OFFICIAL STATEMENT DATED MAY 19, 2011

NEW ISSUE — BOOK ENTRY ONLY **RATINGS: See "Ratings" herein.**

In the opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with certain restrictions, conditions and requirements by the City, as mentioned under "TAX EXEMPTION" herein, interest income on the Bonds is excluded from gross income for federal income tax purposes and is exempt from Arizona income taxes. Interest income on the Bonds is not an item of tax preference to be included in computing the alternative minimum tax of individuals or corporations; however, such interest income must be taken into account for federal income tax purposes as an adjustment to alternative minimum taxable income for certain corporations, which income is subject to the federal alternative minimum tax. See "TAX EXEMPTION," "BOND PREMIUM" and "ORIGINAL ISSUE DISCOUNT" herein.

$29,320,000
CITY OF MESA, ARIZONA
GENERAL OBLIGATION BONDS
SERIES 2011

Dated: Date of Initial Delivery *Due:* July 1, as shown below

The City of Mesa, Arizona (the "City") General Obligation Bonds, Series 2011 (the "Bonds") will be initially issued in book-entry-only form in the name of Cede & Co., as nominee of The Depository Trust Company, a registered securities depository ("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. The Bonds are being issued to provide funds to (i) acquire and construct certain public safety and transportation improvements, and (ii) pay costs of issuance of the Bonds.

Interest on the Bonds will be payable semiannually on July 1 and January 1 of each year, commencing on January 1, 2012, until maturity or redemption prior to maturity, and principal of the Bonds will be payable in accordance with the maturity schedule set forth below. 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 (the "Beneficial Owners"). See APPENDIX E — "Book-Entry-Only System."

MATURITY SCHEDULE

Maturity (July 1)	Principal Amount	Interest Rate	Yield	Maturity (July 1)	Principal Amount	Interest Rate	Yield
2012	$ 800,000	2.000%	0.604%	2022	$ 975,000	3.125%	3.320%
2013	1,020,000	2.000	0.850	2023	1,050,000	4.000	3.540*
2014	1,150,000	2.000	1.200	2024	1,075,000	4.000	3.710*
2015	1,275,000	3.000	1.500	2025	1,175,000	4.000	3.880*
2016	1,400,000	3.000	1.700	2026	1,250,000	4.000	4.000
2017	1,550,000	3.000	2.060	2027	1,350,000	4.000	4.110
2018	1,700,000	3.000	2.360	2028	1,425,000	4.125	4.200
2019	1,850,000	4.000	2.660	2029	1,525,000	4.125	4.290
2020	900,000	3.000	2.890	2030	100,000	4.250	4.380
2021	925,000	3.000	3.090	2031	6,825,000	4.250	4.470

* Priced to the July 1, 2021 par call.

Certain of the Bonds are subject to optional redemption prior to maturity. See "The Bonds — Redemption Provisions", herein.

The Bonds are direct general obligations of the City and are payable as to both principal and interest from ad valorem taxes to be levied on all of the taxable property located within the boundaries of the City without limit as to rate or amount. See "Security For and Sources of Payment of the Bonds."

The Bonds are offered when, as and if issued by the City, subject to the approving opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel, as to validity and tax exemption. It is expected that the Bonds will be delivered to DTC on or about June 2, 2011.

This cover page contains certain information for convenience of reference only. It is not a summary of material information with respect to the Bonds. Investors must 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.

