointly using the 91st Avenue Water Treatment Plant.

c. Basic Financial Statements

Government-Wide Financial Statements: The Government-Wide Financial Statements (the Statement of Net Position and the Statement of Activities) report on the City as a whole. 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. As a general rule, the effect of interfund activity has been eliminated from the Government-Wide Financial Statements; the exception is any interfund activity between Governmental and Business-Type Activities, such as transfers. Interfund services provided and used are not eliminated.

The Statement of Net Position reports all financial and capital resources of the City. It is presented in a format of assets plus deferred outflows of resources less liabilities less deferred inflows of resources equal net position, with the assets and liabilities shown in order of their relative liquidity. Net position is required to be presented in three components: net investment in capital assets, restricted and unrestricted. Net investment in capital assets is capital assets net of accumulated depreciation and reduced by outstanding balances of bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net position are those with constraints placed on their use externally either imposed by creditors (such as bond covenants), grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position are those not otherwise classified as restricted and are shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

The Statement of Activities demonstrates the degree to which the direct expenses of the various functional activities 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.). Expenses reported for the various functional activities include indirect expenses, such as overhead costs. Interest on long-term debt is not allocated to the various functions in the Governmental Activities. Program revenues include charges to customers or applicants who directly benefit from goods, services or privileges provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, 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 not covered by program revenues.

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 and proprietary funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Major individual governmental funds are reported as separate columns in the fund financial statements. The City has two enterprise funds. The Utility Fund is reported as a major fund and the Airport Fund is a Non-Major Fund. Non-Major Governmental Funds, as well as the Internal Service Funds, are summarized into a single column on the fund financial statements and are detailed in combining statements included as Supplementary Information.

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

Government-Wide Financial Statements: The Government-Wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing

of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

Licenses and permits, charges for services and miscellaneous revenues are recorded as revenue when received as cash because they are generally not available until actually received. Changes in the fair value of investments are recognized in revenue at the end of each year.

Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting.

Since the Governmental Fund Financial Statements are presented on a different measurement focus and basis of accounting than the Government-Wide Financial Statements, a reconciliation is presented on the page following each Governmental Fund Financial Statement, which briefly explains the adjustments necessary to transform the fund-based financial statements into the Governmental Activities column of the Government-Wide Financial Statements. Additional reconciliations are also provided in Note 2.

Proprietary Funds Financial Statements: The financial statements of the Proprietary Fund are reported using the economic resources measurement focus and accrual basis of accounting, similar to the Government-Wide Financial Statements described above.

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

Internal Service Funds of the City, which provide services primarily to the other funds of the City, are presented in summary form as part of the Proprietary Fund Financial Statements. Since the principal users of internal services are the City's Governmental Activities, financial statements of the internal service funds are consolidated into the Governmental Activities column when presented at the government-wide level. The costs of these services are reflected in the appropriate functional activity on the 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.

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, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the fund financial statements. GASB Statement No. 34 sets forth minimum criteria for the determination of major funds. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The City reports on the following major Governmental Funds and Proprietary Funds:

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.

Major Proprietary (Enterprise) Fund:

The **Utility Fund** has been established to account for all utility functions. This includes the City-owned electric, gas, water, wastewater and solid waste systems, plus district cooling.

Non-major Governmental Funds:

Twelve **Special Revenue Funds** are used to account for specific revenues that are legally restricted to expenditures for specific purposes.

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

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

Proprietary Funds:

The **Airport Fund** is a Non-major Enterprise Fund and is used to account for the City-owned airport.

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

f. Budgets and Budgetary Accounting

Each year the City Manager issues a budget calendar giving specific completion dates for various phases of the budget preparation process. Prior to June 1, the City Manager submits a proposed operating budget to the City Council for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the City to obtain citizen comments. Prior to June 30, the budget for the ensuing year is legally adopted through passage of an ordinance; these appropriations lapse at the end of each fiscal year.

Legal control over the budget derives from State statutes that prohibit the City from exceeding its adopted budget in total. Transfers between funds or departmental groups may be made upon City Manager approval and do not require council action. The legally adopted budget is at a citywide level that includes all Governmental and Enterprise Funds. A budget schedule at the citywide level is presented in the Required Supplementary Information Section, and the other funds are located in the Supplementary Information Section.

On June 3, 1980, the voters of Arizona approved an expenditure limitation for all local governments. This limitation restricts the growth of expenditures to a percentage determined by population and inflation, with certain expenditures excluded from the limitation. Through a Home Rule option, any City can adopt its own alternative expenditure limitation if a majority of the qualified electors vote in favor of the issue at a regular election. On November 8, 2022, the City of Mesa voters approved to continue under Home Rule through fiscal year 2027.

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 details, see the Notes to Budgetary Comparison Schedule. Budgeted amounts are as originally adopted by the City Council on June 5, 2023.

g. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

h. Pooled Cash and Investments

The City maintains an invested pool that is available for use by all City funds. Each fund's portion of this pool is reported on the financial statements as "pooled cash and investments". Assets related to long-term investments of the invested pool are held by a single master custodian. In addition, cash deposits are held separately in the State of Arizona Local Government Investment Pool (LGIP).

The City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Interest income from investments is recorded as revenue within the fund that made the investment.

i. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

j. Capital Assets

Capital assets, including infrastructure (streets, sidewalks, street lighting, storm drainage and other assets that are immovable and of value only to the City) are defined as assets with an initial cost of \$10,000 or more and an estimated useful life of more than one year. Intangible assets for the City include goodwill, right of way, easements and computer software. The City has elected to capitalize software with an initial cost of \$100,000 or more. All capital assets, whether owned by governmental activities or business-type activities, are required to be recorded and depreciated in the government-wide financial statements.

Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Contributions of assets are stated at acquisition value or engineering estimates of acquisition value at the time of receipt. When assets are retired or sold, the costs of the assets and the related accumulated depreciation are eliminated from the accounts, and any resultant gain or loss is charged to income or expense.

Depreciation and amortization of all assets are recorded and calculated using the straight-line method over the following estimated useful lives:

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

Lease and subscription-based information technology arrangements assets are amortized over the shorter of the lease period or estimated useful life of the associated contract.

Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation) or net realizable value, if lower, as of the date of the transfer.

k. Compensated Absences

Vacation, compensatory time and sick leave benefits are accrued as liabilities as employees earn the benefits to the extent that they meet both of the following criteria: 1) the City's obligation is attributable to employees' services already rendered; and 2) it is more likely than not that the City will compensate the employees for the benefits through paid time off or some other means, such as cash.

For Governmental Funds a liability for vacation, compensatory time and sick leave are reported only if they have matured, for example, as a result of employee resignations and retirements. The entire amount of accumulated unpaid vested vacation pay, compensatory time and an estimated amount for sick leave related to the Proprietary Funds is included as a liability in the fund financial statements. The remaining long-term balances related to Governmental Activities are included in the Government-Wide Financial Statement.

l. Reserve for Loss and Loss Adjustment Expenses

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

m. Long-Term Obligations

In the Government-Wide Financial Statements and the Proprietary Fund Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Governmental Activities, Business-Type Activities, or Proprietary Fund Statement of Net Position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

n. Pension and Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/ deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

o. Fund Balance Policies

In the fund financial statements, fund balance is reported in classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications of fund balance are Nonspendable, Restricted, Committed, Assigned, and Unassigned. Nonspendable and Restricted fund balances represent restricted classifications and Committed, Assigned, and Unassigned represent unrestricted classifications.

Nonspendable fund balance includes amounts that cannot be spent because either 1) it is not in a spendable form, such as inventory or prepaid items or 2) it is legally or contractually required to be maintained intact. Restricted fund balance has externally (outside the City) enforceable limitations imposed by creditors, grantors, contributors, laws and regulations of other governments, or laws through constitutional provisions or enabling legislation (changes in City Charter). Committed fund balance has self-imposed limitations imposed at the highest level of decision making authority, namely, Mayor and Council. Mayor and Council approval is required by resolution to commit resources or to rescind the commitment. Assigned fund balance represents limitations imposed by management. Assigned fund balance requests are submitted to the Chief Financial Officer for approval/nonapproval. City Charter authorizes the City Manager or Designee the authority to perform all financial transactions. The City Manager has authorized the Chief Financial Officer this responsibility. Unassigned fund balance represents the residual net resources in excess of the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance.

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

p. Statement of Cash Flows

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

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

q. **Contingency Services**

The principal purpose of a contingency is to cover any unforeseen expenditures that may arise after the budget is adopted, and to cover expenditures resulting from prior year encumbrances. It is impossible to estimate revenues exactly or to determine in a prior year the exact expenditure of each program or activity for the ensuing year. Thus, a contingency is essential for budgetary purposes.

Any balance of a contingency fund 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, 2024, and are made in accordance with State Statutes.

r. **Property Taxes**

The City's secondary property tax is levied each year on or before the third Monday in August based on the previous February limited property values as determined by the Maricopa County Assessor. Levies are due and payable in two installments, on October 1 and March 1, and become delinquent after November 1 and after May 1, respectively. A lien attaches to the property on the first day of January preceding the assessment and levy of taxes. Delinquent amounts bear interest at the rate of 16.0%. Maricopa County, at no charge to the taxing entities, bills and collects all property taxes. Public auctions of tax liens on properties which have delinquent real estate taxes are held in February.

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

In fiscal year 2023-2024, current property tax collections were \$38,064,549 or 97.48% of the tax levy and were recognized as revenue when received. At fiscal year end, the delinquent property tax is recorded as a receivable. Revenue is recognized for those payments expected to be collected within 60 days and the remaining balance is reported as unavailable revenue. The receivable on June 30, 2024, was \$1,407,958 of which \$676,834 was recorded as revenue and \$731,124 as unavailable revenue.

s. **New Accounting Pronouncements**

GASB Statement No. 100 Accounting Changes and Error Corrections This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023. The City implemented this Statement in fiscal year 2024 with no significant impact on these financial statements.

GASB Statement No 101 Compensated Absences This Statement establishes standards of accounting and financial reporting for (a) compensated absences and (b) associated salary-related payments, including certain defined contribution pensions and defined contribution other postemployment benefits (OPEB). The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. The City implemented this Statement in fiscal year 2024, see Note 9.

GASB Statement No. 102 Certain Risk Disclosures This Statement establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, The City will implement this Standard in fiscal year 2025.

2. RECONCILIATION OF GOVERNMENTAL FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

The governmental fund financial statements are presented on a current financial resources measurement focus and modified accrual accounting basis while the government-wide financial statements are prepared on a long-term economic resources measurement focus and accrual accounting basis. Reconciliations briefly explaining the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements immediately follow each governmental fund financial statement.

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2024

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net position (in thousands):

	Total Governmental Funds	Long-term Assets/ Liabilities (1)	Internal Service Funds (2)	Reclassifications and Eliminations	Statement of Net Position Total
Assets					
Pooled Cash and Investments	\$ 891,603	\$ —	\$ 62,207	\$ —	\$ 953,810
Accounts and Misc Receivable, Net	77,409	—	678	—	78,087
Accrued Interest Receivable	3,696	—	252	—	3,948
Due from Other Governments	58,515	—	—	—	58,515
Dues from Other Funds	18,062	—	—	(18,062)	—
Inventory	—	—	11,984	—	11,984
Prepaid and Deposits	6,525	493	1,834	—	8,852
Restricted Assets:					
Pooled Cash and Investments	20,105	—	—	—	20,105
Cash with Fiscal Agent	53,917	—	—	—	53,917
Accounts Receivable	20,586	—	—	—	20,586
Dues from Other Governments	1,505	—	—	—	1,505
Investment in Joint Ventures	—	287,772	—	—	287,772
Capital Assets	—	1,826,285	4,181	—	1,830,466
Total Assets	<u>1,151,923</u>	<u>2,114,550</u>	<u>81,136</u>	<u>(18,062)</u>	<u>3,329,547</u>
Deferred Outflows of Resources					
Deferred Amounts on Refunding	—	3,182	—	—	3,182
Pensions and OPEB	—	294,344	4,135	—	298,479
Total Deferred Outflows of Resources	<u>—</u>	<u>297,526</u>	<u>4,135</u>	<u>—</u>	<u>301,661</u>
Total Assets and Deferred Outflows of	<u>\$ 1,151,923</u>	<u>\$ 2,412,076</u>	<u>\$ 85,271</u>	<u>\$ (18,062)</u>	<u>\$ 3,631,208</u>
Liabilities					
Accounts Payable and Accrued	72,061	—	4,979	—	77,040
Due to Other Funds	14,510	—	3,552	(18,062)	—
Claims Payable	—	—	45,123	—	45,123
Customer and Defendant Deposits	10,096	—	—	—	10,096
Unearned Revenue	48,895	—	—	—	48,895
Liabilities Payable from Restricted	60,626	—	—	—	60,626
Pension and OPEB	—	1,769,944	38,934	—	1,808,878
Long-term Liabilities	—	577,257	1,390	—	578,647
Total Liabilities	<u>206,188</u>	<u>2,347,201</u>	<u>93,978</u>	<u>(18,062)</u>	<u>2,629,305</u>
Deferred Inflows of Resources					
Unavailable Revenue	26,168	(26,168)	—	—	—
Deferred Inflows Related to Leases	49,952	—	—	—	49,952
Pension	—	161,527	5,674	—	167,201
Total Deferred Inflows of Resources	<u>76,120</u>	<u>135,359</u>	<u>5,674</u>	<u>—</u>	<u>217,153</u>
Fund Balance/Net Position					
Total Fund Balance/Net Position	<u>869,615</u>	<u>(70,484)</u>	<u>(14,381)</u>	<u>—</u>	<u>784,750</u>
Total Liabilities and Fund Balance/Net Position	<u>\$ 1,151,923</u>	<u>\$ 2,412,076</u>	<u>\$ 85,271</u>	<u>\$ (18,062)</u>	<u>\$ 3,631,208</u>

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2024

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

Investment in Joint Ventures	\$ <u>287,772</u>
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When capital assets (land, buildings, equipment, etc.) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds, and thus a reduction in fund balance. However, the statement of net position includes those capital assets among the assets of the City as a whole.

Cost of Capital Assets	\$ 3,237,674
Accumulated Depreciation	<u>(1,434,507)</u>
Total	<u>\$ 1,803,167</u>

Certain items that are recognized as assets on the statement of net position are expended in governmental funds when paid such leases, and subscription-based information technology arrangements (SBITAs). These assets are capitalized and amortized over the shorter of the lease period or estimated useful life of the associated contract.

Lease and SBITA Assets	\$ 31,920
Accumulated Amortization	<u>(8,802)</u>
Total	<u>\$ 23,118</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	\$ 479,131
Lease & SBITA Liability	23,874
Compensated Absences	48,713
Unamortized Bond Premium	25,539
Post-employment Benefits	815,388
Pension Liability	<u>954,556</u>
Total	<u>\$ 2,347,201</u>

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

Deferred Amounts on Refunding	\$ 3,182
Deferred Pensions and OPEB	<u>294,344</u>
	<u>\$ 297,526</u>

Deferred inflows relating to pensions represent acquisition of net assets that applies to future periods.

Deferred Inflow of Resources on Pension	\$	<u>161,527</u>
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Prepaid expense consists of items that will consume net position in a future reporting period(s):

Prepaid Cost of Issuance	\$	<u>493</u>
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Unavailable revenues shown on the governmental fund statements are not deferred on the statement of net position.

Unavailable Property Tax Revenues	768
Unavailable Special Assessment Revenue	20,586
Receivables not yet Collected	<u>4,814</u>
	<u>26,168</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, liabilities, deferred inflows and deferred outflows of the internal service funds are included in the governmental activities in the statement of net position, but are not included on the governmental funds balance sheet.

Internal Service Funds	\$	<u>(14,381)</u>
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City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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

	Total Governmental Funds	Long-term Revenues/ Expenses(1)	Capital - Related Items(2)	Internal Service Funds(3)	Long-term Debt (4)	Eliminations (5)	Statement of Activities
Revenues and Other							
Revenues:							
Sales Taxes	\$ 329,821	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 329,821
Property Taxes	47,658	266	—	—	—	—	47,924
Occupancy Taxes	6,837	—	—	—	—	—	6,837
Special Assessments	1,736	(817)	—	—	—	—	919
Licenses and Permits	39,954	—	—	—	—	—	39,954
Intergovernmental	382,740	—	—	—	—	—	382,740
Charges for Service	82,356	—	—	—	—	—	82,356
Fines and Forfeitures	8,787	—	—	—	—	—	8,787
Investment Income	44,051	—	—	2,871	—	—	46,922
Contributions	147	—	508	26,773	—	—	27,428
Miscellaneous	14,818	(1,592)	—	—	—	—	13,226
Other Sources:							
Transfers In	219,576	—	—	—	—	(92,442)	127,134
Sale of Capital Assets	579	—	(379)	—	—	—	200
Face Amount of Bonds	83,340	—	—	—	(83,340)	—	—
Financing of Leases	131	—	—	—	(131)	—	—
Premiums on Issuance	6,153	—	—	—	(6,153)	—	—
Total Revenue and	<u>\$ 1,268,684</u>	<u>\$ (2,143)</u>	<u>\$ 129</u>	<u>\$ 29,644</u>	<u>\$ (89,624)</u>	<u>\$ (92,442)</u>	<u>\$1,114,248</u>
Expenditures/ Expenses and Other							
Expenditures/Expenses:							
Current:							
General	\$ 133,471	\$ 54,113	\$ 22,809	\$ 14,998	\$ —	\$ —	\$ 225,391
Public Safety	434,589	57,346	19,249	14,699	—	—	525,883
Community	125,473	5,220	57,021	4,491	—	—	192,205
Cultural-	78,162	8,935	18,641	1,730	—	—	107,468
Debt Service:							
Principal	53,749	—	—	—	(53,749)	—	—
Interest	19,288	—	—	—	(3,015)	—	16,273
Service Charge	14	—	—	—	—	—	14
Cost of Issuance	481	—	—	—	25	—	506
Capital Outlay	213,194	—	(213,194)	—	—	—	—
Other Financing Uses:							
Transfers Out	92,349	—	—	93	—	(92,442)	—
Total Expenditures/ & Other Financing	<u>1,150,770</u>	<u>125,614</u>	<u>(95,474)</u>	<u>36,011</u>	<u>(56,739)</u>	<u>(92,442)</u>	<u>1,067,740</u>
Net Change for the Year	<u>\$ 117,914</u>	<u>\$ (127,757)</u>	<u>\$ 95,603</u>	<u>\$ (6,367)</u>	<u>\$ (32,885)</u>	<u>\$ —</u>	<u>\$ 46,508</u>

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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

Property Tax Revenues	\$	266
Special Assessment Revenue		(817)
Unavailable Revenue		(1,592)
	\$	<u>(2,143)</u>

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

Accrual of Long Term Compensated Absence	\$	13,770
OPEB Expense		102,548
Pension Expense		9,296
Total	\$	<u>125,614</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/amortization expense. As a result, fund balance decreases by the amount of the financial resources expended, whereas net position decreases by the amount of depreciation/amortization expense charged for the year.

Capital Outlay for Capital Assets	\$	192,390
Depreciation Expense		(75,741)
Total	\$	<u>116,649</u>

When leases (in which the City is the lessee) and subscription-based information technology arrangements (SBITAs) are to be used in governmental activities, an expenditure is recorded in the governmental funds in the amount of the Present Value of the Future Lease Payments (PVFLP)/ Present Value of the Future Subscription Payments (PVFSP), respectively; however, in the statement of activities, the PVFLP and PVFSP are recognized as intangible assets and amortized over the lease term/subscription term.

Capital Outlay for Leases and SBITAs	\$	131
Lease & SBITA Amortization		(4,222)
Total	\$	<u>(4,091)</u>

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

The financing of leases and subscription-based information technology arrangements (SBITAs) are reported as financing sources in governmental funds and thus contribute to the change in fund balance. The repayment of principal on leases and SBITAs consumes financial resources in the governmental funds. Neither transaction has any effect on the statement of activities

Lease Acquisition	\$	(131)
Principal Repayment		<u>3,665</u>
	\$	<u><u>3,534</u></u>

The net effect of miscellaneous transactions involving capital assets (donations, transfers and disposals) and investment in joint venture activity is to increase net position.

Change in Equity Interest for Joint Venture	\$	12,289
Donations, transfers and Disposals		<u>4,666</u>
	\$	<u><u>16,955</u></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	\$	29,644
Expenditures and other Assets		<u>(36,011)</u>
Change in Net Position	\$	<u><u>(6,367)</u></u>

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

General Obligation Bonds	\$	(83,340)
Principal Repayments		<u>50,084</u>
Total	\$	<u><u>(33,256)</u></u>

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

Premiums on Bonds	\$	6,153
Amortization of Bond Premiums		(4,035)
Amortization of Deferred Refunding Amounts		1,020
Amortization of Bond Issuance Costs		<u>25</u>
	\$	<u><u>3,163</u></u>

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

- (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	\$ (92,442)
Transfers In	<u>92,442</u>
	<u>\$ —</u>

3. FUND BALANCE

As of June 30, 2024, the fund balance details by classification are listed below (in thousands):

Fund Balances:	General Fund	Non-major Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepaid Costs	\$ 4,860	\$ 1,665	\$ 6,525
Nonspendable Sub-total	4,860	1,665	6,525
Restricted:			
Capital Projects	—	56,833	56,833
Community Facility District	—	1,055	1,055
Coronavirus Relief	—	1,055	1,055
Court	—	2,494	2,494
Debt Service	—	30,119	30,119
Fire	—	46,725	46,725
General Government	—	10	10
Housing	—	936	936
Library	—	217	217
Parks & Recreation	—	768	768
Police	—	71,294	71,294
Public Health	—	3,379	3,379
Spring Training and Tourism	—	3,444	3,444
Transportation Programs	—	141,790	141,790
Restricted Sub-total	—	360,119	360,119
Committed To:			
Arts & Culture	—	1,400	1,400
Cemetery	3,715	3,024	6,739
Environmental Compliance	—	20,705	20,705
Fire	4,913	—	4,913
Technology	—	2,471	2,471
Committed To Sub-total	8,628	27,600	36,228
Assigned To:			
Capital Projects	—	80,870	80,870
Development Services	660	—	660
Economic Development	10,715	—	10,715
Fire	10,261	—	10,261
General Government	162,364	587	162,951
Parks & Recreation	1,608	—	1,608
Police	18,478	—	18,478
Spring Training and Tourism	10,431	—	10,431
Sustainability	344	—	344
Transit	277	—	277
Vehicle Replacement	—	3,349	3,349
Assigned To Sub-total	215,138	84,806	299,944
Unassigned	194,106	(27,307)	166,799
Total Fund Balances	<u>\$ 422,732</u>	<u>\$ 446,883</u>	<u>\$ 869,615</u>

4. POOLED CASH AND INVESTMENTS

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

Cash on Hand	\$	34,064
Investments in Local Govt Invest Pools		23,414
Cash with Custodian (1)		33,689
Cash with Fiscal Agent (2)		143,426
Long-Term Investments		1,168,874
Total City Pooled Cash and Investments	\$	<u>1,403,467</u>

(1) Represents cash sent by the City to Custodian on June 30, 2024 for investing purposes.

(2) Represents cash sent by the City to fiscal agents on June 30, 2024 for debt service payments due to bondholders on July 1, 2024

Deposits

At year end, the City's cash totaled \$34,063,603 which included \$137,300 in petty cash. The City's adjusted book balance was \$33,926,573 and the bank balance was \$37,191,023. The difference of \$3,264,450 represents outstanding deposits and withdrawals in transit.

Custodial Risk

Cash deposits are subject to custodial risk. Custodial risk is the risk that in the event of bank failure, the City's deposits may not be returned. To mitigate this risk, on July 1, 2014 Arizona House Bill 2619 Arizona Revised Statute (§35-1201 et. seq.) went into effect establishing a pooled collateral program for public deposits and creating a Statewide Collateral Pool Administrator (the "Administrator") in the State Treasurer's Office. The purpose of this Bill is to ensure that public deposits of governmental entities placed with participating banks are backed with collateral of 102% of the amount on deposit less applicable FDIC Deposit Insurance. The Administrator will monitor, audit and report on each bank's compliance. Collateral under this program is pledged in the name of the Administrator and the City's current bank is a participant in this program. The City's cash balances on deposit as of June 30, 2024 are covered under House Bill 2619.

Investments

The City's Investment Policy is consistent with the City Charter. The investment policy authorizes the investment of City funds in accordance with Arizona Revised Statute §35-323. These investments include obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties, or incorporated cities, towns or duly organized school districts, improvement districts in this state, State Treasurer Investment Pool, and investment grade corporate bonds, debentures, notes and other evidence of indebtedness issued or guaranteed by solvent U.S. corporations which are not in default as to principal or interest.

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy for credit risk complies with Arizona Revised Statute §35-323. The City's portfolio

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

is primarily invested in securities issued by the U.S. Treasury and by U.S. Government agencies that carry a minimum "A" or better rating, at the time of purchase, from two nationally recognized rating agencies.

The City's portfolio also invests in Corporate Notes rated "A" or better by two nationally recognized rating agencies and participates in the State Treasurer's Investment Pool (LGIP), which is overseen according to Arizona State Statute by the State Board of Investment. Within the State Treasurer's Investment Pools, the City participates in Investment Pool 7. Pool 7 is a short-term fund which invests only in products backed by the full faith and credit of the United States Government. Pool 7 carries a weighted average credit rating of AAA.

Associated with credit risk is concentration of credit risk and custodial credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

The City's investments had the following credit risk structure as of June 30, 2024 (in thousands):

Investment Type	S & P Rating	Fair value
Corporate Notes	AAA	\$ 1,511
Corporate Notes	AA+	7,136
Corporate Notes	AA	6,453
Corporate Notes	AA-	20,809
Corporate Notes	A+	25,578
Corporate Notes	A	30,070
Corporate Notes	A-	25,303
Corporate Notes	BBB+	8,237
Corporate Notes	NR / NR**	3,998
First American Gov't Obligation MM Fund	AAAm	33,689
Foreign Issues	AAA	13,846
Foreign Issues	AA-	15,365
Foreign Issues	A+	12,858
Foreign Issues	A	17,424
Foreign Issues	A-	15,702
Foreign Issues	BBB+	2,823
Foreign Issues	NA/Aa2*	1,389
Municipal Bonds	AAA	21,783
Municipal Bonds	AA+	12,569
Municipal Bonds	AA	15,325
Municipal Bonds	AA-	13,823
Municipal Bonds	A+	2,878
Municipal Bonds	NR/Aa2*	3,248
Municipal Bonds	NR/Aaa*	3,258
Municipal Bonds	NR/NR**	3,000
US Agencies	AA+	548,124
US Agencies	NA/Aaa*	232,920
US Agencies	N/R**	78,670
US Treasuries Short Term	N/R**	24,774
Total		<u>\$ 1,202,563</u>

*Rating by Moodys

**No Rating

Fair Value of Investments

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

On June 30, 2024, the City had the following recurring fair value measurements (in thousands):

		Fair Value Measurements Using:		
<u>Investment by Fair Value Level</u>	Fair Value 6/30/2024	Level 1	Level 2	Level 3
<u>Debt Securities</u>				
Corporate Notes	\$ 129,095	\$ —	\$ 129,095	\$ —
Foreign Issues	79,407	—	79,407	—
Municipal Bonds	75,884	—	75,884	—
US Treasuries and Agencies	884,488	—	884,488	—
Total Debt Securities at Fair Value	<u>\$ 1,168,874</u>	<u>\$ —</u>	<u>\$1,168,874</u>	<u>\$ —</u>
<u>Investments Measured at Fair Value</u>				
Arizona State Treasurers Investment Pools	\$ 23,414			
First American Gov't Obligation MM Fund	<u>33,689</u>			
Total Investments Measured At Fair Value	<u>\$ 1,225,977</u>			

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

Investments valued using the net asset value (NAV) per share (or its equivalent) are City investments in Arizona State Treasurers Investment Pool (LGIP) and unlike more traditional investments, generally do not have readily obtainable fair values. Investments valued at NAV utilized Net Asset Values as provided by State of Arizona Treasurer's Office on June 30, 2024.

The City's investment maturities on June 30, 2024 are as follows (in thousands):

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>				<u>Concentration of Credit Risk %</u>
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-3</u>	<u>3-5</u>	
Corporate Notes	\$ 129,095	\$ 2,948	\$ 74,593	\$ 51,554	10.73 %
First American Gov't Obligation MM	33,689	33,689	—	—	2.80 %
Foreign Issues	79,407	8,347	43,310	27,750	6.60 %
Municipal Bonds	75,884	14,734	49,618	11,532	6.31 %
US Treasuries and Agencies	884,488	290,055	418,814	175,619	73.55 %
Totals	<u>\$1,202,563</u>	<u>\$ 349,773</u>	<u>\$ 586,335</u>	<u>\$266,455</u>	<u>100.00 %</u>

5. ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS

Accounts receivable are recorded in the various funds and displayed in the financial statements net of an allowance for uncollectible accounts as follows (in thousands):

Fund	Receivables	Allowance	Net
Governmental Activities:			
General Fund:			
Other Customers	\$ 29,022	\$ (6,293)	\$ 22,729
Leases	52,674	—	52,674
Due from Other Governments:	26,208	—	26,208
Non-Major Governmental Funds:			
Other Customers	3,174	(1,168)	2,006
Restricted-Spec. Assessments	20,586	—	20,586
Restricted-Due from Other Governments	1,505	—	1,505
Due from Other Governments			
Sales Tax Revenues	26,523	—	26,523
Other	5,784	—	5,784
Internal Service Funds:			
Premiums	15	—	15
Other Customers	1,120	(457)	663
Total Governmental Activities	<u>\$ 166,611</u>	<u>\$ (7,918)</u>	<u>\$ 158,693</u>
Business-Type Activities:			
Utility Customers	\$ 50,064	\$ (1,538)	\$ 48,526
Other Customers	554	(83)	471
Leases	58,837	—	58,837
Due from Other Governments	2,644	—	2,644
Total Business-type Activities	<u>\$ 112,099</u>	<u>\$ (1,621)</u>	<u>\$ 110,478</u>

Unbilled Accounts Receivable

Unbilled utility service receivables are recorded in the year in which the services are provided. At June 30, 2024, unbilled utility service receivables are recorded in the Enterprise Fund as follows (in thousands):

Electric	\$ 3,803
Gas	1,503
Water	10,440
Wastewater	4,858
Solid Waste	3,150
	<u>\$ 23,754</u>

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Additionally, governmental funds record unearned revenue when resources have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable and unearned revenue reported were as follows (in thousands):

	Governmental Activities		
	General Fund	Non-Major Funds	Total
<u>Unearned Revenue</u>			
Advance ticket sales	\$ 2,165	\$ 212	\$ 2,377
Grants received prior to meeting all eligibility requirements	—	38,732	38,732
Unspent ABC Donations	—	148	148
Amounts paid in advance	1,693	5,945	7,638
	<u>\$ 3,858</u>	<u>\$ 45,037</u>	<u>\$ 48,895</u>
<u>Unavailable Revenue</u>			
Receivables not yet collected	\$ 3,178	\$ 1,636	\$ 4,814
Delinquent Property Taxes	—	768	768
Special Assessments not yet due	—	20,586	20,586
	<u>\$ 3,178</u>	<u>\$ 22,990</u>	<u>\$ 26,168</u>

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The following interfund activities are included in the fund financial statements on June 30, 2024 (in thousands):

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 18,062	\$ —
Non-major Governmental Funds	—	14,510
Proprietary Funds	—	3,552
Total	<u>\$ 18,062</u>	<u>\$ 18,062</u>

Interfund balances on June 30, 2024, are short-term loans used to cover temporary cash deficits in various funds and are expected to be repaid within one year.

The following interfund transfers are reflected in the fund financial statements for the year ended June 30, 2024 (in thousands):

Transfers In	Transfers Out					
	Fund	General Fund	Non-major Governmental Funds	Utility Fund	Airport Fund	Internal Service Funds
General Fund		\$ —	\$ 12,301	\$ 127,142	\$ 9	\$ 93
Non-major Governmental		80,031	—	—	—	—
Utility Fund		17	—	—	—	—
Total		\$ 80,048	\$ 12,301	\$ 127,142	\$ 9	\$ 93
						\$ 219,593

The transfer from business-type activities to governmental activities on the government-wide statement of activities is a \$126,771,000 operational subsidy from the Utility Fund to the General Fund. The remaining interfund transfers generally fall within one of the two following categories: 1) debt service payments made from a debt service fund but funded from an operating fund; and 2) subsidy/reserve transfers.

7. LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

City as Lessee

The City, as a lessee, has entered into lease agreements for three buildings, including one located at a local commercial airport, under long-term, non-cancelable lease agreements. The City sub-leases the airport building to an aircraft parts engineering and maintenance company. The airport lease agreement provides for increases in future minimum annual rental payments based on defined increases in the consumer price index, subject to certain minimum increases. The total of the City's lease assets is recorded at a cost of \$28,316,368, less accumulated amortization of \$6,577,127.

Total future minimum lease payments under this lease agreement are as follows (in thousands):

	Governmental Activities		Total
	Principal	Interest	
2025	\$ 2,018	\$ 409	\$ 2,427
2026	1,303	379	1,682
2027	1,305	353	1,658
2028	1,323	326	1,649
2029	1,231	301	1,532
2030-2034	6,519	1,116	7,635
Thereafter	8,378	396	8,774
Totals	<u>\$ 22,077</u>	<u>\$ 3,280</u>	<u>\$ 25,357</u>

City as Lessor

The City, as a lessor, has entered into lease agreements for land, air, buildings, and equipment under long-term, non-cancelable lease agreements. The building that is leased from a local commercial airport is sub-leased to an aircraft parts engineering and maintenance company. These leases expire at various dates through 2079 and provide for renewal options ranging from 1 to 50 years. During the year ended June 30, 2024, the City recognized \$6,628,730 and \$2,527,715 in lease revenue and interest revenue, respectively, pursuant to these contracts.

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

Subscription-Based Information Technology Arrangements

The City has entered into subscription-based information technology arrangements (SBITAs) involving:

- Special event ticketing software
- Public safety data backup services software
- Medical transport billing software
- Public safety operations and intelligence software
- Leave administration software.
- Pawnshop ticketing and tracking software
- Lease administration and accounting software
- Development information management software

The total of the City's subscription assets is recorded at a cost of \$3,926,000, less accumulated amortization of \$2,455,329.

The future subscription payments under SBITA agreements are as follows (in thousands):

	Governmental Activities		
	Principal	Interest	Total
2025	\$ 1,056	\$ 20	\$ 1,076
2026	494	10	504
2027	263	4	267
2028	15	1	16
2029	14	1	15
2030-2034	58	2	60
Totals	<u>\$ 1,900</u>	<u>\$ 38</u>	<u>\$ 1,938</u>

8. CAPITAL ASSETS

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2024, follows (in thousands):

	Restated Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-depreciable Assets:				
Land	\$ 413,564	\$ 6,197	\$ -	\$ 419,761
Infrastructure	3,597	-	-	3,597
Construction-in-Progress	119,210	202,082	(134,803)	186,489
Total Non-depreciable Assets	536,371	208,279	(134,803)	609,847
Depreciable Assets:				
Buildings	514,030	27,997	-	542,027
Other Improvements	312,211	17,874	(2,628)	327,457
Machinery & Equipment	309,470	29,712	(3,452)	335,730
Intangibles	24,312	-	-	24,312
Infrastructure	1,370,703	42,257	(469)	1,412,491
Total Depreciable Assets	2,530,726	117,840	(6,549)	2,642,017
Less Accumulated Depreciation for:				
Buildings	(171,919)	(10,357)	-	(182,276)
Other Improvements	(173,741)	(11,042)	443	(184,340)
Machinery & Equipment	(205,756)	(16,027)	3,325	(218,458)
Intangibles	(24,311)	(1)	-	(24,312)
Infrastructure	(796,689)	(38,854)	321	(835,222)
Total Accum. Depreciation	(1,372,416)	(76,281)	4,089	(1,444,608)
Total Depreciable Assets, net	1,158,309	41,559	(2,460)	1,197,409
Lease Assets				
Building	28,316	-	-	28,316
Total Lease Assets	28,316	-	-	28,316
Less Accumulated Amortization for:				
Buildings	(3,573)	(3,004)	-	(6,577)
Total Accum. Amortization	(3,573)	(3,004)	-	(6,577)
Total Amortizable Assets, net	24,743	(3,004)	-	21,739
Subscription-Based Information Technology Agreement Assets				
Software	3,889	131	(94)	3,926
Total SBITA Assets	3,889	131	(94)	3,926
Less Accumulated Amortization for:				
Software	(1,180)	(1,275)	-	(2,455)
Total Accum. Amortization	(1,180)	(1,275)	-	(2,455)
Total Amortizable Assets, net	2,709	(1,144)	(94)	1,471
Governmental Activities				
Capital Assets, net	\$1,722,132	\$ 245,690	\$ (137,357)	\$1,830,466

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

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

General Government	\$ 9,548
Public Safety	13,219
Community Environment	41,898
Cultural-Recreational	15,299
Capital assets held by the City's Internal Service funds are charged to the various functions based on their usage of assets	397
	<u>\$ 80,361</u>

	Beginning	Additions	Retirements	Ending Balance
Business-type Activities:				
Non-depreciable Assets:				
Land	\$ 31,698	\$ 88	\$ —	\$ 31,786
Water Rights	17,560	—	—	17,560
Collections of Art	106	—	—	106
Construction-in-Progress	129,835	154,867	(93,306)	191,396
Total Non-depreciable Assets	<u>179,199</u>	<u>154,955</u>	<u>(93,306)</u>	<u>240,848</u>
Depreciable Assets:				
Buildings	46,701	—	—	46,701
Other Improvements	86,952	581	—	87,533
Machinery & Equipment	89,500	6,784	(2,729)	93,555
Intangibles	26,801	—	—	26,801
Infrastructure	2,252,340	120,665	(671)	2,372,334
Total Depreciable Assets	<u>2,502,294</u>	<u>128,030</u>	<u>(3,400)</u>	<u>2,626,924</u>
Less Accumulated Depreciation for:				
Buildings	(18,414)	(859)	—	(19,273)
Other Improvements	(49,971)	(2,357)	—	(52,328)
Machinery & Equipment	(65,872)	(4,168)	2,663	(67,377)
Intangibles	(23,110)	(112)	—	(23,222)
Infrastructure	(1,099,564)	(58,637)	614	(1,157,587)
Total Accum. Depreciation	<u>(1,256,931)</u>	<u>(66,133)</u>	<u>3,277</u>	<u>(1,319,787)</u>
Total Depreciable Assets, net	<u>1,245,363</u>	<u>61,897</u>	<u>(123)</u>	<u>1,307,137</u>
Business-type Activities				
Capital Assets, net	<u>\$1,424,562</u>	<u>\$ 216,852</u>	<u>\$ (93,429)</u>	<u>\$ 1,547,985</u>

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2024

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

Electric	\$ 3,933
Gas	7,295
Water	32,360
Wastewater	18,016
Solid Waste	2,146
Airport	1,977
District Cooling	408
	<u>\$ 66,133</u>

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

<u>Governmental Activities</u>	<u>Construction in Progress</u>	<u>Commitments</u>
General Governments	\$ 175,254	\$ 111,851
Public Safety	3,778	618
Community Environment	2,018	10
Cultural-Recreational	5,439	353
Total	<u>\$ 186,489</u>	<u>\$ 112,832</u>
<u>Business-type Activities</u>	<u>Construction In Progress</u>	<u>Commitments</u>
Electric	\$ 5,855	\$ 1,545
Gas	30,067	5,378
Water	94,834	170,682
Wastewater	50,697	27,545
Solid Waste	2,424	12,997
Airport	7,348	2,785
District Cooling	171	-
Total	<u>\$ 191,396</u>	<u>\$ 220,932</u>

9. LONG-TERM OBLIGATIONS

a. Changes in Long-Term Obligations

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

	Restated Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 284,955	\$ 83,340	\$ (32,305)	\$ 335,990	\$ 30,185
Highway User Revenue Bonds	29,030	-	(10,490)	18,540	10,880
Excise Tax Revenue Obligations	32,935	-	(1,305)	31,630	1,375
Community Facility District	98,955	-	(5,984)	92,971	3,385
Total Bonds Payable	<u>445,875</u>	<u>83,340</u>	<u>(50,084)</u>	<u>479,131</u>	<u>45,825</u>
Leases	24,715	-	(2,567)	22,077	2,013
Subscription-Based Information					
Technology Arrangements	2,866	131	(1,097)	1,900	1,056
Unamortized Premiums	23,421	6,153	(4,035)	25,539	-
Compensated Absences	35,890	49,569	(35,458)	50,001	5,187
Pension and OPEB Liability	1,664,200	144,678	-	1,808,878	20,664
Governmental Activities Total	<u>\$2,196,967</u>	<u>\$ 283,870</u>	<u>\$ (93,242)</u>	<u>\$ 2,387,526</u>	<u>\$ 74,745</u>
Business-type Activities:					
Bonds Payable:					
Utility Revenue Bonds	\$1,112,515	\$ -	\$ (49,390)	\$ 1,063,125	\$ 50,840
Utility Revenue Obligations	138,725	193,710	(8,460)	323,975	8,790
Total Bonds Payable	<u>1,251,240</u>	<u>193,710</u>	<u>(57,850)</u>	<u>1,387,100</u>	<u>59,630</u>
Notes Payable	983	-	(156)	827	159
Unamortized Bond Premiums	85,847	-	(8,886)	76,961	-
Unamortized Obligation Premiums	16,641	9,025	(1,556)	24,109	-
Compensated Absences	4,516	6,568	(4,826)	6,259	837
Pension and OPEB Liability	127,328	11,294	-	138,622	2,040
Business-type Activities Total	<u>\$1,486,554</u>	<u>\$ 220,597</u>	<u>\$ (73,274)</u>	<u>\$ 1,633,878</u>	<u>\$ 62,666</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for internal service funds are included as part of the above totals for governmental activities. At year-end, \$1,286,397 of internal service funds compensated absences are included in the above amounts.