CITY OF MESA

CITY COUNCIL

Scott Smith, Mayor
Scott Somers, Vice Mayor
Alex Finter, Councilmember
Christopher Glover. Councilmember
Dina Higgins, Councilmember
Dennis Kavanaugh, Councilmember
Dave Richins, Councilmember

CITY ADMINISTRATIVE OFFICERS

Christopher Brady, City Manager
Kari Kent, Deputy City Manager
Chuck Odom, Senior Executive Manager
Kathryn Sorensen, Water Resources Department Director
Frank McRae, Energy Resources Department Director
Doug Yeskey, Controller
Linda Crocker, City Clerk

BOND COUNSEL

Gust Rosenfeld P.L.C.
Phoenix, Arizona

FINANCIAL ADVISOR

Wedbush Securities Inc.
Phoenix, Arizona

REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the City of Mesa, Arizona (the "City"), General Obligation Bonds, Series 2011 (the "Bonds"), 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 Wedbush Securities Inc., the City's 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 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 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 Certificate" pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule").

TABLE OF CONTENTS

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OFFICIAL STATEMENT

$29,320,000
CITY OF MESA, ARIZONA
GENERAL OBLIGATION BONDS,
SERIES 2011

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page and appendices hereto, has been prepared by the City of Mesa, Arizona (the "City") in connection with the original issuance of $29,320,000 General Obligation Bonds, Series 2011 (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.

Initially, the Bonds will be administered under a book-entry-only system (the "Book-Entry-Only System") by The Depository Trust Company, a registered securities depository ("DTC"). 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 integral multiples of $5,000, 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."

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 historic 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 ("A.R.S.") or uncodified, or of 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 obligations referred to, "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.R.S. Title 35, Chapter 3, Article 3; approval given by the qualified electors of the City at an election held on November 4, 2008 and a resolution authorizing issuance of the Bonds to be adopted by the Mayor and Council of the City on May 19, 2011 (the "Bond Resolution"). The Bonds are being issued to provide funds to (i) acquire and construct certain public safety and transportation improvements, and (ii) pay costs of issuance of the Bonds.

Set forth below is a listing of the projects to be financed with the proceeds of the Bonds and an estimate of their respective costs.

Projects to be Funded	Estimated Cost
Public Safety Improvements	$6,595,000
Transportation Improvements	22,725,000
Total	$29,320,000

A copy of the full text of the Bond Resolution may be inspected at the Office of the Senior Executive Manager, 20 East Main Street, Suite 700, Mesa, Arizona 85201.

The City expects to issue $53,950,000 Utility Systems Revenue Bonds, Series 2011 ("Utility Systems Revenue Bonds, Series 2011") concurrently with the Bonds, but pursuant to a separate official statement.

General Provisions

The Bonds will be dated as the date of initial delivery, and will bear interest from such date payable on January 1, 2012 and semiannually thereafter on July 1 and January 1 of each year (each an "Interest Payment Date") until maturity or prior redemption. The Bonds will mature on the dates and in the principal amounts and will bear interest at the rates set forth on the cover page of this Official Statement.

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 the DTC. For 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 EXCEPT THOSE UNDER THE HEADING "TAX EXEMPTION," "ORIGINAL ISSUE PREMIUM" AND "ORIGINAL ISSUE DISCOUNT" TO THE REGISTERED OWNERS OF THE BONDS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

So long as the Book-Entry-Only System is in effect, U.S. Bank National Association will act as the registrar and paying agent for the Bonds (the "Registrar" and "Paying Agent"). If the Book-Entry-Only System is discontinued, interest on the Bonds will be payable by check drawn on a bank or trust company doing business in the State, to be named by the City as the successor Registrar and 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 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 upon redemption prior to maturity upon presentation and surrender on 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.

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 Registrar and Paying Agent.

Redemption Provisions

Optional Redemption

Bonds maturing on or prior to July 1, 2021, are not subject to call for redemption prior to maturity. Bonds maturing on or after July 1, 2022, are subject to call for redemption prior to maturity, at the option of the City, in whole or in part, on July 1, 2021, 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.

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 maintained by the registrar 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 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.

If monies for the payment of the redemption price and accrued interest are not held in separate accounts by the City or by a Paying Agent prior to sending the notice of redemption, such redemption shall be conditional on such monies 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 a Paying Agent, then the Bonds or portions thereof called for redemption will cease to bear interest from and after such redemption date.