For governmental activities, compensated absences are generally liquidated by the general fund.

b. Bonds Payable

On June 30, 2024, long-term bonds payable consisted of:

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

General Obligation Bonds

	Bonds Outstanding (In Thousands)
\$27,290,000 2012 general obligation serial bonds due in annual installments ranging from \$840,000 to \$8,550,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2032.	\$ 16,000
\$59,960,000 2013 general obligation serial bonds due in annual installments ranging from \$1,635,000 to \$12,675,000, plus semi-annual interest ranging from 1.5 percent to 4 percent through July 1, 2033.	35,400
\$37,550,000 2014 general obligation serial bonds due in annual installments ranging from \$1,050,000 to \$5,575,000, plus semi-annual interest ranging from 2 percent to 3.6 percent through July 1, 2034.	20,425
\$13,690,000 2015 general obligation serial bonds due in annual installments ranging from \$250,000 to \$6,700,000, plus semi-annual interest ranging from 2 percent to 5 percent through July 1, 2035.	4,665
\$37,700,000 2016 general obligation serial bonds due in annual installments ranging from \$825,000 to \$2,775,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2036.	25,850
\$20,475,000 2016 general obligation refunding serial bonds due in annual installments ranging from \$60,000 to \$5,300,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2027.	15,465
\$22,935,000 2016 taxable general obligation refunding serial bonds due in annual installments ranging from \$1,000,000 to \$3,565,000, plus semi-annual interest ranging from 0.85 percent to 3 percent through July 1, 2029.	11,495
\$47,180,000 2017 general obligation serial bonds due in annual installments ranging from \$1,500,000 to \$5,725,000, plus semi-annual interest ranging from 3 percent to 3.25 percent through July 1, 2037.	31,530
\$47,450,000 2017 general obligation refunding serial bonds due in annual installments ranging from \$50,000 to \$9,920,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2029.	30,695
\$16,120,000 2018 general obligation serial bonds due in annual installments ranging from \$275,000 to \$8,795,000, plus semi-annual interest ranging from 3 percent to 4 percent through July 1, 2038.	5,850

City of Mesa, Arizona**Notes to Financial Statements**

For the Fiscal Year Ended June 30, 2024

\$33,065,000 2019 general obligation serial bonds due in annual installments ranging from \$640,000 to \$16,700,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2039.	\$ 13,685
\$22,075,000 2020 general obligation serial and term bonds due in annual installments ranging from \$465,000 to \$1,920,000, plus semi-annual interest ranging from 1.875 percent to 3 percent through July 1, 2040.	9,320
\$23,390,000 2020 general obligation refunding serial bonds due in annual installments ranging from \$730,000 to \$12,480,000, plus semi-annual interest ranging from 4 percent to 5 percent through July 1, 2030.	19,640
\$19,030,000 2021 general obligation serial and term bonds due in annual installments ranging from \$80,000 to \$17,080,000, plus semi-annual interest ranging from 3 percent to 5 percent through July 1, 2041.	1,780
\$14,495,000 2021 general obligation refunding serial bonds due in annual installments ranging from \$665,000 to \$6,380,000, plus semi-annual interest ranging of 5 percent through July 1, 2031.	11,035
\$22,620,000 2022 general obligation serial bonds due in annual installments ranging from \$905,000 to \$12,665,000, plus semi-annual interest of 5 percent through July 1, 2032.	9,050
\$83,340,000 2023 general obligation serial bonds due in annual installments ranging from \$2,440,000 to \$9,235,000, plus semi-annual interest of 5 percent through July 1, 2032.	<u>74,105</u>
Total General Obligation Bonds	<u>\$ 335,990</u>

Street and Highway User Revenue Bonds

\$10,675,000 2007 street and highway user revenue bonds, partially refunded by street and highway users revenue refunding bond series 2015, due in annual principal installments ranging from \$1,000,000 to \$3,900,000, plus semi-annual interest ranging from 4.25 percent to 5.0 percent through July 1, 2025.	\$ 1,000
\$17,555,000 2015 street and highway user revenue refunding bonds, due in annual installments ranging from \$15,000 to \$9,880,000 plus semi-annual interest of 3 to 5 percent through July 1, 2027.	<u>17,540</u>
Total Street and Highway User Revenue Bonds	<u>\$ 18,540</u>

Community Facilities District

\$2,712,000 2013 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 1 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$62,000 to \$180,000, plus semi-annual interest ranging from 2 percent to 5.25 percent through July 1, 2038.	\$ 1,774
\$3,367,000 2014 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 2 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$85,000 to \$225,000, plus semi-annual interest ranging from 2 percent to 5.375 percent through July 1, 2039.	2,301
\$1,942,000 2015 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 3 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$52,000 to \$135,000, plus semi-annual interest ranging from 2.3 percent to 5.2 percent through July 1, 2039.	1,443
\$6,800,000 2015 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$165,000 to \$680,000, plus semi-annual interest ranging from 4 percent to 5 percent through July 15, 2039.	5,070
\$970,000 2015 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 4 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$15,000 to \$65,000, plus semi-annual interest ranging from 2 percent to 5 percent through July 1, 2040.	640
\$1,060,000 2016 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 5 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$30,000 to \$70,000, plus semi-annual interest ranging from 1.85 percent to 4.75 percent through July 1, 2040.	797
\$502,000 2017 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 6 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$7,000 to \$35,000, plus semi-annual interest ranging from 3.5 percent to 5.25 percent through July 1, 2041.	394
\$8,160,000 2017 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$215,000 to \$510,000, plus semi-annual interest ranging from 2 percent to 5 percent through July 15, 2042.	6,470
\$1,326,500 2017 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 7 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$36,500 to \$85,000, plus semi-annual interest ranging from 2 percent to 4.5 percent through July 1, 2042.	1,070

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

\$770,000 2018 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 8 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$21,000 to \$49,000, plus semi-annual interest ranging from 2.5 percent to 4.5 percent through July 1, 2042.	\$	622
\$368,000 2018 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 9 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$8,000 to \$24,000, plus semi-annual interest ranging from 2.85 percent to 4.75 percent through July 1, 2042.		282
\$10,830,000 2018 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$240,000 to \$1,240,000, plus semi-annual interest ranging from 3.75 percent to 5.0 percent through July 15, 2043.		8,290
\$969,000 2018 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 11 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$24,000 to \$65,000, plus semi-annual interest ranging from 3.00 percent to 5.00 percent through July 1, 2043.		840
\$287,000 2019 Cadence Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 2 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$7,000 to \$20,000, plus semi-annual interest ranging from 3.25 percent to 4.50 percent through July 1, 2043.		224
\$1,883,000 2019 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 10 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$48,000 to \$130,000, plus semi-annual interest ranging from 2.75 percent to 5.20 percent through July 1, 2043.		1,620
\$261,000 2019 Cadence Community Facilities District (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$5,000 to \$16,000, plus semi-annual interest ranging from 2.00 percent to 5.00 percent through July 15, 2043.		215
\$2,012,000 2019 Cadence Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 1 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$55,000 to \$130,000, plus semi-annual interest ranging from 2.25 percent to 4.50 percent through July 1, 2043.		1,704
\$1,235,000 2019 Second Series, Cadence Community Facilities District (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$35,000 to \$350,000, plus semi-annual interest ranging from 3.00 percent to 4.00 percent through July 15, 2044.		1,060

City of Mesa, Arizona

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2024

\$14,120,000 2019 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$285,000 to \$3,950,000, plus semi-annual interest ranging from 3.00 percent to 4.00 percent through July 15, 2044.	\$ 12,235
\$707,000 2020 Eastmark Community Facilities District No. 2 (City of Mesa, Arizona) Assessment District "A" Special Assessment Revenue Bonds, due in annual principal installments ranging from \$20,000 to \$270,000, plus semi-annual interest ranging from 2.00 percent to 4.00 percent through July 1, 2044.	619
\$2,803,000 2020 Cadence Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 3 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$78,000 to \$170,000, plus semi-annual interest ranging from 1.50 percent to 4.00 percent through July 1, 2045.	2,473
\$5,935,000 2020 Cadence Community Facilities District (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$180,000 to \$1,410,000, plus semi-annual interest ranging from 2.00 percent to 3.00 percent through July 15, 2044.	5,160
\$14,000,000 2020 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$425,000 to \$3,250,000, plus semi-annual interest ranging from 2.00 percent to 4.00 percent through July 15, 2044.	12,000
\$2,315,000 2020 Eastmark Community Facilities District No. 2 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$65,000 to \$1,105,000, plus semi-annual interest ranging from 2.00 percent to 4.00 percent through July 15, 2044.	2,045
\$4,469,000 2021 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 12 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$134,000 to \$2,300,000, plus semi-annual interest ranging from 1.60 percent to 3.75 percent through July 1, 2045.	4,058
\$1,580,000 2021 Cadence Community Facilities District (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$10,000 to \$41,000, plus semi-annual interest ranging from 3.00 percent to 4.00 percent through July 15, 2045.	1,350
\$9,955,000 2021 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$10,000 to \$1,965,000, plus semi-annual interest of 4.00 percent through July 15, 2045.	8,235
\$3,520,000 2023 Eastmark Community Facilities District No.1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$850,000 to \$1,080,000, plus semi-annual interest ranging from 4.125 percent to 5.00 percent through July 15, 2045.	2,570

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2024

\$3,480,000 2023 Eastmark Community Facilities District No. 2 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$115,000 to \$1,305,000, plus semi-annual interest ranging from 4.25 percent to 5.00 percent through July 15, 2046. \$ 2,995

\$4,975,000 2023 Cadence Community Facilities District (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$385,000 to \$1,095,000, plus semi-annual interest ranging from 4.00 percent to 5.00 percent through July 15, 2046. 4,415

Total Community Facilities District Bonds **\$ 92,971**

Excise Tax Revenue Obligation

\$36,010,000 2020 excise tax revenue serial obligations, due in annual principal installments ranging from \$645,000 to \$2,595,000, plus semi-annual interest ranging from 3.00 percent to 5.00 percent through July 1, 2040. \$ 31,630

Total bonds payable recorded in governmental activities **\$ 479,131**

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

Utility Systems Revenue Bonds

\$65,550,000 2007 utility systems revenue serial bonds, (partially refunded by 2016 and 2017 utility systems revenue refunding bonds), due in annual principal installments ranging from \$2,500,000 to \$41,800,000, plus semi-annual interest ranging from 4.25 percent to 6.25 percent through July 1, 2025. \$ 2,215

\$52,875,000 2008 utility systems revenue serial bonds, (partially refunded by 2016 and 2018 utility systems revenue refunding bonds), due in annual principal installments ranging from \$700,000 to \$44,675,000, plus semi-annual interest ranging from 4.875 percent to 5.25 percent through July 1, 2029. 915

\$47,290,000 2013 utility systems revenue bonds, due in one principal installment plus semi-annual interest of 4.0 percent through July 1, 2037. 47,290

\$36,385,000 2014 utility systems revenue bonds, due in two principal installments of \$20,000,000 and \$16,385,000, plus semi-annual interest of 4.0 percent through July 1, 2038. 36,385

\$102,945,000 2014 utility systems revenue refunding serial bonds, (partially refunded by 2018 utility systems revenue refunding bonds) due in annual principal installments ranging from \$475,000 to \$31,345,000, plus semi-annual interest ranging from 2 percent to 4 percent through July 1, 2030. 83,735

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2024

\$30,220,000 2015 utility systems revenue bonds, due in principal installments ranging from \$1,000,000 to \$2,375,000, plus semi-annual interest of 2 percent to 5 percent through July 1, 2039.	\$ 24,720
\$90,500,000 2016 utility systems revenue serial bonds, due in annual principal installments ranging from \$1,000,000 to \$22,550,000, plus semi-annual interest ranging from 3 percent to 5 percent through July 1, 2040.	85,125
\$138,035,000 2016 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$3,375,000 to \$44,890,000, plus semi-annual interest ranging from 4 percent to 5 percent through July 1, 2032.	138,035
\$123,875,000 2017 utility systems revenue serial bonds, due in annual principal installments ranging from \$2,000,000 to \$18,900,000, plus semi-annual interest ranging from 3 percent to 5 percent through July 1, 2041.	114,650
\$75,435,000 2017 utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$885,000 to \$26,565,000, plus semi-annual interest of 4 percent through July 1, 2028.	70,185
\$112,120,000 2018 utility systems revenue serial and term bonds, due in annual principal installments ranging from \$3,000,000 to \$12,825,000, plus semi-annual interest ranging from 3 percent to 5 percent through July 1, 2042.	94,120
\$93,825,000 2019A utility systems revenue serial and term bonds, due in annual principal installments ranging from \$850,000 to \$13,455,000, plus semi-annual interest of 5 percent through July 1, 2043.	78,825
\$54,225,000 2019B utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$200,000 to \$42,420,000, plus semi-annual interest 3 percent to 5 percent through July 1, 2033.	51,820
\$79,335,000 2019C utility systems revenue refunding serial bonds, due in annual principal installments ranging from \$2,950,000 to \$7,800,000 plus semi-annual interest of 5 percent through July 1, 2035.	62,185
\$71,070,000 2020 utility systems revenue serial bonds, due in annual principal installments ranging from \$1,000,000 to \$10,100,000, plus semi-annual interest ranging from 3 percent to 5 percent through July 1, 2044.	61,480
\$37,675,000 2020 utility systems revenue refunding serial bond due in a single principal installment of \$37,675,000 plus semi-annual interest of 4 percent through July 1, 2034.	37,675
\$34,685,000 2021 utility systems revenue serial and term bonds, due in annual principal installments ranging from \$1,000,000 to \$11,395,000 plus semi-annual interest ranging from 3 percent to 5 percent through July 1, 2045.	28,895

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2024

\$44,870,000 2021 utility systems revenue refunding serial bond due in a single principal installment of \$44,870,000 plus semi-annual interest of 4 percent through July 1, 2035.	\$ 44,870
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Total Utility Systems Revenue Bonds	<u>\$ 1,063,125</u>
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Utility System Revenue Obligations

\$14,015,000 2021 utility revenue serial and term obligations, due in annual principal installments ranging from \$1,000,000 to \$4,780,000, plus semi-annual interest ranging from 4.00 percent to 5.00 percent through July 1, 2045.	\$ 12,015
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\$16,075,000 2022 utility revenue serial and term obligations, due in annual principal installments ranging from \$2,660,000 to \$7,845,000, plus semi-annual interest of 5.00 percent through July 1, 2046.	10,645
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\$54,705,000 2022 taxable utility revenue serial obligations, due in annual principal installments ranging from \$2,630,000 to \$2,725,000, plus semi-annual interest ranging from 2.90 percent to 3.95 percent through July 1, 2028.	54,705
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\$57,655,000 2022C taxable utility revenue refunding serial obligations, due in a single principal installment of \$57,655,000 plus semi-annual interest of 5 percent through July 1, 2036.	57,655
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\$193,710,000 2023 utility revenue serial obligations, due in annual principal installment ranging from 2,500,000 to 21,300,000 plus semi-annual interest of 5 percent through July 1, 2048.	<u>188,955</u>
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Total Utility Systems Revenue Obligations	<u>\$ 323,975</u>
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Total bonds payable recorded in business-type activities	<u>\$ 1,387,100</u>
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The following tables summarize the City's debt service requirements to maturity for its long-term bonds payable on June 30, 2024 (in thousands). The deferred amounts on refundings are not included.

Governmental Activities							
General Obligation Bonds				Highway User Revenue Bonds			
Fiscal Year	Principal	Interest	Total	Fiscal Year	Principal	Interest	Total
2025	\$ 30,185	\$ 12,755	\$ 42,940	2025	\$ 10,880	\$ 785	\$ 11,665
2026	28,675	11,604	40,279	2026	3,755	344	4,099
2027	29,760	10,597	40,357	2027	3,905	156	4,061
2028	30,900	9,483	40,383	2028	—	—	—
2029	30,935	8,334	39,269	2029	-	-	-
2030-2034	116,915	25,991	142,906	2030-2034	-	-	-
2035-2039	46,820	10,324	57,144	2035-2039	-	-	-
2040-2043	21,800	2,694	24,494	2040-2043	-	-	-
TOTALS	\$ 335,990	\$ 91,782	\$ 427,772	TOTALS	\$ 18,540	\$ 1,285	\$ 19,825
Excise Tax Revenue Obligations				Community Facilities District			
Fiscal Year	Principal	Interest	Total	Fiscal Year	Principal	Interest	Total
2025	\$ 1,375	\$ 1,324	\$ 2,699	2025	\$ 3,385	\$ 3,545	\$ 6,930
2026	1,440	1,255	2,695	2026	3,673	3,529	7,202
2027	1,515	1,183	2,698	2027	3,808	3,389	7,197
2028	1,590	1,107	2,697	2028	3,911	3,238	7,149
2029	1,670	1,028	2,698	2029	3,997	3,083	7,080
2030-2034	9,660	3,822	13,482	2030-2034	21,784	12,912	34,696
2035-2039	14,380	1,800	16,180	2035-2039	25,245	8,205	33,450
2040-2044	-	-	—	2040-2044	23,223	3,117	26,340
2045-2047	-	-	—	2045-2048	3,945	187	4,132
TOTALS	\$ 31,630	\$ 11,519	\$ 43,149	TOTALS	\$ 92,971	\$ 41,205	\$134,176
Business-type Activities							
Revenue Bonds				Utility Revenue Obligations			
Fiscal Year	Principal	Interest	Total	Fiscal Year	Principal	Interest	Total
2025	\$ 50,840	\$ 43,199	\$ 94,039	2025	\$ 8,790	\$ 15,996	\$ 24,786
2026	52,185	40,920	93,105	2026	8,770	15,600	24,370
2027	54,655	38,645	93,300	2027	8,255	15,200	23,455
2028	58,055	36,351	94,406	2028	8,730	14,820	23,550
2029	56,235	33,924	90,159	2029	8,260	14,411	22,671
2030-2034	331,930	130,429	462,359	2030-2034	31,650	66,566	98,216
2035-2039	274,950	71,326	346,276	2035-2039	75,215	51,373	126,588
2040-2044	179,880	19,489	199,369	2040-2044	80,295	38,078	118,373
2045-2048	4,395	220	4,615	2045-2048	94,010	10,329	104,339
TOTALS	\$1,063,125	\$414,503	\$1,477,628	TOTALS	\$ 323,975	\$242,373	\$566,348

General Obligation Bonds

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

The total debt margin available June 30, 2024, is (in thousands):

6% Bonds	\$	480,154
20% Bonds		1,285,871
Total Available	\$	<u>1,766,025</u>

Community Facilities Districts Special Assessment and General Obligation Bonds

Community Facilities District Special Assessment and General Obligation Bonds are issued by Community Facilities Districts (CFDs), which are special purpose districts created specifically to acquire and improve public infrastructure in specified land areas. The City has no liability for CFD bonds.

CFD general obligation bonds are repaid by ad valorem taxes levied directly by the districts and collected by the county. Property owners in the districts are assessed for district taxes and thus for all costs associated with the districts. As of June 30, 2024, total principal and interest outstanding for CFD general obligation bonds was \$103,361,700.

CFD special assessment bonds are collateralized by properties within established districts. In the event of default by the property owner, the CFD may enforce an auction sale to satisfy the debt service requirements of the assessment bonds. On June 30, 2024, the special assessments receivable for CFDs, together with amounts paid in advance and interest to be received over the life of the assessment period, are adequate for the scheduled maturities of the bonds payable and the related interest. The total principal and interest remaining to be paid on the bonds is \$30,815,360 Principal and interest paid for the current year and total assessments collected were \$1,690,000, and \$1,736,000 respectively.

Utility System Revenue Bonds

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.

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 2 percent of all tangible assets of the Utility System is accumulated. For the year ended June 30, 2024, the amount provided in the Replacement and Extension Funds equaled \$9,318,000 which is in compliance with the bond provisions. As of June 30, 2024, the amount available is \$47,488,000.

c. Notes Payable

Business Type Activities

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

The following table reflects the annual requirements to amortize all notes outstanding as of June 30, 2024(in thousands):

Fiscal Year	Business-type Activities		
	Principal	Interest & Fees	Total
2025	\$ 159	\$ 18	\$ 177
2026	163	15	178
2027	167	11	178
2028	170	7	177
2029	167	4	171
Totals	<u>\$ 826</u>	<u>\$ 55</u>	<u>\$ 881</u>

d. Short-term Debt

The City had no short-term debt activity for the fiscal year ended June 30, 2024.

e. Series 2012 Special Activity Revenue Bonds

PMGAA issued \$19,220,000 in special facility Revenue Bonds on February 29, 2012. The City has entered into a memorandum of understanding (MOU) with PMGAA and Able Engineering and Component Services for the development, construction and lease of an aircraft maintenance repair and overhaul facility at Phoenix-Mesa Gateway Airport. In general, the MOU addresses PMGAA issuing Special Facility Revenue Bonds, constructing the facility and leasing the facility to the City. The City, in turn, will sublease the facility to Able Engineering. The City pledged a portion of its excise taxes as security for payment of the base rent. The pledge of such excise taxes will be a junior lien subordinate to certain outstanding senior obligations. The bonds are payable from the future revenues from the City through 2038. During that time frame, total principal and interest to be paid on the bonds will be \$35,216,300. The bonds are not considered the debt of the City.

f. Pledged Revenue

Utility System Revenue Bonds

The City has pledged future utility customer revenues, net of specified operating expenses, to repay approximately \$1.063 billion in utility system revenue bonds issued and outstanding since 2006. Proceeds from the bonds provided financing for the construction of various utility related projects including new gas pipelines and water and wastewater treatment plants. The bonds are payable solely from utility customer net revenues and are payable through 2045. Annual principal and interest payments on the bonds were 50.0% percent of net revenues. The total principal and interest remaining to be paid on the bonds is

\$1.478 billion. Principal and interest paid for the current year and total customer net revenues were \$95,049,000 and \$190,100,000, respectively.

Highway User Revenue Bonds

The City has pledged future Highway User Taxes Revenue to repay \$18,540,000 in highway user revenue bonds issued and outstanding since 2006. Proceeds from the bonds provided financing for streets projects. The bonds are payable solely from the state shared Highway User Tax revenues and are payable through 2027. Annual principal and interest payments on the bonds were 23.9% percent of eligible revenues. The total principal and interest remaining to be paid on the bonds is \$19,825,000. Principal and interest paid for the current year and total highway user tax revenues were \$11,802,000 and \$49,344,000, respectively.

Excise Tax Revenue Obligations

The City has pledged future Excise Tax Revenues to repay \$36,010,000 in excise tax revenue obligations issued and outstanding since 2020. Proceeds from the obligations provided financing for construction and installation of new higher education building. Annual principal and interest payments on the bonds were 0.005% of eligible revenues. The total principle and interest remaining to be paid on the bonds is \$43,149,000. Principle and interest paid for the current year and total excise tax revenues were \$2,694,000 and 504,685,000, respectively.

10. REFUNDED, REFINANCED AND DEFEASED OBLIGATIONS

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 or a Defeasance. 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. Under a Defeasance City resources are used to purchase securities issued or guaranteed by the United States Government. These securities are then deposited in an irrevocable trust under an escrow agreement which provides that all proceeds from the trust will be used to fund the principal and interest payments of the previously issued bonded debt being refunded. The trust deposits have been computed so that the securities in the trust, along with future cash flow generated by the securities, will be sufficient to service the previously issued bonds.

In accordance with GASB Statement No. 7, the refunded debt outstanding on June 30, 2024, as reflected below is not included in the City's financial statements (in thousands).

Utility System Revenue Bond Issue dated May 30, 2007	\$ 785
Utility System Revenue Bond Issue dated May 29, 2008	3,585
Utility System Revenue Refunding Bond Issue dated September 25, 2014	<u>14,210</u>
Total Refunded and Defeased Bonds Outstanding	<u><u>\$ 18,580</u></u>

11. SELF-INSURANCE INTERNAL SERVICE FUND

The Property and Public Liability, Workers' Compensation and Employee Benefits Internal Service Funds have been established to account for the costs of claims incurred by the City under self-insurance programs. The City is fully self-insured for all public liability risks, up to a maximum of \$3,000,000 per occurrence, for the current policy year under the Property and Public Liability Insurance program. In addition, the City carries full property insurance with a \$50,000 per occurrence deductible. Under the

Workers' Compensation Program, the City is subject to a maximum deductible of \$1,000,000 liability per occurrence. In the Employee Benefits Fund, the City has excess insurance coverage when an individual's claims exceed \$225,000 per contract year. There were no changes in insurance coverage during this fiscal year for any of the three Self-Insurance Funds.

The Property and Public Liability, Workers' Compensation and Employee Benefits Internal Service Funds do not have stop loss receivables on June 30, 2024, and did not received any settlements in excess of insurance coverage over the past three fiscal years.

The various funds of the City include, as expenditures, amounts contributed to each of the self-insurance funds during the fiscal year. The estimated liability for claims outstanding is determined by a yearly actuarial study in the Property and Public Liability Fund and the Workers Compensation Fund. The claims liability in the Employee Benefits Fund is generated by a third-party claims processing company.

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

	Property & Public Liability	Workers' Compensation	Employee Benefits	Total
Unpaid Claims, 6/30/22	\$ 12,410	\$ 28,555	\$ 5,845	\$ 46,810
Adjustments to Reserves	(2,937)	(350)	\$ 70,522	67,235
Claim Expense	996	79	(71,902)	(70,827)
Unpaid Claims, 6/30/23	10,469	28,284	4,465	43,218
Adjustments to Reserves	2,464	(1,671)	71,828	72,621
Claims Expense	(1,021)	827	(70,522)	(70,716)
Unpaid Claims, 6/30/24	<u>\$ 11,912</u>	<u>\$ 27,440</u>	<u>\$ 5,771</u>	<u>\$ 45,123</u>

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

12. COMMITMENTS AND CONTINGENT LIABILITIES

a. Pending Litigation

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

b. Sick Leave Benefits

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

statements, the amount of estimated sick leave payable to employees has been expensed and the liability is shown in the appropriate funds. These amounts have been calculated based on the vested method.

The total sick leave balance recorded as a liability on June 30, 2024, is \$24,404,512.

13. NET POSITION

a. Restricted Net Position

The government-wide statement of net position reports \$504,497,000 of restricted net position, of which \$260,474,000 is restricted by enabling legislation.

b. Designated Net Position

The net position in the Employee Benefits Self Insurance Fund is designated for anticipated future losses and is a result of excess premiums charged to increase the fund balance specifically for this purpose.

c. Deficit in Net Position and Fund Balance

The deficit in the Worker's Compensation and the Property and Public Liability Self-Insurance Funds consists of the prior year's deficit resulting from claims expenses exceeding revenues received and from post-employment benefit charges and pension expenses. The City's funding plan calls for yearly contributions from various funds to equal the year's estimated claims and claim related expenses. Future claim liabilities, post-employment benefit charges, and pension expenses are not considered in determining funding for each year.

The deficit in the Warehouse, Maintenance, and Services Fund consists of the prior year's deficit resulting from other post-employment benefit charges and pension expenses. The City's funding plan calls for Charges for Services to cover operational expenses. Post-employment benefit charges and pension expenses are not considered in determining Charges for Services.

The deficit in the Public Safety Capital Project Funds will be covered by proceeds from a future bond sale.

14. ENTERPRISE ACTIVITIES OPERATIONS DETAIL

The Enterprise Fund includes operations of electricity, gas, water, wastewater, solid waste, airport and district cooling. Although the City's Enterprise Fund does not meet the requirements for disclosing segment information, the services provided by the City are of such significance as to warrant certain additional disclosures. Operating revenue, expenses and operating income (loss) for the year ended June 30, 2024, for these services are as follows (in thousands):

Functions	Operating Revenues	Operating Expenses		Operating Income (Loss)
		Depreciation	Other	
Electric	\$ 50,234	\$ 3,933	\$ 42,868	\$ 3,433
Gas	58,932	7,295	33,330	18,307
Water	184,360	32,360	91,126	60,874
Wastewater	98,598	18,016	52,972	27,610
Solid Waste	71,773	2,146	53,501	16,126
Airport	4,798	1,977	11,319	(8,498)
District Cooling	1,323	408	1,162	(247)
Total	\$ 470,018	\$ 66,133	\$ 286,278	\$ 117,605

15. JOINT VENTURES

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

The City's investment in these Joint Ventures as of June 30, 2024, is as follows (in thousands):

	Governmental Activities	Business-Type Activities	Total
Valley Metro Rail Inc.	\$ 281,653	\$ —	\$ 281,653
TOPAZ Regional Wireless Cooperative	6,119	—	6,119
Subregional Operating Group	—	81,695	81,695
Val Vista Water Treatment Plant	—	51,889	51,889
Greenfield Water Reclamation Plant	—	140,151	140,151
Joint Ventures Construction Deposits	—	18,182	18,182
Total Investment in Joint Ventures	<u>\$ 287,772</u>	<u>\$ 291,917</u>	<u>\$ 579,689</u>

Valley Metro Rail, Inc. "VMRI"

The City currently participates in the Central Phoenix/East Valley Light Rail Transit (LRT) along with the cities of Phoenix, Tempe and Glendale. Valley Metro Rail, Inc. (VMRI) is the management agency that was incorporated to administer the joint agreement between the cities and has oversight responsibility for the planning, design, construction and operation of the system. The agreement provides voting rights for members of the representative cities, including passage of an annual budget. The City has ongoing financial responsibility as a result of the joint agreement including participation in the cost to construct and to operate the light rail project less any Federal reimbursements and operating fares. The City's equity in the joint venture is \$281,653,440 and is reflected in the governmental activities.

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

TOPAZ Regional Wireless Cooperative

The City of Mesa currently participates with the City of Apache Junction, Superstition Fire and Medical, the Town of Gilbert, the Town of Queen Creek, Fort McDowell and Rio Verde Fire District (the Parties) in an intergovernmental agreement to plan, design, construct, operate, maintain and finance the TOPAZ Regional Wireless Cooperative Network (TOPAZ). TOPAZ is a 700/800 MHz Network procured and built by the City of Mesa. The City acts as the lead agency and is responsible for the planning, budgeting, construction, operation and maintenance of the network. As lead agent, the City provides all management personnel and financing arrangements. The Parties participate in ownership of the network and are charged for operating and capital expenses based on six month rolling average of airtime. The City's equity in the joint venture is \$6,118,794 and is reflected in the governmental activities. Separate financial statements are not prepared.

Total investment in the joint venture as of June 30, 2024, is (in thousands):

TOPAZ Regional Wireless Cooperative		
City of Mesa	\$	6,119
Town of Gilbert		1,488
City of Apache Junction		571
Superstition Fire and Medical		170
Town of Queen Creek		200
Fort McDowell		60
Rio Verde Fire District		15
Fountain Hills		7
Total Joint Venture	\$	<u>8,630</u>

Wastewater

Subregional Operating Group

The City participates with the cities of Phoenix, Glendale, Scottsdale and Tempe in the Subregional Operating Group (SROG). SROG was formed pursuant to the Joint Exercise of Powers Agreement (JEPA) in order to govern the construction, operation and maintenance of a multi-city sanitary sewer system (the "System"). The System includes the 91st Avenue Wastewater Treatment Plant, the Salt River Outfall Sewer, the Southern Avenue Interceptor and related transportation facilities.

The City of Phoenix acts as the lead agency in SROG and is responsible for the planning, budgeting, construction, operation and maintenance of the plant in addition to providing all management personnel and financing arrangements. The various cities participate in ownership of the plant and are charged for operating expenses based on gallons of flow. The different agencies participate in each facility at varying rates depending on their needs at the time each facility was constructed. The City's equity in the joint venture is \$81,694,780 and is reflected in the proprietary funds financial statements.

SROG has no bonded debt outstanding. Separate financial statements for the activity under the joint venture agreement can be obtained through the AMWUA office at 3003 N. Central Avenue, Suite 1550, Phoenix, Arizona, 85012.

Greenfield Water Reclamation Project

The City of Mesa acts as the lead agency in a joint water reclamation plant with the Towns of Gilbert and Queen Creek and is responsible for the planning, budgeting, construction, operation, and maintenance of the plant. As lead agent, the city provides all management personnel and financing arrangements. Mesa, Gilbert, and Queen Creek participate in ownership of the plant and are charged for operating expenses based on gallons of flow. The City's equity in the joint venture is \$140,151,075 and is reflected in the proprietary funds financial statements. Separate financial statements are not prepared.

Total investment in the joint venture as of June 30, 2024, is (in thousands):

Greenfield Water Reclamation Project		
Mesa's Share	\$	140,151
Gilbert's Share		91,099
Queen Creek's Share		27,269
Total Joint Venture	\$	<u>258,519</u>

Water

Val Vista Water Treatment Plant

The City also participates with the City of Phoenix in the Val Vista Water Treatment Plant and Transmission Line. The City of Phoenix is responsible for the planning, budgeting, construction, operation and maintenance of the plant. As the lead agency, Phoenix provides all management personnel and financing arrangements. Phoenix and Mesa participate in ownership of the plant and are charged for operating expenses based on gallons of water treated. The City's investment in the joint venture is \$51,889,444 and is reflected in the proprietary funds financial statements.

The water treatment plant has no bonded debt outstanding. Separate financial statements for the activity can be obtained through the City of Phoenix, Finance Department, Financial Accounting and Reporting Division at 251 W. Washington Street, 9th Floor, Phoenix, Arizona, 85003.

16. PENSIONS AND OTHER POST EMPLOYMENT BENEFITS

All benefited employees of the City are covered by one of three pension systems. The Arizona State Retirement System (ASRS) is for the benefit of the employees of the state and certain other governmental jurisdictions. All benefited City employees, except sworn fire and police personnel and the Mayor and City Council Members, are included in the plan that is a multiple-employer cost-sharing defined benefit pension plan. All sworn fire and police personnel participate in the Public Safety Personnel Retirement System that is an agent plan. The Mayor and City Council Members contribute to the State's Elected Officials Retirement Plan that is also a multiple-employer cost-sharing pension plan. The Elected Officials Retirement Plan is not described below because of its relative insignificance to the financial statements.

In addition, eligible employees are covered by other postemployment benefit plans. All sworn fire and police personnel participate in the Public Safety Personnel Retirement System (PSPRS) that is an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan. Eligible City employees also participate in the City's OPEB plan. Eligible City employees covered by Arizona State Retirement System also participate in the ASRS OPEB plan. The ASRS OPEB plan is not described below because of its relative insignificance to the financial statements.

On June 30, 2024, the City reported the following aggregate amounts related to pensions for all plans to which it contributes (in thousands):

Statement of Net Position and Statement of Activities	Governmental Activities	Business- Type Activities	Total
Net Pension Liabilities	\$ 966,053	\$ 55,398	\$ 1,021,451
Deferred Outflows of Resources - Pension	218,078	7,463	225,541
Deferred Inflows of Resources - Pension	7,705	1,976	9,681
Pension Expense	123,142	7,319	130,461
Net OPEB Liabilities	842,825	83,224	926,049
Deferred Outflows of Resources - OPEB	80,401	7,843	88,244
Deferred Inflows of Resources - OPEB	159,496	15,967	175,463
OPEB Expense	132,646	13,138	145,784

Arizona State Retirement System Defined Benefit Plan:

a. Plan Description

All of the City's eligible benefited general employees participate in the Arizona State Retirement System ("ASRS"), a multiple-employer, cost-sharing defined benefit pension plan. ASRS was established by the State of Arizona to provide pension benefits for employees of the state and employees of participating political subdivisions and school districts. ASRS is administered by the ASRS Governing Board in accordance with Title 38, Chapter 5 Articles 2 and 2.1 of the Arizona Revised Statutes ("A.R.S."). ASRS provides for retirement, disability, and death and survivor benefits. ASRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Arizona State Retirement System, P.O. Box 33910, Phoenix, Arizona, 85067-3910 or by calling 1-800-621-3778.

b. Benefits Provided

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

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percentage per year of service	2.1% to 2.3 %	2.1% to 2.3 %

* With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions

The A.R.S. provides statutory authority for determining the employees' and employers' contribution amounts as a percentage of covered payroll. Employers are required to contribute at the same rate as employees. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2024, the city and covered employees were required by state statute to contribute at the actuarially determined rate of 12.29% (12.14% pension plus 0.15% long-term disability) of the active members' annual covered payroll. The City's contributions to the System for the year ending June 30, 2024, was \$27,666,425, 74.4% paid from governmental funds, 4.40% paid from internal service funds, and 21.20% paid from enterprise funds.

Additionally, the City is required by Statute to pay an ASRS Alternate Contribution Rate (ACR) for retired members who return to work on or after July 1, 2012, in any capacity and in a position ordinarily filled by an employee of the City to mitigate the potential impact that retired members who return to work may have on the ASRS Trust Fund. The contribution rate for the year ended June 30, 2024, was 9.99 % (9.94% pension plus, 0.05% long-term disability). The City's ACR contributions to the System for the year ending June 30, 2024, were \$214,771.

c. Pension Liability

On June 30, 2024, the City reported a liability of \$261,310,918 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2022, to the measurement date of June 30, 2023.