If a conditional redemption notice has been given and money sufficient to redeem all the Bonds or portions thereof called for redemption is not held in separate accounts by the City or by a Paying Agent on the day set for redemption, then such redemption shall be cancelled and be of no force or effect.

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 are direct, general obligation bonds of the City and are payable as to both principal and interest from ad valorem taxes to be levied on all of the taxable property located within the boundaries of the City without limit as to rate or amount.

Following deposit of moneys into the debt service fund for payment of the Bonds, the City may invest such moneys 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 or any agency or instrumentality thereof; obligations of the State of Arizona or any Arizona city (including the City), town or school district; bonds of any county, municipal or municipal utility improvement district payable from property assessments; the local government investment pool established by the State of Arizona; commercial paper of prime quality that is rated "P1" by Moody's Investors Service or rated "A+" or better by Standard & Poor's Ratings Group or their successors (all commercial paper must be issued by corporations organized and doing business in the United States); and fixed income securities of corporations organized and doing business in the United States rated "A" or better by Moody's Investors Service and Standard & Poor's Ratings Group. **THE PROCEEDS OF THE BONDS ARE NOT PLEDGED TO, NOR DO THEY SECURE, PAYMENT OF THE BONDS.**

Sources of Payment of the Bonds

The City intends to provide for the payment of the Bonds solely from the levy of ad valorem taxes, however, a portion of its other outstanding general obligation bonds will continue to be payable from certain revenues and moneys of the City's general fund, utility systems enterprise funds and special revenue funds. The tables appearing on pages 4, 5 and 6 of this Official Statement are a record of the revenues, expenses and changes in fund balances for each such fund for fiscal years 2005/06 through 2009/10. 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 Year Ended June 30, 2010." The City currently intends to pay a portion of its outstanding general obligation bonds from such sources. In the future, however, in the event such revenues and moneys are not available for this purpose, or the City determines that such general obligation bonds will not be paid therefrom, the principal of and interest on such Bonds are secured by and will be paid from the annual levy of an ad valorem tax, as described under "Security for the Bonds."

Payment of the City's general obligation bond debt service due during fiscal year 2009/10 was provided from the following funds, and in the following amounts: general fund – $32.1 million, special revenue funds – $5.4 million and enterprise funds – $0.4. The relative magnitude of the respective general obligation bond debt service payments from such funds may vary significantly in the future, and the payment experience for fiscal year 2009/10 is not to be construed as an indicator of the sources of such payments in future fiscal years.

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 five fiscal years for which audited 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
GENERAL FUND
REVENUES, EXPENSES AND CHANGES IN FUND BALANCE