The City's proportion of the net pension liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2023. The City's proportion measured as of June 30, 2023, was 1.61488%, which was a decrease of 0.00067% from its proportion measured as of June 30, 2022.

d. Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2024, the City recognized pension expense for ASRS of \$34,525,771. On June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,904	\$ —
Changes of assumptions	—	—
Net difference between projected and actual earnings on pension plan investments	—	9,245
Changes in proportion and differences between City contributions	1,417	76
City contributions subsequent to the measurement date	27,881	—
Total	<u>\$35,202</u>	<u>\$9,321</u>

The \$27,881,195 reported as deferred outflows of resources related to ASRS pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows (in thousands):

	Year Ended June 30,
2025	\$ 42
2026	(10,857)
2027	9,964
2028	(1,149)
	<u>\$ (2,000)</u>

e. Actuarial Assumptions

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

Actuarial Valuation Date	June 30, 2022
Actuarial Roll Forward Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.0%
Projected Salary Increases	2.9 - 8.4%
Inflation	2.3%
Permanent Benefit Increase	Included
Mortality Rates	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2020.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.0% using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Public Equity	44%	3.50%
Credit	23%	5.90%
Real Estate	17%	5.90%
Private Equity	10%	6.78%
Interest Rate Sensitive	6%	1.50%
Total	<u>100%</u>	

f. **Discount Rate**

The discount rate used to measure the ASRS total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

g. **Sensitivity of the City's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate**

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.0 %, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0 %) than the current rate (in thousands):

	1% Decrease	Current Discount Rate	1% Increase
	6.0%	7.0%	8.0%
City's proportionate share of the net pension liability			
	\$ 391,405	\$ 261,311	\$ 152,835

h. **Pension Plan Fiduciary Net Position**

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

Public Safety Personnel Retirement System:

a. **Plan Description**

All sworn fire and police personnel regularly assigned hazardous duty are eligible to participate in the Public Safety Personnel Retirement System ("PSPRS"). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plan and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan. The PSPRS is jointly administered by a nine-member board known as the Board of Trustees, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool).

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. This report is available on the PSPRS website at www.psprs.com.

b. Benefits Provided

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

	Initial Membership Date		
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017	On or After July 1, 2017
<u>Retirement and Disability</u>			
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5	15 years of credited service, age 52.5*; 15 or more years of service, age 55
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years	Highest 60 consecutive months of last 15 years
Benefit percentage			
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service, not to exceed 80%	1.5% to 2.5% for each year of credited service not to exceed 80%	
Accidental Disability Retirement	50% or normal retirement, whichever is greater		
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater		
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20		
<u>Survivor Benefit</u>			
Retired Members	80% to 100% of retired member's pension benefit		
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job		

* With actuarially reduced benefits

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

The PSPRS-Fire OPEB plan is not presented because of its relative insignificance to the financial statements.

Employees Covered by Benefit Terms

On June 30, 2024, the following employees were covered by the agent plans' benefit terms:

	PSPRS Fire	PSPRS Police	
	Pension	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	319	738	738
Inactive employees entitled to but not yet receiving benefits	97	287	119
Active employees	407	704	704
Total	823	1,729	1,561

c. Contributions and Annual OPEB Cost

State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2024, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active Member Pension	City Pension	City OPEB
PSPRS - Fire	7.65%	59.41%	0.60%
PSPRS - Police	7.65%	58.64%	1.51%
PSPRS Tier 3 - Fire	10.31%	10.17%	0.14%
PSPRS Tier 3 - Police	9.32%	9.22%	0.10%

Also, statute required the City to contribute a legacy cost of pension unfunded liability at the actuarially determined rate expressed as a percent of annual covered payroll of 43.16% and 45.03% for City fire and police employees respectively, who were PSPRS Tier 3 members.

The City's required contributions to the plans for the year ended June 30, 2024, were:

	Pension	OPEB
PSPRS - Fire	\$ 20,071,243	\$ 202,706
PSPRS - Police	31,979,940	823,494
PSPRS Tier 3 - Fire	6,678,705	47,589
PSPRS Tier 3 - Police	15,466,274	347,813

The City contributed to the unfunded liability additional amounts of \$4,049,900 and \$12,899,637 to PSPRS-Fire and PSPRS-Police, respectively. The City's contribution to the system was paid for by the general fund.

The City is also required to pay a PSPRS Alternate Contribution Rate (ACR) for retired members who return to work in any capacity and in a position ordinarily filled by an employee of the City, unless the retired member is required to participate in another state retirement system and the retired member returned to work before July 20, 2011. The ACR rate is equal to the portion of the total required

contribution that is applied to the amortization of the unfunded actuarial accrued liability for the fiscal year beginning July 1, based on the actuarial calculation of the total required contribution for the preceding fiscal year ended on June 30. The contribution rate for the year ended June 30, 2024, was 43.16% and 45.03% for fire and police, respectively. The City did not have any ACR contributions for the year ending June 30, 2024.

d. Liability

On June 30, 2024, the City reported the following pension liabilities of \$261,760,335 and \$498,379,510 for fire and police, respectively. The City also reported an OPEB liability of \$11,500,848 for police. The net liabilities were measured as of June 30, 2023, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2023, reflect changes of actuarial assumptions from the prior year.

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

For the year ended June 30, 2024, the City recognized pension expenses of \$34,371,662 and \$61,564,385 for fire and police, respectively. The city also recognized OPEB expense of \$1,406,338 for police.

On June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources (in thousands):

PSPRS - Fire Pension	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28,103	\$ 360
Changes in assumptions	8,469	—
Net difference between projected and actual earnings on pension plan investments	2,372	—
City contributions subsequent to the measurement date	30,800	—
Total	\$ 69,744	\$ 360

	Pension		OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
PSPRS - Police				
Differences between expected and actual experience	\$ 45,429	\$ —	\$ 458	\$ —
Changes in assumptions	10,508	—	287	—
Net difference between projected and actual earnings on plan investments	4,312	—	140	—
City contributions subsequent to the measurement date	60,346	—	1,171	—
Total	\$ 120,595	\$ —	\$ 2,056	\$ —

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2024

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in pension expense as follows (in thousands):

Year Ended June 30,	PSPRS Fire Pension	PSPRS Police Pension	PSPRS Police OPEB
2025	\$ 9,195	\$ 17,861	\$ 285
2026	5,555	8,341	76
2027	11,041	20,154	388
2028	5,092	9,051	111
2029	4,287	4,841	26
Thereafter	3,413	—	—
	<u>\$ 38,583</u>	<u>\$ 60,248</u>	<u>\$ 886</u>

f. Actuarial Methods and Assumptions

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

Actuarial Assumptions:

Measurement Date	June 30, 2023
Actuarial Valuation Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.20%
Wage Inflation	3.25 - 15.0%, N/A for OPEB
Price Inflation	2.5%, N/A for OPEB
Cost-of-living adjustment	1.85%, N/A for OPEB
Mortality Rates for Pension and OPEB	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2022.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.2% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2024

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Cash - Mellon	2%	0.69%
Core Bonds	6%	1.90%
Other Assets (Capital Appreciation)	7%	4.49%
Diversifying Strategies	5%	3.68%
International Public Equity	16%	4.49%
Global Private Equity	20%	7.28%
Private Credit	20%	6.19%
U.S. Public Equity	24%	3.98%
Total	100%	

g. Discount Rate

A discount rate of 7.20% for Tier 1 and Tier 2 members was used to measure the total pension/OPEB liability. A discount rate of 7.00% for Tier 3 members was used to measure the total Pension/OPEB Liability. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

h. Sensitivity of the City's Net Pension/OPEB Liability to Changes in the Discount Rate

The following table presents the City's net pension/ OPEB liabilities calculated using the discount rates noted above, as well as what the City's net pension/OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.2%) or 1 percentage point higher (8.2%) than the current rate (in thousands):

	1% Decrease	Current Discount Rate	1% Increase
Fire Net Pension Liability	\$ 332,317	\$ 261,760	\$ 203,803
Police Net Pension Liability	636,277	498,380	386,118
Police OPEB Liability	13,836	11,501	9,531

Changes in the Net Pension/OPEB Liability

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

	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability
Fire			
Balance - Beginning of Year	\$ 508,759	\$ 255,722	\$ 253,036
Changes for the Year:			
Service Cost	9,175	—	9,175
Interest on the Total Liability	36,294	—	36,294
Changes of Benefit Terms	—	—	—
Differences Between Expected & Actual Experience in the Measurement of the Liability	13,651	—	13,651
Changes of Assumptions / Other Inputs	—	—	—
Contributions - Employer	—	26,733	(26,733)
Contributions - Employee	—	3,776	(3,776)
Net Investment Income	—	20,023	(20,023)
Benefit Payments, Including Refunds of Employee Contributions	(27,696)	(27,696)	—
Administrative Expenses	—	(136)	136
Net Changes	31,423	22,699	8,724
Balances - End of Year	<u>\$ 540,182</u>	<u>\$ 278,421</u>	<u>\$ 261,760</u>

City of Mesa, Arizona
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2024

Police	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance - Beginning of Year	\$ 947,541	\$462,190	\$485,351	\$ 22,341	\$ 10,940	\$ 11,401
Changes for the Year:						
Service Cost	14,824	—	14,824	250	—	250
Interest on the Total Liability	67,540	—	67,540	1,568	—	1,568
Changes of Benefit Terms	—	—	—	—	—	—
Differences Between Expected & Actual Experience in the Measurement of the Liability	29,045	—	29,045	155	—	155
Changes of Assumptions / Other Inputs	—	—	—	—	—	—
Contributions - Employer	—	55,209	(55,209)	—	1,050	(1,050)
Contributions - Employee	—	6,897	(6,897)	—	44	(44)
Net Investment Income	—	36,571	(36,571)	—	784	(784)
Benefit Payments, Including Refunds of Employee Contributions	(48,622)	(48,622)	—	(1,640)	(1,640)	—
Administrative Expenses	—	(288)	288	—	(7)	—
Other	—	(7)	7	—	—	—
Net Changes	62,787	49,759	13,027	331	231	100
Balances - End of Year	<u>\$ 1,010,327</u>	<u>\$511,949</u>	<u>\$498,378</u>	<u>\$ 22,672</u>	<u>\$ 11,171</u>	<u>\$ 11,501</u>

Regarding the sensitivity of the net OPEB liability to changes in the healthcare cost trend rates, note that trend rates are not applied in the valuation due to the nature of the benefits provided.

i. **Plan Fiduciary Net Position**

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

City of Mesa OPEB:

a. **Plan Description**

The City provides post-employment medical care (OPEB) for retired employees through a single employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses and dependents through the City's self-insurance health insurance plan which covers both active and retired members. The benefits, benefit levels and contribution rates are determined annually by the City's Benefits Advisory Board and approved by the Mesa City Council. The plan is not accounted for as a trust fund, and an irrevocable trust has not been established to account for the plan.

b. **Benefits Provided**

The City provides post-employment medical care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under one of the state retirement plans for public employees and be

covered under the City's medical plan during their active status. Employees must enroll in a City plan immediately after they retire or their eligibility for this benefit ceases. All medical care benefits are provided through the City's self-insured health plan. The benefit levels are the same as those afforded to active employees. Upon a retiree's death, the retiree's dependents are no longer eligible for City coverage.

To receive maximum benefits an employee must meet the following:

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

Employees Covered by Benefit Terms

As of June 30, 2023 (date of most recent valuation), membership consisted of:

Active Employees	3,707
Retirees	2,139
Spouses	1,517
Total	<u>7,363</u>

c. OPEB Liability

The plan operates on a pay-as-you-go basis and thus has no assets. The total OPEB liability measured as of June 30, 2024, is \$914,547,648.

d. OPEB Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2024, the City recognized OPEB expense of \$144,378,032. On June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 39,822	\$ 1,926
Changes of assumptions	18,172	173,538
City benefit payments subsequent to the measurement date	28,193	—
Total	<u>\$ 86,187</u>	<u>\$ 175,464</u>

The amounts reported as deferred outflows of resources resulting from City benefit payments subsequent to the measurement date will be recognized as a reduction of the net liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in pension expense as follows (in thousands):

<u>Year Ended June 30,</u>	
2025	\$ (15,522)
2026	(33,100)
2027	(35,277)
2028	(34,951)
2029	1,244
2030	137
	<u>\$ (117,469)</u>

e. Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan understood by the employer and plan members) and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the City and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions used for this fiscal year valuation were as follows:

Actuarial Assumptions:

Actuarial Valuation Date	June 30, 2023
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Discount Rate	4.13%
Consumer Price Index	3.00%
Projected Salary Increases	2.90 - 15.0%
Mortality Rates	Based on the rates used for the June 30, 2023 valuations of the ASRS Plan and the PSPRS Plan.
Health care cost trend rate:	
Medical, Drugs	4.50 -7.00%
Dental, Vision	4.50%

Actuarial assumptions used in the June 30, 2023, valuation were projected on an on-going plan basis. This assumption does not necessarily imply that an obligation to continue the plan actually exists.

Future Salary Increase

Consistent with the June 30, 2023, valuations of the Arizona State Retirement System (ASRS) Plan and the Arizona Public Safety Personnel Retirement System (PSPRS) Plan. The ASRS salary increase assumption has been updated since the prior valuation based on the 2021 ASRS experience study. Salary increases assumptions range from 2.9% to 15.0%, based on years of service and the applicable plan.

Aging Factors

The age morbidity curve was developed by Dale Yamamoto for the Society of Actuaries. This curve is used to measure the annual increases in per capita claim costs for each age as well as relative cost by gender, adjusting the male age 65 per capita claims cost. The factors range from 0.4612 to 1.6944, based on age and gender.

Cost, Contribution and Premium Trend Rates

Medical and prescription drug costs and administrative costs are assumed to increase according to the rates below. This assumption is consistent with the prior valuation. The initial medical trend rate was developed using the National Health Care Trend Survey. The survey gathers information of trend expectations for the coming year from various insurers and PBMs. These trends are broken out by drug and medical, as well as type of coverage (e.g., PPO, HMO, POS). The healthcare cost trend range is 4.5% to 7.0%.

f. Discount Rate

The discount rate at the measurement date is 4.13%. The discount rate increased from 4.09% as of June 30, 2022, to 4.13% as of June 30, 2023. Benefit payments are funded on a pay-as-you-go basis. The discount rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2023.

g. Changes in OPEB Liability

The below table outlines the changes in OPEB Liability for the fiscal year ending June 30, 2024 (in thousands):

OPEB Liability at Beginning of Year	\$ 778,046
Service Cost	16,117
Interest	32,007
Changes in benefit terms	104,183
Differences between Expected and Actual Experience	26,605
Changes in Assumptions	(19,003)
Employer contributions *	(23,408)
Net Change in Total OPEB Liability	136,501
OPEB Liability at End of Year	<u>\$ 914,547</u>

* Because the City funds OPEB benefits on a "pay-as-you-go" basis, employer contributions are equal to benefit payments.

The City's benefit payments to the plan were paid 87.9% from governmental funds, 3.0% from internal service funds, and 9.1% from enterprise funds.

h. Sensitivity of the City's OPEB Liability to Changes in the Discount Rate and the Healthcare Cost Trend Rates

The following table presents the City's net OPEB liabilities calculated using the municipal bond rates and healthcare cost trend rates noted above, as well as what the City's net OPEB liability would be if it were calculated using rate that is 1 percentage point lower or 1 percentage point higher than the current rate (in thousands):

	<u>1% Decrease</u>	<u>Current Municipal Bond Rate</u>	<u>1% Increase</u>
City OPEB Plan	\$ 1,062,544	\$ 914,548	\$ 795,825

	<u>1% Decrease</u>	<u>Current Healthcare Trend Rate</u>	<u>1% Increase</u>
City OPEB Plan	\$ 793,760	\$ 914,548	\$ 1,067,655



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REQUIRED SUPPLEMENTARY INFORMATION

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED | JUNE 30, 2024



City of Mesa, Arizona

Schedule of Changes in the City's Proportionate Share of Net Pension Liability

Cost-Sharing Pension Plan

June 30, 2024

(in thousands)

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)			
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)
City's Proportion of Net Pension Liability	1.6149 %	1.6156 %	1.5857 %	1.6188 %
City's Proportionate Share of Net Pension Liability	\$ 261,311	\$ 263,694	\$ 208,353	\$ 280,473
City's Covered Payroll	\$ 211,155	\$ 192,542	\$ 178,405	\$ 175,767
City's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	123.75 %	136.95 %	116.79 %	159.57 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.47 %	74.26 %	78.58 %	69.33 %

See accompanying notes to pension plan schedules.

Reporting Fiscal Year (Measurement Date)					
2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
1.6209 %	1.6293%	1.6416%	1.6605%	1.6393%	1.6341%
\$ 235,853	\$ 227,233	\$ 255,729	\$ 268,013	\$ 255,337	\$ 241,792
\$ 168,900	\$ 162,089	\$ 158,958	\$ 155,868	\$ 151,154	\$ 147,402
139.64 %	140.19 %	160.88 %	171.95 %	168.93 %	164.04 %
73.24 %	73.40%	69.92%	67.06%	68.35%	69.49%

City of Mesa, Arizona

Schedule of Changes in the City's Net Pension/OPEB Liability and Related Ratios

Agent Plans

June 30, 2024

(in thousands)

Personal Safety Personnel Retirement System - Fire

	Reporting Fiscal Year (Measurement Date)			
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)
Total Pension Liability				
Service Cost	\$ 9,175	\$ 8,079	\$ 7,645	\$ 7,871
Interest on the Total Pension Liability	36,294	34,277	32,539	31,397
Changes of Benefit Terms	—	—	—	—
Diff Between Expected and Actual Experience in the Measurement of the Pension Liability	13,651	11,356	7,760	(221)
Changes of Assumptions or Other Inputs	—	6,706	—	—
Benefit Payments, Including Refunds of Employee Contributions	(27,696)	(26,268)	(22,868)	(23,473)
Net Change in Total Pension Liability	31,423	34,150	25,076	15,574
Total Pension Liability - Beginning	508,759	474,607	449,531	433,957
Total Pension Liability - Ending (a)	540,182	508,757	474,607	449,531
Plan Fiduciary Net Position				
Contributions - Employer	26,733	28,025	21,601	18,107
Contributions - Employee	3,776	3,507	3,321	2,845
Net Investment Income	20,023	(10,644)	56,815	2,587
Benefit Payments, Including Refunds of Employee Contributions	(27,696)	(26,268)	(22,868)	(23,473)
Hall/Parker Settlement	—	—	—	—
Administrative Expense	(136)	(192)	(266)	(211)
Other Changes	—	—	—	58
Net Change in Plan Fiduciary Net Position	22,699	(5,572)	58,603	(87)
Plan Fiduciary Net Position - As Previously Reported	255,722	261,293	202,690	202,777
Adjustment to Beginning Balance	—	—	—	—
Plan Fiduciary Net Position - Beginning	255,722	261,293	202,690	202,777
Plan Fiduciary Net Position - Ending (b)	278,421	255,721	261,293	202,690
City's Net Pension Liability - Ending (a) - (b)	<u>\$ 261,761</u>	<u>\$ 253,036</u>	<u>\$ 213,314</u>	<u>\$ 246,841</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	51.54 %	50.26 %	55.05 %	45.09 %
City's Covered Payroll	\$ 39,896	\$ 36,776	\$ 34,198	\$ 32,562
City's Net Pension Liability as a Percentage of its Covered Payroll	656.11 %	688.05 %	623.76 %	758.06 %

See accompanying notes to pension plan schedules

Reporting Fiscal Year (Measurement Date)					
2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
\$ 7,663	\$ 7,271	\$ 7,724	\$ 6,439	\$ 6,127	\$ 6,281
29,147	27,446	25,687	23,654	23,086	20,708
—	—	2,125	21,380	—	4,044
11,844	1,951	(2,670)	(4,423)	(3,518)	(6,961)
8,488	—	12,613	11,970	—	23,097
(18,809)	(16,608)	(17,095)	(19,893)	(17,323)	(16,309)
38,333	20,060	28,384	39,127	8,372	30,860
395,624	375,564	347,180	308,053	299,681	268,821
433,957	395,624	375,564	347,180	308,053	299,681
16,708	16,733	13,558	12,735	9,828	9,157
2,805	3,035	3,923	4,396	3,847	3,488
10,339	12,464	19,308	954	5,878	19,840
(18,809)	(16,608)	(17,095)	(19,893)	(17,323)	(16,309)
—	(5,150)	—	—	—	—
(181)	(190)	(174)	(138)	(144)	(160)
—	2	43	(12)	45	(113)
10,862	10,286	19,563	(1,958)	2,131	15,903
191,986	181,700	162,137	164,095	161,964	146,061
(71)	—	—	—	—	—
191,915	181,700	162,137	164,095	161,964	146,061
202,777	191,986	181,700	162,137	164,095	161,964
<u>\$ 231,180</u>	<u>\$ 203,638</u>	<u>\$ 193,864</u>	<u>\$ 185,043</u>	<u>\$ 143,958</u>	<u>\$ 137,717</u>
46.73 %	48.53 %	48.38 %	46.70 %	53.27 %	54.05 %
\$ 34,136	\$ 32,445	\$ 32,941	\$ 32,453	\$ 31,661	\$ 30,782
677.23 %	627.64 %	588.52 %	570.19 %	454.69 %	447.39 %

City of Mesa, Arizona**Schedule of Changes in the City's Net Pension/OPEB Liability and Related Ratios**

Agent Plans

June 30, 2024

(in thousands)

Personal Safety Personnel Retirement System - Police Pension

	Reporting Fiscal Year (Measurement Date)			
	2024	2023	2022	2021
	(2023)	(2022)	(2021)	(2020)
Total Pension Liability				
Service Cost	\$ 14,824	\$ 13,979	\$ 13,861	\$ 14,016
Interest on the Total Pension Liability	67,540	64,052	61,557	57,794
Changes of Benefit Terms	—	—	—	—
Diff Between Expected and Actual Experience in the Measurement of the Pension Liability	29,045	18,155	2,112	19,067
Changes of Assumptions or Other Inputs	—	10,488	—	—
Benefit Payments, Including Refunds of Employee Contributions	(48,622)	(45,167)	(41,764)	(36,572)
Net Change in Total Pension Liability	62,787	61,507	35,766	54,305
Total Pension Liability - Beginning	947,541	886,034	850,268	795,963
Total Pension Liability - Ending (a)	1,010,327	947,541	886,034	850,268
Plan Fiduciary Net Position				
Contributions - Employer	55,209	53,349	38,561	34,340
Contributions - Employee	6,897	6,608	6,268	6,045
Net Investment Income	36,571	(19,142)	101,528	4,551
Benefit Payments, Including Refunds of Employee Contributions	(48,622)	(45,167)	(41,764)	(36,572)
Hall/Parker Settlement	—	—	—	—
Administrative Expense	(288)	(345)	(477)	(371)
Other Changes	(7)	—	—	(2)
Net Change in Plan Fiduciary Net Position	49,759	(4,697)	104,116	7,991
Plan Fiduciary Net Position - As Previously Reported	462,190	466,887	362,771	354,780
Adjustment to Beginning Balance	—	—	—	—
Plan Fiduciary Net Position - Beginning	462,190	466,887	362,771	354,780
Plan Fiduciary Net Position - Ending (b)	511,949	462,190	466,887	362,771
City's Net Pension Liability - Ending (a) - (b)	\$ 498,378	\$ 485,351	\$ 419,147	\$ 487,497
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	50.67 %	48.78 %	52.69 %	42.67 %
City's Covered Payroll	\$ 73,451	\$ 68,471	\$ 64,419	\$ 63,232
City's Net Pension Liability as a Percentage of its Covered Payroll	678.52 %	708.84 %	650.66 %	770.97 %

See accompanying notes to pension plan schedules

Reporting Fiscal Year (Measurement Date)					
2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
\$ 15,015	\$ 13,826	\$ 15,841	\$ 12,438	\$ 12,216	\$ 12,481
53,953	50,926	47,572	43,573	41,908	36,514
—	—	5,718	34,005	—	8,728
10,259	3,862	365	(4,001)	(2,173)	(11,331)
21,092	—	19,037	23,614	—	51,228
(36,864)	(34,755)	(32,522)	(31,689)	(29,998)	(27,566)
63,455	33,859	56,011	77,940	21,953	70,054
732,508	698,649	642,638	564,698	542,745	472,691
795,963	732,508	698,649	642,638	564,698	542,745
32,387	31,596	26,819	24,067	19,680	17,443
5,718	6,058	7,693	8,157	7,613	6,784
18,270	21,889	34,221	1,667	10,065	33,360
(36,864)	(34,754)	(32,522)	(31,689)	(29,998)	(27,566)
—	(10,096)	—	—	—	—
(319)	(333)	(360)	(240)	(246)	(269)
340	514	420	382	28	288
19,532	14,874	36,271	2,344	7,142	30,040
335,631	320,757	284,432	282,088	274,946	244,906
(383)	—	—	—	—	—
335,248	320,757	284,432	282,088	274,946	244,906
354,780	335,631	320,757	284,432	282,088	274,946
<u>\$ 441,183</u>	<u>\$ 396,877</u>	<u>\$ 377,892</u>	<u>\$ 358,206</u>	<u>\$ 282,610</u>	<u>\$ 267,799</u>
44.57 %	45.82 %	45.91 %	44.26 %	49.95 %	50.66 %
\$ 63,993	\$ 63,003	\$ 64,740	\$ 61,211	\$ 62,461	\$ 59,688
689.42 %	629.93 %	583.71 %	585.20 %	452.46 %	448.66 %

City of Mesa, Arizona

Schedule of Changes in the City's Net Pension/OPEB Liability and Related Ratios

Agent Plans

June 30, 2024

(in thousands)

Personal Safety Personnel Retirement System - Police OPEB

	Reporting Fiscal Year (Measurement Date)			
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)
Total OPEB Liability				
Service Cost	\$ 250	\$ 280	\$ 351	\$ 322
Interest on the Total OPEB Liability	1,568	1,537	1,511	1,477
Changes of Benefit Terms	—	—	—	—
Diff Between Expected and Actual Experience in the Measurement of the OPEB Liability	155	218	100	381
Changes of Assumptions or Other Inputs	—	312	—	—
Benefit Payments, Including Refunds of Employee Contributions	(1,640)	(1,571)	(1,494)	(1,455)
Net Change in Total OPEB Liability	331	776	468	725
Total OPEB Liability - Beginning	22,341	21,565	21,097	20,372
Total OPEB Liability - Ending (a)	22,672	22,341	21,565	21,097
Plan Fiduciary Net Position				
Contributions - Employer	1,050	946	853	934
Contributions - Employee	44	32	88	46
Net Investment Income	784	(448)	2,583	123
Benefit Payments, Including Refunds of Employee Contributions	(1,640)	(1,571)	(1,494)	(1,455)
Administrative Expense	(7)	(8)	(10)	(10)
Net Change in Plan Fiduciary Net Position	231	(1,049)	2,020	(362)
Plan Fiduciary Net Position - As Previously Reported	10,940	11,989	9,969	10,331
Adjustment to Beginning Balance	—	—	—	—
Plan Fiduciary Net Position - Beginning	10,940	11,989	9,969	10,331
Plan Fiduciary Net Position - Ending (b)	11,171	10,940	11,989	9,969
City's Net OPEB Liability - Ending (a) - (b)	<u>\$ 11,501</u>	<u>\$ 11,401</u>	<u>\$ 9,576</u>	<u>\$ 11,128</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	49.27 %	48.97 %	55.59 %	47.25 %
City's Covered Payroll	\$ 73,451	\$ 68,471	\$ 64,419	\$ 63,232
City's Net OPEB Liability as a Percentage of its Covered Payroll	15.66 %	16.65 %	14.87 %	17.60 %

See accompanying notes to pension plan schedules

Reporting Fiscal Year (Measurement Date)			
2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2015
			Information not available
\$ 200	\$ 190	\$ 213	
1,416	1,359	1,356	
—	—	35	
43	472	312	
474	—	(335)	
(1,391)	(1,325)	(1,239)	
742	696	342	
19,630	18,934	18,592	
20,372	19,630	18,934	
736	231	639	
14	—	—	
530	695	1,141	
(1,391)	(1,325)	(1,239)	
(9)	(11)	(10)	
(120)	(410)	531	
10,067	10,477	9,946	
384	—	—	
10,451	10,477	9,946	
10,331	10,067	10,477	
<u>\$ 10,041</u>	<u>\$ 9,563</u>	<u>\$ 8,457</u>	
50.71 %	51.28 %	55.33 %	
\$ 63,993	\$ 63,003	\$ 64,740	
15.69 %	15.18 %	13.06 %	

City of Mesa, Arizona

Schedule of City Pension Contributions

June 30, 2024

(in thousands)

Arizona State Retirement System

	2024	2023	2022	2021
Statutorily Required Contribution	\$ 27,881	\$ 25,129	\$ 23,097	\$ 20,763
City's Contribution in Relation to the Statutorily Required Contribution	27,881	25,129	23,097	20,763
City's Contribution (Deficiency) / Excess	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
City's Covered Payroll	\$ 232,139	\$ 211,155	\$ 192,542	\$ 178,405
City's Contributions as a Percentage of Covered Payroll	12.01%	11.90%	12.00%	11.64%

Public Safety Personnel Retirement System - Fire Pension

	2024	2023	2022	2021
Actuarially Determined Contribution	\$ 26,750	\$ 22,569	\$ 20,178	\$ 19,617
City's Contribution in Relation to the Actuarially Determined Contribution	30,800	26,388	27,797	19,617
City's Contribution (Deficiency) / Excess	<u>\$ 4,050</u>	<u>\$ 3,819</u>	<u>\$ 7,619</u>	<u>\$ —</u>
City's Covered Payroll	\$ 39,896	\$ 39,896	\$ 36,776	\$ 34,198
City's Contributions as a Percentage of Covered Payroll	77.20 %	66.14 %	75.58 %	57.36 %

See accompanying notes to plan schedules

2020	2019	2018	2017	2016	2015
\$ 20,258	\$ 19,124	\$ 17,650	\$ 17,423	\$ 16,955	\$ 16,146
20,258	19,124	17,650	17,423	16,955	16,146
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
\$ 175,767	\$ 169,900	\$ 162,089	\$ 158,958	\$ 155,868	\$ 151,154
11.53%	11.26%	10.89%	10.96%	10.88%	10.68%

2020	2019	2018	2017	2016	2015
\$ 18,035	\$ 16,431	\$ 14,289	\$ 13,490	\$ 11,197	\$ 9,827
18,035	16,431	10,479	13,490	12,735	9,827
<u>\$ —</u>	<u>\$ —</u>	<u>\$ (3,810)</u>	<u>\$ —</u>	<u>\$ 1,538</u>	<u>\$ —</u>
\$ 32,562	\$ 34,136	\$ 32,446	\$ 32,941	\$ 32,453	\$ 31,661
55.39%	48.13 %	32.30 %	40.95 %	39.24 %	31.04 %

City of Mesa, Arizona
Schedule of City Pension Contributions
June 30, 2024
(in thousands)

Public Safety Personnel Retirement System - Police Pension

	2024	2023	2022	2021
Actuarially Determined Contribution	\$ 47,446	\$ 42,430	\$ 37,457	\$ 37,484
City's Contribution in Relation to the Actuarially Determined Contribution	60,346	55,116	53,372	37,484
City's Contribution (Deficiency) / Excess	<u>\$ 12,900</u>	<u>\$ 12,686</u>	<u>\$ 15,915</u>	<u>\$ —</u>
City's Covered Payroll	\$ 83,045	\$ 73,451	\$ 68,471	\$ 64,419
City's Contributions as a Percentage of Covered Payroll	72.67 %	75.04 %	77.95 %	58.19 %

Public Safety Personnel Retirement System - Police OPEB

	2024	2023	2022	2021
Actuarially Determined Contribution	\$ 1,171	\$ 1,024	\$ 838	\$ 713
City's Contribution in Relation to the Actuarially Determined Contribution	1,171	1,024	838	713
City's Contribution (Deficiency) / Excess	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
City's Covered Payroll	\$ 83,045	\$ 73,451	\$ 68,471	\$ 64,419
City's Contributions as a Percentage of Covered Payroll	1.41 %	1.39 %	1.22 %	1.11 %

See accompanying notes to plan schedules.

2020	2019	2018	2017	2016	2015
\$ 34,308	\$ 29,314	\$ 29,048	\$ 26,809	\$ 21,697	\$ 19,680
34,308	29,314	21,726	26,809	21,697	19,680
<u>\$ —</u>	<u>\$ —</u>	<u>\$ (7,322)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
\$ 63,232	\$ 63,993	\$ 63,003	\$ 64,740	\$ 61,211	\$ 62,461
54.26 %	45.81 %	34.48 %	41.41 %	39.32 %	31.51 %

2020	2019	2018	2017	2016 through 2015
\$ 815	\$ 733	\$ 772	\$ 641	Information not available
815	\$ 733	\$ 772	\$ 641	
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	
\$ 63,232	\$ 63,993	\$ 63,003	\$ 64,740	
1.29 %	1.15 %	1.23 %	0.99 %	

City of Mesa, Arizona**Notes to Pension Plan Schedules**

June 30, 2024

(in thousands)

Note 1 - Actuarially determined contribution rates

Actuarially determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial Cost Method	Entry age normal
Amortization Method	Level percent of payroll, closed
Remaining Amort Period	17 years of unfunded actuarial accrued liability, 17 years of excess
Asset Valuation Method	7-year smoothed market value; 80%/120% market corridor
Actuarial Assumptions:	
Investment Rate of Return	In the 2022 actuarial valuation, the investment rate of return was decreased from 7.3% to 7.2% In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3% In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4% In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5% In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85% PSPRS members with initial membership on or after July 1, 2017: 7%
Project Salary Increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%-8.0% to 3.5%-7.5%. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%- 8.5% to 4.0%-8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0% to 9.0% to 4.5% to 8.5%
Wage Growth	In the 2022 actuarial valuation, wage growth was changed from 3.5% to a range of 3.0% - 6.25% In the 2017 actuarial valuation, wage growth was decreased from 4.0%-3.5%. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5% to 4.0%.
Retirement Age	Experienced-based table of rates is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study for the period July 1, 2006-June 30, 2011
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females). In the 2017 actuarial valuation, changed to RP 2014 tables with 75% of MP 2016 fully generational project scaled.

Note 2 - Factors that affect trends

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes will increase the PSPRS required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date.

Also, the City refunded excess employee contributions to PSPRS. PSPRS allowed the City to reduce its actual employer contributions for the refund amounts. As a result, the City's pension contributions were less than the actuarially or statutorily determined contributions for 2018.



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City of Mesa, Arizona

Schedule of Changes in the City's Total OPEB Liability

June 30, 2024

(in thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total Liability				
Service Cost	\$ 16,117	\$ 24,665	\$ 26,157	\$ 24,165
Interest on the Total Liability	32,007	21,603	25,492	25,425
Changes of Benefit Terms	104,183	—	—	—
Difference Between Expected and Actual Experience in the Measurement of the Liability	26,605	(1,720)	26,062	(2,548)
Changes of Assumptions or Other Inputs	(19,003)	(221,049)	(21,298)	18,858
Benefit Payments, Including Refunds of Employee Contributions	<u>(23,408)</u>	<u>(23,491)</u>	<u>(21,010)</u>	<u>(20,641)</u>
Net Change in Total OPEB Liability	136,501	(199,992)	35,403	45,259
Total OPEB Liability - Beginning	<u>778,045</u>	<u>978,037</u>	<u>942,634</u>	<u>897,375</u>
Total OPEB Liability - Ending	<u>\$ 914,546</u>	<u>\$ 778,045</u>	<u>\$ 978,037</u>	<u>\$ 942,634</u>
 City's Covered Employee Payroll	 \$ 323,910	 \$ 297,789	 \$ 277,022	 \$ 271,561
 City's Contributions as a % of Covered Employee Payroll	 7.2 %	 7.9 %	 7.6 %	 7.6 %

Note: The City funds OPEB benefits on a “pay-as-you-go” basis. Therefore, there are no assets accumulated in a trust that meet the criteria of GASB 75. In addition, employer contributions are equal to benefit payments.

2020	2019	2018	2017 through 2015
			Information
\$ 20,818	\$ 19,997	\$ 21,430	not
22,584	22,447	20,112	available
—	—	—	
34,022	(1,133)	—	
92,823	17,023	(46,955)	
(19,687)	(17,232)	(19,013)	
150,560	41,102	(24,426)	
746,815	705,713	730,139	
<u>\$ 897,375</u>	<u>\$ 746,815</u>	<u>\$ 705,713</u>	
\$ 268,029	\$ 257,537	\$ 256,639	
7.3 %	6.7 %	7.4 %	

City of Mesa, Arizona

Budgetary Comparison Schedule (Non-GAAP Basis)

Combined Governmental & Enterprise Funds

For the Fiscal year Ended June 30, 2024

(In thousands)

	Budgeted Amounts		Actual- Budgetary Basis	Variance with Final Budget
	Original	Final		
City Total Resources	<u>\$2,560,000</u>	<u>\$2,560,000</u>	<u>\$2,401,062</u>	<u>\$158,938</u>
City Total Expenditures	<u>2,560,000</u>	<u>2,560,000</u>	<u>2,158,355</u>	<u>401,645</u>
Net Change in Fund Balances	—	—	242,707	(242,707)
Fund Balance - Beginning	<u>1,105,102</u>	<u>1,105,102</u>	<u>1,105,102</u>	<u>—</u>
Fund Balance - Ending	<u><u>\$1,105,102</u></u>	<u><u>\$1,105,102</u></u>	<u><u>\$1,347,809</u></u>	<u><u>(242,707)</u></u>

Note: The City of Mesa's legally adopted budget is at the Citywide level and includes all governmental and proprietary funds. Legal control over the budget derives from State statutes that prohibit the City from exceeding its adopted budget. Transfers between funds and departmental groups may be made upon City Manager approval and do not require Council action or approval.

See accompanying note to budgetary comparison schedule.

City of Mesa, Arizona

Notes to Budgetary Comparison Schedule

June 30, 2024

(in thousands)

The financial statements for the City are prepared in accordance with generally accepted accounting principles – “GAAP basis”. Since Mesa, like most other Arizona cities, prepares its annual budget on a modified cash basis that differs from the “GAAP basis”, a reconciliation is performed. Adjustments necessary to convert the results of operations of the governmental and proprietary funds for the year ended June 30, 2024 on the “GAAP basis” to the “budget basis” as follows:

Net Change in Fund Balance-Budget Basis-	\$	242,707
Bond related		(144,729)
Depreciation and Amortization		7,802
Lease Related items		1,320
Differences in Revenue Recognition		28,494
Payroll and Other Accruals		(8,791)
Pension and OPEB Expense		(14,981)
Joint Venture entities budgeted but not GAAP		(6,482)
Unrealized Gain on Investments		24,283
		<hr/>
Net Change in Fund Balance-GAAP Basis -	\$	<u>133,104</u>

Note: The City of Mesa's legally adopted budget is at the Citywide level and includes all governmental and proprietary funds. Legal control over the budget derives from State statutes that prohibit the City from exceeding its adopted budget. Transfers between funds and departmental groups may be made upon City Manager approval and do not require Council action or approval.



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COMBINING STATEMENTS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED | JUNE 30, 2024

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

Community Facilities District accounts for the operations of the Eastmark 1, Eastmark 2 and Cadence Community Facilities Districts which are paid from special assessments levied against the benefited properties.

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

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

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

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

Mesa Housing Authority accounts for federal expenditures of the City's housing assistance programs that provide rent subsidy payments to private sector owners of dwelling units.

Other Restricted Funds accounts for federal and state grant expenditures and other City programs. The principle financing source is federal and state grant revenues.

Public Safety Sales Tax accounts for expenditures of the voter-approved sales tax dedicated to Public Safety.

Quality of Life Sales Tax accounts for expenditures of the voter-approved sales tax to improve the quality of life for Mesa residents.

Relief Fund accounts for federal expenditures dedicated to supporting the City's response to COVID 19.

Street Sales Tax accounts for expenditures of the voter-approved sales tax that is used as the City match for the MAG Proposition 400 sales tax funds and also provides a local revenue source that is dedicated for street programs.