	2009/10	2008/09	2007/08	2006/07	2005/06
Revenue:					
Taxes	$ 138,272,340	$ 132,691,935	$ 151,747,991	$ 156,905,125	$ 129,249,702
Licenses and Permits	9,271,058	10,223,882	15,563,330	14,288,518	16,019,481
Intergovernmental Revenues	137,769,895	139,508,341	139,114,028	134,996,455	131,201,459
Charges for Services	11,842,883	19,603,550	19,835,638	18,901,904	16,767,994
Fines and Forfeitures	10,508,203	12,431,371	13,244,486	13,685,021	11,262,466
Interest	347,471	1,197,337	3,504,110	4,379,672	2,991,190
Miscellaneous Revenues	12,263,886	14,689,460	5,078,308	5,248,664	9,857,676
Total Revenues	$ 320,275,736	$ 330,345,876	$ 348,087,891	$ 348,405,359	$ 317,349,968
Expenditures:					
Current:					
General Government	$ 42,203,367	$ 39,438,068	$ 50,558,757	$ 42,152,077	$ 40,748,813
Public Safety	211,004,366	229,423,718	232,566,800	211,462,565	192,611,775
Cultural — Recreational	40,124,198	63,224,441	58,235,974	55,293,891	56,773,125
Community Environment	37,937,374	25,349,133	13,870,956	11,215,020	12,580,537
Bad Debts	2,958,519	6,161,310	3,402,621	4,429,356	3,029,925
Total Current Expenditures	$ 334,227,824	$ 363,596,670	$ 358,635,108	$ 324,552,909	$ 305,744,175
Revenues Over (Under) Current Expenditures	(13,952,088)	(33,250,794)	(10,547,217)	23,852,450	11,605,793
Capital Outlay	$ 22,029,244	$ 43,369,123	$ 48,685,670	$ 36,908,429	$ 45,251,412
Debt Service	32,459,810	23,425,942	22,275,626	6,133,415	5,693,150
Total Other Expenditures	$ 54,489,054	$ 66,795,065	$ 70,961,296	$ 43,041,844	$ 50,944,562
Revenues Over (Under) Expenditures	$ (68,441,142)	$ (100,045,859)	$ 81,508,513	$ 19,189,394	$ 39,338,769
Operating Transfers in (Net)	75,875,427	92,344,300	84,658,055	60,897,000	68,010,600
Revenues and Transfers Over (Under) Expenditures	$ 7,434,285	$ (7,701,559)	$ 3,149,542	$ 41,707,606	$ 28,671,831
Unrestricted Fund Balance-Beginning	$ 72,619,705	$ 57,200,270	$ 59,342,239	$ 31,365,092	$ 23,377,814
(Increase)/Decrease Restricted Funds	41,258,293	23,120,994	(5,291,511)	(13,730,459)	(20,684,553)
Unrestricted Fund Balance-Ending	$ 84,182,283	$ 72,619,705	$ 57,200,270	$ 59,342,239	$ 31,365,092
Restricted Funds	49,936,308	64,317,317	63,435,644	45,696,158	49,722,963
Ending Balance	$ 134,118,591	$ 136,937,022	$ 120,635,914	$ 105,038,397	$ 81,088,055

Source: City of Mesa.

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 fund revenues, expenditures and changes in fund balance for the most recent five fiscal years for which audited information is available. This information is not intended to indicate future or continuing trends in the financial affairs of the City. See APPENDIX C: "City of Mesa, Arizona — Utility Systems Information" for a more detailed description of the City's utility systems.

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

	2009/10	2008/09	2007/08	2006/07	2005/06
Operating Revenues	$ 285,377,486	$ 278,296,654	$ 284,407,946	$ 274,993,531	$ 261,324,938
Operating Expense	148,624,595	146,301,191	163,518,228	150,432,729	143,914,965
Net Income from Operations	$ 136,752,890	$ 131,995,463	$ 120,889,718	$ 124,560,802	$ 117,409,973
Development Fees	$ 3,654,875	$ 4,242,229	$ 10,556,354	$ 5,761,946	$ 6,777,975
Miscellaneous Income	7,285,237	9,793,960	17,376,001	8,403,570	10,399,845
Interest Income	2,604,362	1,637,389	7,429,423	7,496,514	4,673,702
Capital Expense	(9,170,914)	(8,798,722)	(9,500,323)	(5,658,704)	(11,605,957)
Debt Service	(57,591,314)	(53,195,886)	(49,471,102)	(35,521,715)	(31,897,743)
Income before Transfers	$ 83,535,136	$ 85,674,433	$ 97,280,072	$ 105,042,413	$ 95,757,795
Operating Transfers (Out)	(84,446,727)	(96,599,000)	(94,140,326)	(67,188,000)	(75,176,600)
Net Income	$ (911,591)	$ (10,924,567)	$ 3,139,746	$ 37,854,413	$ 20,581,195
Beginning Balance	58,682,075	69,606,642	66,466,896	28,612,484	8,031,289
Ending Balance	$ 57,770,484	$ 58,682,075	$ 69,606,642	$ 66,466,897	$ 28,612,484

Source: City of Mesa.

Electrical Utility Industry Deregulation

In the 1998 legislative session, the Arizona legislature adopted legislation addressing many of the issues of deregulation (the "Deregulation Act"). The Deregulation Act establishes a framework for electric competition for public power entities (such as the City), and confirms the ACC's authority to set the framework for public service corporations. It requires a phasing in of competition on the sale of retail electric power by public power entities, such as the City. However, under the Deregulation Act, the City could determine to not open its service area to competition, so long as the City does not provide service outside its service area boundaries. In August of 1998, the City adopted a resolution exercising its authority to "opt out" of competition due to noncompetition covenants made by the City in its utility systems revenue bond ordinances. In 2000, the Arizona legislature adopted a bill to require the City to open its service territory to competition in January 2002, thus the City's current electric service area of six square miles is now open to competition. However, the City is now also able to compete for customers throughout the City limits, which encompass approximately 133 square miles. The City's covenant not to allow competing utility services is, therefore, no longer effective.

CITY SPECIAL REVENUE FUNDS

Set forth below is a record of City special revenue fund revenues, expenditures and changes in fund balance for the most recent five fiscal years for which audited 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

	2009/10	2008/09	2007/08	2006/07	2005/06
Revenues					
Taxes	$ -	$ -	$ -	$ -	$ -
Intergovernmental Revenues	53,215,344	51,503,282	55,126,284	55,605,260	51,597,800
Charges for Service	8,679,786	5,065,834	4,018,647	3,243,614	945,190
Licenses and Permits	2,552,700	3,202,525	7,778,786	5,839,156	7,125,581
Fines and Forfeitures	770,604	735,484	616,385	590,788	402,892
Interest	22,613	198,220	1,106,291	1,394,265	1,196,155
Miscellaneous Revenues	1,103,590	333,055	1,443,871	1,295,490	1,011,158
Total Revenues	$ 66,344,637	$ 61,038,400	$ 70,090,264	$ 67,968,573	$62,278,776
Expenditures					
Current:					
Public Safety	$ 5,242,813	$ 3,653,689	$ 2,441,978	$ 772,867	$ -
Cultural And Recreational	20,550	10,000	-	11,912	87
Community Environment	34,127,090	47,433,578	52,816,248	54,255,106	49,785,198
Total Current Expenditures	$ 39,390,453	$ 51,097,267	$ 55,258,226	$ 55,039,885	$49,785,285
Revenues Over (Under) Current Expenditures	$ 26,954,184	$ 9,941,133	$ 14,832,038	$ 12,928,688	$12,493,491
Capital Outlay	$ 8,940,829	$ 5,535,581	$ 8,356,448	$ 7,895,606	$ 5,784,155
Debt Service	17,766,064	12,766,806	12,465,765	11,220,262	10,427,125
Total Other Expenditures	$ 26,706,893	$ 18,302,387	$ 20,822,213	$ 19,115,868	$16,211,280
Revenues Over (Under) Expenditures	$ 247,291	$ (8,361,254)	$ (5,990,175)	$ (6,187,180)	$ (3,717,789)
Operating Transfers In	6,908,000	4,246,700	8,859,271	5,784,000	5,909,000
Revenues and Transfers Over (Under) Expenditures	$ 7,155,291	$ (4,114,554)	$ 2,869,096	$ (403,180)	$ 2,191,211
Beginning Balance	25,244,289	29,358,843	26,489,747	26,892,927	24,701,716
Ending Balance	$ 32,399,580	$ 25,244,289	$ 29,358,843	$ 26,489,747	$26,892,927

Source: City of Mesa.

ADDITIONAL 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 $116,421,000 aggregate principal amount of voter authorized, but unissued, general obligation bonds pursuant to voter approvals given at special bond elections held on April 28, 1987, March 26, 1996, March 9, 2004 and November 4, 2008. The purposes and amounts of such authorized but unissued bonds are set forth below.