Capital Projects Funds

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

Community Facilities District accounts for the bond proceeds to be used for the costs of construction of drains, basins, channels and other storm sewer improvements and street improvements in the Eastmark 1, Eastmark 2 and Cadence Community Facilities Districts.

General Capital Projects accounts for the costs of general City construction projects and for expenditures related to the acquisition of replacement vehicles for the City's governmental funds. The funds are provided through bonds, excise tax obligations and transfers from the City's General Fund

Parks accounts for the bond proceeds to be used for the costs of park facilities and improvements.

Public Safety accounts for the bond proceeds to be used for the cost of public safety facilities.

Streets accounts for the bond proceeds to be used for the cost of right-of-way acquisitions and street improvements.

Debt Service Funds

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

Community Facilities District accumulates monies for the payment of Eastmark 1, Eastmark 2 and Cadence Community Facilities District Bonds that are issued to finance the costs of improvements which are to be paid from special assessments levied against the benefited properties.

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

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

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



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City of Mesa, Arizona
Combining Balance Sheet
Non-Major Governmental Funds
For the Fiscal year Ended June 30, 2024
(in thousands)

	Special Revenue Funds				
	Cemetery	Community Facilities District	Development Impact Fees	Environmental Compliance	Highway User Revenue
Assets					
Pooled Cash and Investments	\$ 3,001	\$ 1,176	\$ 21,366	\$ 21,668	\$ 36,936
Accounts Receivable, Net	11	—	—	219	—
Accrued Interest Receivable	14	5	—	92	200
Due from Other Governments	—	4	—	—	5,030
Prepaid Costs	—	—	—	10	25
Restricted Assets:					
Pooled Cash and Investments	—	—	—	—	—
Cash with Fiscal Agent	—	—	—	—	—
Accounts Receivable	—	—	—	—	—
Due from Other Governments	—	—	—	—	—
Total Assets	<u>\$ 3,026</u>	<u>\$ 1,185</u>	<u>\$ 21,366</u>	<u>\$ 21,989</u>	<u>\$ 42,191</u>
Liabilities					
Accounts Payable and Accrued	\$ —	\$ 60	\$ 30	\$ 1,273	\$ 2,567
Due to Other Funds	—	—	—	—	—
Customer and Defendant Deposits	—	—	—	—	—
Unearned Revenue	—	70	—	—	—
Payable from Restricted Assets:					
Accrued Interest Payable	—	—	—	—	—
Matured Bonds Payable	—	—	—	—	—
Total Liabilities	<u>—</u>	<u>130</u>	<u>30</u>	<u>1,273</u>	<u>2,567</u>
Deferred Inflows of Resources					
Unavailable Revenue	<u>2</u>	<u>—</u>	<u>—</u>	<u>1</u>	<u>—</u>
Total Deferred Inflows of Resources	<u>2</u>	<u>—</u>	<u>—</u>	<u>1</u>	<u>—</u>
Fund Balance					
Nonspendable	—	—	—	10	25
Restricted	—	1,055	21,336	—	39,599
Committed	3,024	—	—	20,705	—
Assigned	—	—	—	—	—
Unassigned	—	—	—	—	—
Total Fund Balances	<u>3,024</u>	<u>1,055</u>	<u>21,336</u>	<u>20,715</u>	<u>39,624</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,026</u>	<u>\$ 1,185</u>	<u>\$ 21,366</u>	<u>\$ 21,989</u>	<u>\$ 42,191</u>

Special Revenue Funds							
Mesa Arts Center Restoration	Mesa Housing Authority	Other Restricted Funds	Public Safety Sales Tax	Quality of Life Sales Tax	Relief Fund	Street Sales Tax	Total Special Revenue Funds
\$ 1,734	\$ 1,531	\$ 17,984	\$ 62,053	\$ 40,053	\$ 38,586	\$ 103,519	\$ 349,607
3	34	460	—	—	169	1,089	1,985
7	—	77	257	164	162	433	1,411
—	2,509	1,558	6,716	6,715	—	8,061	30,593
—	—	374	89	—	939	62	1,499
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
<u>\$ 1,744</u>	<u>\$ 4,074</u>	<u>\$ 20,453</u>	<u>\$ 69,115</u>	<u>\$ 46,932</u>	<u>\$ 39,856</u>	<u>\$ 113,164</u>	<u>\$ 385,095</u>
\$ 131	\$ 1,577	\$ 1,511	\$ 1,512	\$ —	\$ 1,349	\$ 2,257	\$ 12,267
—	—	—	—	—	—	—	—
—	—	—	—	—	—	8,468	8,468
212	1,561	1,267	—	—	36,513	—	39,623
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
<u>343</u>	<u>3,138</u>	<u>2,778</u>	<u>1,512</u>	<u>—</u>	<u>37,862</u>	<u>10,725</u>	<u>60,358</u>
<u>1</u>	<u>—</u>	<u>358</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>186</u>	<u>548</u>
<u>1</u>	<u>—</u>	<u>358</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>186</u>	<u>548</u>
—	—	374	89	—	939	62	1,499
—	936	13,885	67,514	46,932	1,055	102,191	294,503
1,400	—	2,471	—	—	—	—	27,600
—	—	587	—	—	—	—	587
—	—	—	—	—	—	—	—
<u>1,400</u>	<u>936</u>	<u>17,317</u>	<u>67,603</u>	<u>46,932</u>	<u>1,994</u>	<u>102,253</u>	<u>324,189</u>
<u>\$ 1,744</u>	<u>\$ 4,074</u>	<u>\$ 20,453</u>	<u>\$ 69,115</u>	<u>\$ 46,932</u>	<u>\$ 39,856</u>	<u>\$ 113,164</u>	<u>\$ 385,095</u>

City of Mesa, Arizona
Combining Balance Sheet
Non-Major Governmental Funds
For the Fiscal year Ended June 30, 2024
(in thousands)

	Capital Projects Funds					
	Community Facilities District	General Capital Projects	Parks	Public Safety	Streets	Total Capital Projects Funds
Assets						
Pooled Cash and Investments	\$ 338	\$ 94,094	\$ —	\$ —	\$ 58,209	\$ 152,641
Accounts Receivable, Net	—	5	13	—	3	21
Accrued Interest Receivable	—	390	8	—	255	653
Due from Other Governments	—	—	—	—	1,714	1,714
Prepaid Costs	—	166	—	—	—	166
Restricted Assets:						
Pooled Cash and Investments	—	3,383	2,012	—	—	5,395
Cash with Fiscal Agent	—	—	—	—	—	—
Accounts Receivable	—	—	—	—	—	—
Due from Other Governments	—	—	—	—	—	—
Total Assets	<u>\$ 338</u>	<u>\$ 98,038</u>	<u>\$ 2,033</u>	<u>\$ —</u>	<u>\$ 60,181</u>	<u>\$ 160,590</u>
Liabilities						
Accounts Payable and Accrued	\$ —	\$ 10,304	\$ 1,874	\$ 12,797	\$ 692	\$ 25,667
Due to Other Funds	—	—	\$0	14,510	—	14,510
Customer and Defendant Deposits	—	—	—	—	—	—
Unearned Revenue	—	—	—	—	5,414	5,414
Payable from Restricted Assets:						
Accrued Interest Payable	—	—	—	—	—	—
Matured Bonds Payable	—	—	—	—	—	—
Total Liabilities	<u>—</u>	<u>10,304</u>	<u>1,874</u>	<u>27,307</u>	<u>6,106</u>	<u>45,591</u>
Deferred Inflows of Resources						
Unavailable Revenue	—	—	—	—	1,088	1,088
Total Deferred Inflows of Resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,088</u>	<u>1,088</u>
Fund Balance						
Nonspendable	—	166	—	—	—	166
Restricted	338	3,349	159	—	52,987	56,833
Committed	—	—	—	—	—	—
Assigned	—	84,219	—	—	—	84,219
Unassigned	—	—	—	(27,307)	—	(27,307)
Total Fund Balances	<u>338</u>	<u>87,734</u>	<u>159</u>	<u>(27,307)</u>	<u>52,987</u>	<u>113,911</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 338</u>	<u>\$ 98,038</u>	<u>\$ 2,033</u>	<u>\$ —</u>	<u>\$ 60,181</u>	<u>\$ 160,590</u>

(Concluded)

Debt Service Funds					
Community Facilities District	Excise Tax Obligations	General Obligation Bonds	Highway User Revenue Bonds	Total Debt Service Funds	Total Non-Major Governmental Funds
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 502,248
—	—	—	—	—	2,006
42	—	7	—	49	2,113
—	—	—	—	—	32,307
—	—	—	—	—	1,665
9,832	—	4,878	—	14,710	20,105
1,190	2,000	39,581	11,146	53,917	53,917
20,586	—	—	—	20,586	20,586
97	—	1,408	—	1,505	1,505
<u>\$ 31,747</u>	<u>\$ 2,000</u>	<u>\$ 45,874</u>	<u>\$ 11,146</u>	<u>\$ 90,767</u>	<u>\$ 636,452</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 37,934
—	—	—	—	—	14,510
4	—	—	—	4	8,472
—	—	—	—	—	45,037
1,949	695	7,276	656	10,576	10,576
5,950	1,305	32,305	10,490	50,050	50,050
<u>7,903</u>	<u>2,000</u>	<u>39,581</u>	<u>11,146</u>	<u>60,630</u>	<u>166,579</u>
20,623	—	731	—	21,354	22,990
<u>20,623</u>	<u>—</u>	<u>731</u>	<u>—</u>	<u>21,354</u>	<u>22,990</u>
—	—	—	—	—	1,665
3,221	—	5,562	—	8,783	360,119
—	—	—	—	—	27,600
—	—	—	—	—	84,806
—	—	—	—	—	(27,307)
<u>3,221</u>	<u>—</u>	<u>5,562</u>	<u>—</u>	<u>8,783</u>	<u>446,883</u>
<u>\$ 31,747</u>	<u>\$ 2,000</u>	<u>\$ 45,874</u>	<u>\$ 11,146</u>	<u>\$ 90,767</u>	<u>\$ 636,452</u>

City of Mesa, Arizona

Combining Statement of Revenues, Expenditures

and Changes in Fund Balances

Non-Major Governmental Funds

For the Fiscal year Ended June 30, 2024

(in thousands)

	Special Revenue Funds				
	Cemetery	Community Facilities District	Development Impact Fees	Environmental Compliance	Higher User Revenue
Revenues:					
Sales Taxes	\$ —	\$ —	\$ —	\$ —	\$ —
Property Taxes	—	620	—	—	—
Occupancy Taxes	—	—	—	—	—
Special Assessments	—	—	—	—	—
Licenses and Permits	—	—	3,094	—	—
Intergovernmental	—	—	—	—	49,455
Charges for Services	119	—	—	17,890	—
Fines and Forfeitures	—	—	—	—	—
Investment Income (Loss)	194	35	—	1,149	2,984
Contributions	—	—	—	—	—
Miscellaneous Revenues	—	50	—	—	—
Total Revenues	<u>313</u>	<u>705</u>	<u>3,094</u>	<u>19,039</u>	<u>52,439</u>
Expenditures					
Current:					
General Government	—	269	—	3,101	134
Public Safety	—	—	—	—	—
Community Environment	—	—	—	4,702	22,413
Cultural-Recreational	—	—	—	9,041	—
Debt Services:					
Principal Retirement	—	—	—	—	—
Interest on Bonds	—	—	—	—	—
Services Charges	—	—	—	—	—
Cost of Issuance	—	—	—	—	—
Capital Outlay	—	1	—	1,870	25,913
Total Expenditures	<u>—</u>	<u>270</u>	<u>—</u>	<u>18,714</u>	<u>48,460</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>313</u>	<u>435</u>	<u>3,094</u>	<u>325</u>	<u>3,979</u>
Other Financing Sources (Uses):					
Transfers In	—	—	—	—	—
Transfers Out	(207)	—	(3,116)	(5)	(11,817)
Sale of Capital Assets	—	—	—	—	—
Face Amounts of Bonds Issued	—	—	—	—	—
Face Amounts of Leases Issued	—	—	—	—	—
Premium on Issuance of Bonds (Net)	—	—	—	—	0
Total Other Financing Sources (Uses)	<u>(207)</u>	<u>—</u>	<u>(3,116)</u>	<u>(5)</u>	<u>(11,817)</u>
Net Change in Fund Balances	106	435	(22)	320	(7,838)
Fund Balances - Beginning	<u>2,918</u>	<u>620</u>	<u>21,358</u>	<u>20,395</u>	<u>47,462</u>
Fund Balances - Ending	<u>\$ 3,024</u>	<u>\$ 1,055</u>	<u>\$ 21,336</u>	<u>\$ 20,715</u>	<u>\$ 39,624</u>

Special Revenue Funds

Mesa Arts Center Restoration	Mesa Housing Authority	Other Restricted Funds	Public Safety Sales Tax	Quality of Life Sales Tax	Relief	Street Sales Tax	Total Special Revenue Funds
\$ —	\$ —	\$ —	\$ 41,164	\$ 41,173	\$ —	\$ 49,407	\$ 131,744
—	—	—	—	—	—	—	620
—	—	4,516	—	—	—	—	4,516
—	—	—	—	—	—	—	—
—	—	723	—	134	—	268	4,219
—	38,635	18,683	—	—	20,102	89	126,964
—	—	15	—	—	—	4,100	22,124
551	—	783	—	—	—	—	1,334
69	146	1,133	2,769	1,480	3,019	4,414	17,392
—	—	128	—	—	—	—	128
—	—	3,607	—	—	—	1,007	4,664
<u>620</u>	<u>38,781</u>	<u>29,588</u>	<u>43,933</u>	<u>42,787</u>	<u>23,121</u>	<u>59,285</u>	<u>313,705</u>
1	—	7,812	236	237	139	3,563	15,492
—	—	5,460	32,625	32,545	2,035	466	73,131
—	36,346	1,214	—	—	3,644	29,213	97,532
—	—	1,827	—	—	380	—	11,248
—	—	116	—	—	—	—	116
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
357	—	7,739	4,095	—	9,382	8,772	58,129
<u>358</u>	<u>36,346</u>	<u>24,179</u>	<u>36,956</u>	<u>32,782</u>	<u>15,580</u>	<u>42,014</u>	<u>255,659</u>
262	2,435	5,409	6,977	10,005	7,541	17,271	58,046
—	13	9,789	—	—	—	—	9,802
—	—	(7,431)	—	—	(4,400)	(97)	(27,073)
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
<u>—</u>	<u>13</u>	<u>2,358</u>	<u>—</u>	<u>—</u>	<u>(4,400)</u>	<u>(97)</u>	<u>(17,271)</u>
262	2,448	7,767	6,977	10,005	3,141	17,174	40,775
<u>1,138</u>	<u>(1,512)</u>	<u>9,550</u>	<u>60,626</u>	<u>36,927</u>	<u>(1,147)</u>	<u>85,079</u>	<u>283,414</u>
<u>\$ 1,400</u>	<u>\$ 936</u>	<u>\$ 17,317</u>	<u>\$ 67,603</u>	<u>\$ 46,932</u>	<u>\$ 1,994</u>	<u>\$ 102,253</u>	<u>\$ 324,189</u>

City of Mesa, Arizona

Combining Statement of Revenues, Expenditures

and Changes in Fund Balances

Non-Major Governmental Funds

For the Fiscal year Ended June 30, 2024

(in thousands)

	Capital Projects Funds					Total Capital Projects Funds
	Community Facilities District	General Capital Projects	Parks	Public Safety	Streets	
Revenues:						
Sales Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Property Taxes	—	—	—	—	—	—
Occupancy Taxes	—	—	—	—	—	—
Special Assessments	—	—	—	—	—	—
Licenses and Permits	—	—	—	—	—	—
Intergovernmental	—	—	—	—	5,019	5,019
Charges for Services	—	—	—	—	119	119
Fines and Forfeitures	—	—	—	—	—	—
Investment Income (Loss)	—	2,883	(47)	(102)	770	3,504
Contributions	—	—	—	—	—	—
Miscellaneous Revenues	—	1,692	—	—	—	1,692
Total Revenues	—	4,575	(47)	(102)	5,908	10,334
Expenditures						
Current:						
General Government	—	—	—	—	—	—
Public Safety	—	—	—	—	—	—
Community Environment	—	—	—	—	—	—
Cultural-Recreational	—	—	—	—	—	—
Debt Services:						
Principal Retirement	—	—	—	—	—	—
Interest on Bonds	—	—	—	—	—	—
Services Charges	—	—	—	—	—	—
Cost of Issuance	—	27	249	108	97	481
Capital Outlay	—	59,530	17,388	44,536	14,702	136,156
Total Expenditures	—	59,557	17,637	44,644	14,799	136,637
Excess (Deficiency) of Revenues Over (Under) Expenditures	—	(54,982)	(17,684)	(44,746)	(8,891)	(126,303)
Other Financing Sources (Uses):						
Transfers In	—	76,832	—	—	—	76,832
Transfers Out	—	(123)	—	—	(9,358)	(9,481)
Sale of Capital Assets	—	330	—	—	—	330
Face Amounts of Bonds Issued	—	4,682	43,074	18,729	16,855	83,340
Face Amounts of Leases Issued	—	—	—	—	—	—
Premium on Issuance of Bonds (Net)	—	346	3,179	1,382	1,244	6,151
Total Other Financing Sources (Uses)	—	82,067	46,253	20,111	8,741	157,172
Net Change in Fund Balances	—	27,085	28,569	(24,635)	(150)	30,869
Fund Balances - Beginning	338	60,649	(28,410)	(2,672)	53,137	83,042
Fund Balances - Ending	\$ 338	\$ 87,734	\$ 159	\$ (27,307)	\$ 52,987	\$ 113,911

(Concluded)

Debt Service Funds					
Community Facilities District	Excise Tax Obligations	General Obligation Bonds	Highway User Revenue Bonds	Total Debt Service Funds	Total Nonmajor Governmental Funds
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 131,744
7,957	—	39,081	—	47,038	47,658
—	—	—	—	—	4,516
1,736	—	—	—	1,736	1,736
—	—	—	—	—	4,219
—	—	—	—	—	131,983
—	104	—	—	104	22,347
—	—	624	—	624	1,958
114	—	574	—	688	21,584
—	—	—	—	—	128
—	—	—	—	—	6,356
<u>9,807</u>	<u>104</u>	<u>40,279</u>	<u>—</u>	<u>50,190</u>	<u>374,229</u>
—	—	—	—	—	15,492
—	—	—	—	—	73,131
—	—	—	—	—	97,532
—	—	—	—	—	11,248
—	—	—	—	—	—
5,984	1,305	32,305	10,490	50,084	50,200
3,899	1,389	12,190	1,312	18,790	18,790
7	2	4	1	14	14
—	—	—	—	—	481
—	—	—	—	—	194,285
<u>9,890</u>	<u>2,696</u>	<u>44,499</u>	<u>11,803</u>	<u>68,888</u>	<u>461,184</u>
(83)	(2,592)	(4,220)	(11,803)	(18,698)	(86,955)
—	2,558	3,923	11,803	18,284	80,031
—	—	(634)	—	(634)	(12,301)
—	—	—	—	—	330
—	—	—	—	—	83,340
—	—	—	—	—	—
—	—	2	—	2	6,153
<u>—</u>	<u>2,558</u>	<u>3,291</u>	<u>11,803</u>	<u>17,652</u>	<u>157,553</u>
(83)	(34)	(929)	—	(1,046)	70,598
<u>3,304</u>	<u>34</u>	<u>6,491</u>	<u>—</u>	<u>9,829</u>	<u>376,285</u>
<u>\$ 3,221</u>	<u>\$ —</u>	<u>\$ 5,562</u>	<u>\$ —</u>	<u>\$ 8,783</u>	<u>\$ 446,883</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 Benefits Self-Insurance Fund was established to account for the costs of maintaining the City's self-insurance health program

City of Mesa, Arizona
 Internal Service Funds
 Combining Statement of Net Position
 June, 30, 2024
 (in thousands)