Purpose of Bond Authorization	Remaining 1987 Bond Authorization	Remaining 1996 Bond Authorization	Remaining 2004 Bond Authorization	Remaining 2008 Bond Authorization	Total General Obligation Bonds Authorized But Unissued
Public Safety	$ -	$ -	$8,145,000	$13,585,000	$ 21,730,000
Fire Department	-	-	4,974,000	-	4,974,000
Parks and Recreation	-	7,150,000	9,750,000	-	16,900,000
Library Improvements	-	7,944,000	-	-	7,944,000
Storm Sewer	213,000	-	6,790,000	-	7,003,000
Solid Waste	-	-	-	-	-
Streets	-	-	-	57,870,000	57,870,000
Total	$213,000	$15,094,000	$29,659,000	$71,455,000	$116,421,000

* May be issued as either general obligation or utility systems revenue bonds.

Source: City of Mesa, Arizona.

SOURCES AND USES OF FUNDS

The proceeds of the Bonds will be applied substantially as follows:

Sources of Funds:	
The Bonds	$29,320,000.00
Net Original Issue Premium	68,789.90
Total Sources of Funds	$29,388,789.90
Uses of Funds:	
Deposit to Construction Fund*	$29,320,000.00
Deposit to Debt Service Fund	68,789.90
Total Uses of Funds	$29,388,789.90

* Certain costs incurred by the City in connection with the issuance of the Bonds will be paid from the Construction Fund.

DEBT SERVICE REQUIREMENTS (a)

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

	General Obligation Bonds Outstanding		The Bonds			Combined Annual Debt Service
Fiscal Year	Principal	Interest	Principal	Interest (b)		Requirements
2010/11	$ 22,145,000	$12,903,100				$35,048,100
2011/12	21,635,000	11,818,069	$ 800,000	1,132,821	(c)	35,385,889
2012/13	22,575,000	10,790,711	1,020,000	1,032,369		35,418,080
2013/14	14,365,000	9,702,289	1,150,000	1,011,969		26,229,258
2014/15	11,175,000	9,097,151	1,275,000	988,969		22,536,120
2015/16	11,715,000	8,621,799	1,400,000	950,719		22,687,518
2016/17	12,255,000	8,193,650	1,550,000	908,719		22,907,369
2017/18	35,925,000	7,616,338	1,700,000	862,219		46,103,556
2018/19	7,110,000	5,855,525	1,850,000	811,219		15,626,744
2019/20	8,490,000	5,542,975	900,000	737,219		15,670,194
2020/21	8,900,000	5,161,513	925,000	710,219		15,696,731
2021/22	9,290,000	4,759,950	975,000	682,469		15,707,419
2022/23	9,705,000	4,340,031	1,050,000	652,000		15,747,031
2023/24	10,150,000	3,912,831	1,075,000	610,000		15,747,831
2024/25	10,575,000	3,462,106	1,175,000	567,000		15,779,106
2025/26	11,075,000	2,975,781	1,250,000	520,000		15,820,781
2026/27	11,550,000	2,469,919	1,350,000	470,000		15,839,919
2027/28	12,075,000	1,945,294	1,425,000	416,000		15,861,294
2028/29	12,625,000	1,368,356	1,525,000	357,219		15,875,575
2029/30	13,225,000	753,825	100,000	294,313		14,373,138
2030/31	-	-	6,825,000	290,063		7,115,063
	$276,560,000		$29,320,000			

(a) Prepared by Wedbush Securities Inc. (the "Financial Advisor").

(b) Interest is actual.

(c) The first interest payment on the Bonds is due on January 1, 2012, representing interest from the date of the Bonds. Thereafter, interest payments will be made semiannually on July 1 and January 1, until maturity or prior redemption of the Bonds.