	Warehouse, Maintenance and Services	Property and Public Liability Self Insurance	Workers' Compensation Self Insurance	Employee Benefits Self Insurance	Total
Assets					
Current Assets:					
Pooled Cash and Investments	\$ —	\$ 9,839	\$ 9,609	\$ 42,759	\$ 62,207
Accounts Receivable	458	—	—	205	663
Accrued Premiums Receivable	—	—	—	15	15
Accrued Interest Receivable	—	38	39	175	252
Inventory	11,984	—	—	—	11,984
Deposits and Prepaid Costs	10	1,518	306	—	1,834
Total Current Assets	<u>12,452</u>	<u>11,395</u>	<u>9,954</u>	<u>43,154</u>	<u>76,955</u>
Noncurrent Assets:					
Lease Asset	—	—	—	92	92
Capital Assets, Not Being Depreciated	53	—	—	791	844
Capital Assets, Being Depreciated, Net	3,240	—	—	5	3,245
Total Noncurrent Assets	<u>3,293</u>	<u>—</u>	<u>—</u>	<u>888</u>	<u>4,181</u>
Total Assets	<u>15,745</u>	<u>11,395</u>	<u>9,954</u>	<u>44,042</u>	<u>81,136</u>
Deferred Outflows of Resources					
Pensions and OPEB	3,152	297	200	486	4,135
Total Deferred Outflows of Resources	<u>3,152</u>	<u>297</u>	<u>200</u>	<u>486</u>	<u>4,135</u>
Total Assets and Deferred Outflows of Resources	<u>18,897</u>	<u>11,692</u>	<u>10,154</u>	<u>44,528</u>	<u>85,271</u>
Liabilities					
Current Liabilities					
Accounts Payable and Accrued Liabilities	2,067	3	147	2,762	4,979
Claims Payable	—	11,912	27,440	5,771	45,123
Due to Other Funds	3,552	—	—	—	3,552
Current Portion of OPEB Liability	663	39	31	113	846
Current Portion of Compensated Absences	124	13	14	12	163
Total Current Liabilities	<u>6,406</u>	<u>11,967</u>	<u>27,632</u>	<u>8,658</u>	<u>54,663</u>
Long-Term Liabilities					
Lease	—	—	—	103	103
Compensated Absences	759	153	75	137	1,124
Net Pension and OPEB Liability	29,191	2,548	1,759	4,590	38,088
Total Long-Term Liabilities	<u>29,950</u>	<u>2,701</u>	<u>1,834</u>	<u>4,830</u>	<u>39,315</u>
Total Liabilities	<u>36,356</u>	<u>14,668</u>	<u>29,466</u>	<u>13,488</u>	<u>93,978</u>
Deferred Inflows of Resources					
Pensions and OPEB	4,422	292	221	739	5,674
Total Deferred Inflows of Resources	<u>4,422</u>	<u>292</u>	<u>221</u>	<u>739</u>	<u>5,674</u>
Net Position					
Net Investment in Capital Assets	3,293	—	—	888	4,181
Unrestricted	(25,174)	(3,268)	(19,533)	29,413	(18,562)
Total Net Position	<u>\$ (21,881)</u>	<u>\$ (3,268)</u>	<u>\$ (19,533)</u>	<u>\$ 30,301</u>	<u>\$ (14,381)</u>

City of Mesa, Arizona

Internal Service Funds

Combining Statement of Revenue, Expenses and Changes in Net Position

For the Fiscal Year Ended June 30, 2024

(In thousands)

	Warehouse, Maintenance and Services	Property and Public Liability Self Insurance	Workers' Compensation Self Insurance	Employee Benefits Self Insurance	Total
Operating Revenues:					
Charges For Services:					
Warehouse	\$ 9,850	\$ —	\$ —	\$ —	\$ 9,850
Fleet Support Services	32,588	—	—	—	32,588
Printing and Graphics	945	—	—	—	945
Self-Insurance Contributions:					
Employee	—	—	—	13,640	13,640
City	—	9,039	8,045	83,997	101,081
State Retirement System	—	—	—	5,222	5,222
Other	367	—	—	7,544	7,911
Total Operating Revenues	<u>43,750</u>	<u>9,039</u>	<u>8,045</u>	<u>110,403</u>	<u>171,237</u>
Operating Expenses:					
Warehouse, Maintenance & Services:					
Warehouse	10,878	—	—	—	10,878
Fleet Support Services	35,985	—	—	—	35,985
Printing and Graphics	954	—	—	—	954
Self-Insurance:					
Administrative Costs	—	1,446	1,781	9,488	12,715
Claims and Premiums Paid	—	8,286	4,039	107,167	119,492
Total Operating Expenses	<u>47,817</u>	<u>9,732</u>	<u>5,820</u>	<u>116,655</u>	<u>180,024</u>
Operating Income (Loss) Before	(4,067)	(693)	2,225	(6,252)	(8,787)
Depreciation and Amortization	<u>(323)</u>	<u>—</u>	<u>—</u>	<u>(74)</u>	<u>(397)</u>
Operating Income (Loss)	<u>(4,390)</u>	<u>(693)</u>	<u>2,225</u>	<u>(6,326)</u>	<u>(9,184)</u>
Nonoperating Revenues (Expense):					
Investment Income/(Loss)	(200)	367	402	2,300	2,869
Lease Interest Expenses	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3)</u>	<u>(3)</u>
Total Nonoperating Revenues	<u>(200)</u>	<u>367</u>	<u>402</u>	<u>2,297</u>	<u>2,866</u>
Income (Loss) Before Capital	(4,590)	(326)	2,627	(4,029)	(6,318)
Capital Contributions	44	—	—	—	44
Transfers In	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Transfers Out	<u>(61)</u>	<u>—</u>	<u>—</u>	<u>(32)</u>	<u>(93)</u>
Change in Net Position	(4,607)	(326)	2,627	(4,061)	(6,367)
Total Net Position - Beginning	(17,274)	(2,942)	(22,160)	34,362	(8,014)
Total Net Position - Ending	<u>\$ (21,881)</u>	<u>\$ (3,268)</u>	<u>\$ (19,533)</u>	<u>\$ 30,301</u>	<u>\$ (14,381)</u>

City of Mesa, Arizona
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2024
(In thousands)

	Warehouse, Maintenance and Services	Property and Public Liability Self Insurance	Workers' Compensation Self Insurance	Employee Benefits Self Insurance	Total
Cash Flows from Operating Activities:					
Cash Received from Users	\$ 43,711	\$ 9,039	\$ 8,045	\$ 110,574	\$ 171,369
Cash Payments to Suppliers	(37,489)	(7,538)	(5,903)	(113,500)	(164,430)
Cash Payments to Employees	(7,478)	(1,029)	(674)	(1,024)	(10,205)
Net Cash Provided By/(Used For) Operating Activities	(1,256)	472	1,468	\$ (3,950)	(3,266)
Cash Flows From Noncapital Financing Activities:					
Increase in Interfund Payable	1,598	—	—	—	1,598
Transfers Out To Other Funds	(61)	—	—	(32)	(93)
Net Cash Provided By/(Used For) Noncapital Financing Activities	1,537	—	—	(32)	1,505
Cash Flows from Capital and Related Financing Activities:					
Acquisition and Construction of Capital Assets	(125)	—	—	(792)	(917)
Principal Paid on Leases	—	—	—	(71)	(71)
Interest Income/(Expense) on Lease	—	—	—	(3)	(3)
Capital Contributions	44	—	—	—	44
Net Cash Provided By/(Used For) Capital and Related Financing Activities	(81)	—	—	(866)	(947)
Cash Flows from Investing Activities:					
Interest Received on Investments	(200)	361	394	2,305	2,860
Net Cash Provided By/(Used For) Investing Activities	(200)	361	394	2,305	2,860
Net Change in Pooled Cash and Investments	—	833	1,862	-2,543	152
Pooled Cash and Investments at Beginning of Year	—	9,006	7,747	45,302	62,055
Pooled Cash and Investments at End of Year	<u>\$ —</u>	<u>\$ 9,839</u>	<u>\$ 9,609</u>	<u>\$ 42,759</u>	<u>\$ 62,207</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided By/(Used For) Operating Activities:					
Operating Income/(Loss)	\$ (4,390)	\$ (693)	\$ 2,225	\$ (6,326)	\$ (9,184)
Adjustments to Reconcile Operating Income/(Loss)					
Net Cash Provided By(Used For) Operating					
Depreciation and Amortization	323	—	—	74	397
Changes in Assets and Liabilities:					
(Increase)/Decrease in Receivables	(39)	—	—	171	132
(Increase)/Decrease in Inventory	(1,872)	—	—	—	(1,872)
(Increase)/Decrease in Deposits and Prepaid Costs	(10)	(316)	(9)	—	(335)
(Increase)/Decrease in Deferred Outflows	302	66	39	97	504
Increase/(Decrease) in Accounts Payable	864	(2)	(18)	745	1,589
Increase/(Decrease) in Pension and OPEB Liability	3,754	24	65	147	3,990
Increase/(Decrease) in Deferred Inflows	(415)	(72)	(46)	(200)	(733)
Increase/(Decrease) in Other Accrued Expenses	227	1,465	(788)	1,342	2,246
Total Adjustments	3,134	1,165	(757)	2,376	5,918
Net Cash Provided By/(Used for) Operating Activities	<u>\$ (1,256)</u>	<u>\$ 472</u>	<u>\$ 1,468</u>	<u>\$ (3,950)</u>	<u>\$ (3,266)</u>

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APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

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BOOK-ENTRY-ONLY SYSTEM

This information concerning DTC and DTC's book-entry system has been obtained from DTC and the City takes no responsibility for the accuracy thereof. The Beneficial Owners (defined below) should confirm this information with DTC or the DTC participants.

DTC will act as securities depository for the Bonds. The Bonds will be executed and delivered as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bonds certificate will be executed and delivered for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and, together with Direct Participants, "Participants"). DTC has a rating of "AA+" from Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bonds documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the City or the Registrar, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered through its Participant to the Registrar, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interests in the Bonds, on DTC's records, to the Registrar. The requirement for physical delivery of Bonds in connection with an optional tender or mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Registrar's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

NONE OF THE CITY OR FINANCIAL ADVISOR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, TO DIRECT PARTICIPANTS, OR TO INDIRECT PARTICIPANTS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE BONDS UNDER THE BOND RESOLUTION; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST OR PAYMENT AMOUNT DUE WITH RESPECT TO THE PRINCIPAL OR INTEREST OR PAYMENT AMOUNT DUE WITH RESPECT TO THE BONDS; (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE BONDS; OR (5) ANY OTHER MATTERS.

APPENDIX F

FORM OF APPROVING LEGAL OPINION

[Closing Date]

Mayor and Council
City of Mesa, Arizona

Re: City of Mesa, Arizona General Obligation Bonds, Series 2025 (the “Bonds”)

We have examined copies of the proceedings of the Mayor and Council of the City of Mesa, Arizona (the “City”), and other proofs submitted to us relative to the sale and issuance of the captioned Bonds.

In addition, we have examined such other proceedings, proofs, instruments, certificates and other documents as well as such other materials and such matters of law as we have deemed necessary or appropriate for the purposes of the opinion rendered herein below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid proceedings and proofs.

We are of the opinion that such proceedings and proofs show lawful authority for the sale and issuance of the Bonds pursuant to the Constitution and laws of the State of Arizona now in force, and the provisions of Title 35, Chapter 3, Article 3, Arizona Revised Statutes, as amended, and that the Bonds are valid and legally binding obligations of the City, all of the taxable property within which is subject to the levy of a tax, without limitation as to rate or amount, to pay the principal of and interest on the Bonds.

Based on the representations and covenants of the City and subject to the assumption stated in the last sentence of this paragraph, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and the interest on the Bonds is exempt from income taxation under the laws of the State of Arizona. Furthermore, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the case of the alternative minimum tax imposed by Section 55(b)(2) of the Internal Revenue Code of 1986, as amended (the “Code”), on applicable corporations (as defined in Section 59(k) of the Code), interest on the Bonds is not excluded from the determination of adjusted financial statement income. We express no opinion regarding other tax consequences resulting from the ownership, receipt or accrual of interest on, or disposition of, the Bonds. The Code includes requirements which the City must continue to meet after the issuance of the Bonds in order that interest on the Bonds not be included in gross income for federal income tax purposes. The failure of the City to meet these requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The Mayor and Council of the City have resolved in the resolution authorizing issuance of the Bonds, adopted by the Mayor and Council of the City on March 17, 2025, to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds. (Subject to the limitations in the penultimate paragraph hereof, the City has full legal power and authority to comply with such covenants.) In rendering the opinion expressed above, we have assumed continuing compliance with the tax covenants referred to above that must be met after the issuance of the Bonds in order that interest on the Bonds not be included in gross income for federal tax purposes.

The rights of the holders of the Bonds and the enforceability of those rights may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors’ rights. The enforcement of such rights may also be subject to the exercise of judicial discretion in accordance with general principles of equity.

This opinion represents our legal judgment based upon our review of the law and the facts we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof, and we assume no obligation to review or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

FORM OF CONTINUING DISCLOSURE UNDERTAKING

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CONTINUING DISCLOSURE UNDERTAKING

\$156,400,000*
CITY OF MESA, ARIZONA
GENERAL OBLIGATION BONDS,
SERIES 2025

This Continuing Disclosure Undertaking (this “Undertaking”) is executed and delivered by the City of Mesa, Arizona (the “City”), in connection with the sale and issuance of \$156,400,000* principal amount of City of Mesa, Arizona General Obligation Bonds, Series 2025 (the “Bonds”). The Bonds are being issued pursuant to Resolution No. 12335 adopted by the City Council of the City on March 17, 2025 (the “Bond Resolution”). The City covenants and agrees as follows:

1. **Definitions.** In addition to those defined hereinabove, the terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires:

“*Annual Financial Information*” means the financial information and operating data set forth in Exhibit I.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

“*Audited Financial Statements*” means the audited financial statements of the City prepared pursuant to the standards and as described in Exhibit I.

“*Commission*” means the Securities and Exchange Commission.

“*Dissemination Agent*” means any agent designated as such in writing by the City and which has filed with the City a written acceptance of such designation, and such agent’s successors and assigns.

“*EMMA*” means the Electronic Municipal Market Access system of the MSRB. Information regarding submissions to EMMA is available at <http://emma.msrb.org>.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Final Official Statement*” means the Final Official Statement relating to the Bonds, dated _____, 2025.

“*Financial Obligation*” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“*GAAP*” means generally accepted accounting principles, as applied to governmental units as modified by the laws of the State.

“*Listed Event*” means the events set forth in Exhibit II.

“*Listed Events Disclosure*” means dissemination of disclosure concerning a Listed Event as set forth in Section 5.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

“*Rule*” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Exchange Act.

* Subject to change.

“State” means the State of Arizona.

2. Purpose of this Undertaking. This Undertaking is executed and delivered by the City as of the date set forth below for the benefit of the beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with the requirements of the Rule. The City represents that it will be the only obligated person with respect to the Bonds at the time the Bonds are delivered to the Participating Underwriter and that no other person is expected to become so committed at any time after such delivery of the Bonds.

3. CUSIP Numbers. The CUSIP Numbers of the Bonds are as follows:

CUSIP No. (Base 590485)	Maturity Date (July 1)
-------------------------	------------------------

4. Annual Financial Information Disclosure. Subject to annual appropriation to cover the costs of preparation and mailing thereof and Section 8 of this Undertaking, the City shall disseminate its Annual Financial Information and its Audited Financial Statements, if any (in the form and by the dates set forth in Exhibit I), through EMMA.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the City will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Undertaking, the Annual Financial Information for the year in which such amendment is made shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

5. Listed Events Disclosure. Subject to annual appropriation to cover the costs of preparation and mailing thereof and Section 8 of this Undertaking, the City shall disseminate in a timely manner, but not more than ten (10) business days after the occurrence of the event, Listed Events Disclosure through EMMA. Whether events subject to the standard “material” would be material shall be determined under applicable federal securities laws.

6. Consequences of Failure of the City to Provide Information. The City shall give notice in a timely manner through EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the City to comply with any provision of this Undertaking, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the City to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an event of default under the Bond Resolution, and the sole remedy available to such owners of the Bonds under this Undertaking in the event of any failure of the City to comply with this Undertaking shall be an action to compel performance.

7. Amendments; Waiver. Notwithstanding any other provision of this Undertaking, the City by certified resolution or ordinance authorizing such amendment or waiver, may amend this Undertaking, and any provision of this Undertaking may be waived only if:

(a) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted;

(b) This Undertaking, as amended or affected by such waiver, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined by parties unaffiliated with the City or by approving vote of the owners of the Bonds at the time of the amendment.

The Annual Financial Information containing amended operating data or financial information resulting from such amendment or waiver, if any, shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided. If an amendment or waiver is made specifying an accounting principle to be followed in preparing financial statements and such changes are material, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles in the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, such comparison also shall be quantitative. If the accounting principles of the City change or the fiscal year of the City changes, the City shall file a notice of such change in the same manner as for a notice of Listed Event.

8. Non-Appropriation. The performance by the City of its obligations in this Undertaking shall be subject to the annual appropriation of any funds that may be necessary to permit such performance. In the event of a failure by the City to comply with its covenants under this Undertaking due to a failure to appropriate the necessary funds, the City covenants to provide prompt notice of such fact to the MSRB through EMMA, in a format prescribed by the MSRB.

9. Termination of Undertaking. This Undertaking shall be terminated hereunder if the City shall no longer have liability for any obligation on or relating to repayment of the Bonds under the Bond Resolution.

10. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

11. Additional Information. Nothing in this Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Undertaking. If the City chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Undertaking, the City shall have no obligation under this Undertaking to update such information or include it in any future Annual Financial Information Disclosure or Listed Events Disclosure.

12. Beneficiaries. This Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the City, the Dissemination Agent, if any, and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

13. Recordkeeping. The City shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

14. Governing Law. This Undertaking shall be governed by the laws of the State.

[Signature page follows.]

DATED: [Closing Date]

CITY OF MESA, ARIZONA

By _____
Deputy City Manager/Chief Financial Officer

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING AND
AUDITED FINANCIAL STATEMENTS

“Annual Financial Information” means financial information and operating data of the type contained in the Final Official Statement (in each case, actual results for the most recently completed fiscal year only):

- a. Security for and Sources of Payment of the Bonds – Sources of Payment of the Bonds and Other City Bonds;
- b. Appendix B – City of Mesa, Arizona, Financial Data – Statements of Bonds Outstanding;
- c. Appendix B – City of Mesa, Arizona, Financial Data – Direct and Overlapping General Obligation Bonded Debt to be Outstanding;
- d. Appendix B – City of Mesa, Arizona, Financial Data – Direct and Overlapping Assessed Values and Total Tax Rates;
- e. Appendix B – City of Mesa, Arizona, Financial Data – Net Assessed Limited Property Value by Property Classification;
- f. Appendix B – City of Mesa, Arizona, Financial Data – Net Assessed Limited Property Values of Major Taxpayers; and
- g. Appendix B – City of Mesa, Arizona, Financial Data – Real and Secured Property Taxes Levied and Collected.

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted through EMMA or filed with the Commission. If the information included by reference is contained in a final official statement, the final official statement must be available from the MSRB. The City shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided through EMMA by February 1 of each year, commencing February 1, 2026. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, to be followed up by Audited Financial Statements within 30 days after availability to the City.

Audited Financial Statements will be prepared according to GAAP.

If any change is made to the Annual Financial Information as permitted by Section 4 of this Undertaking, the City will disseminate a notice of such change as required by Section 4, including changes in fiscal year or GAAP.

EXHIBIT II

EVENTS FOR WHICH LISTED EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations, in each case, with respect to the tax status of the security, or other material events affecting the tax status of the security.
7. Modifications to the rights of security holders, if material.
8. Bond calls, if material, or tender offers.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the securities, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar events of the City, being if any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.
13. The consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material.
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

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