RATINGS

Moody's Investor Service ("Moody's") and Standard & Poor's Ratings Group ("S&P") have assigned credit ratings of "Aa2" and "AA", respectively, to the Bonds. Such ratings reflect only the views of Moody's and S&P. An explanation of the significance of such ratings may be obtained from Moody's at 99 Church Street, New York, New York 10007 and from S&P at 55 Water Street, New York, New York 10041. Such ratings may subsequently be revised downward or withdrawn entirely by Moody's 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 of the Bonds. The City will covenant in its continuing disclosure certificate (see "Continuing Secondary Market Disclosure" below) that it will cause notices to be filed with the Nationally Recognized Municipal Securities Information Repositories, the Municipal Securities Rulemaking Board and any State depository, hereafter designated, of any formal change in the ratings relating to the Bonds.

LEGAL MATTERS

Legal matters relating to the issuance and delivery of the Bonds, the validity of the Bonds under Arizona law and, if the Bonds are issued as Bonds, the tax-exempt status of the interest on the Bonds (see "Tax Exemption") are subject to the legal opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, ("Bond Counsel") whose services as Bond Counsel have been retained by the City. 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 to the City at the time of original issuance.

The proposed text of the legal opinion is set forth as APPENDIX F. The legal opinion to be delivered may vary from the text of APPENDIX F if necessary to reflect the facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution, by recirculation of this Official Statement or otherwise, should not be construed as a representation that Bond Counsel has reviewed or expressed any opinion concerning any matters relating to the Bonds subsequent to the original delivery of the Bonds.

Such legal opinion expresses the professional judgment of Bond Counsel as to the legal issues explicitly addressed therein. 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 performance of parties to the transaction. The rendering of an opinion also does not guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX EXEMPTION

In the opinion of Bond Counsel under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with certain restrictions, conditions and requirements by the City, as described below, interest income on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of Arizona income taxes. A form of such opinion is included herein in APPENDIX F: "Form of Approving Legal Opinion".

The Internal Revenue Code of 1986, as amended (the "Code"), imposes various restrictions, conditions and requirements relating to the continued exclusion of interest income on the Bonds from gross income for federal income tax purposes, including a requirement that the City rebate to the federal government certain of its investment earnings with respect to the Bonds. The City has covenanted to comply with the provisions of the Code relating to such matters. Failure to comply with such restrictions, conditions, and requirements could result in the interest income on the Bonds being included in gross income for federal income tax purposes, under certain circumstances, from the date of issuance. The opinion of Bond Counsel assumes continuing compliance with such covenants.

The Code also imposes an "alternative minimum tax" upon certain corporations and individuals. A taxpayer's "alternative minimum taxable income" ("AMTI") is its taxable income with certain adjustments. Interest income on the Bonds is not an item of tax preference to be included in the AMTI of individuals or corporations.

Notwithstanding the preceding sentence, one of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess (if any) of the corporation's "adjusted current earnings" over the corporation's AMTI for the taxable year (determined without regard to such adjustment for excess book income and the alternative tax net operating loss deduction). A corporation's "adjusted current earnings" includes all tax-exempt interest, including the interest on the Bonds.

Although Bond Counsel will render an opinion that, as of the delivery of the Bonds, interest income on the Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds, may otherwise affect a Beneficial Owner's federal tax liability. Certain taxpayers may experience other tax consequences. Taxpayers purchasing the Bonds, including without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain subchapter S corporations, individuals who receive Social Security or Railroad Retirement benefits and taxpayers who have or are deemed to have incurred indebtedness to purchase or carry tax-exempt obligations should consult their tax consultants as to the applicability of such tax consequences to the respective Beneficial Owner. The nature and extent of these other tax consequences will depend upon the respective Beneficial Owner's particular tax status and the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

The Bonds are not "private activity bonds" within the meaning of Section 141 of the Code.

From time to time, there are legislative proposals in Congress which, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the 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.

BOND PREMIUM

The initial public offering price of the Bonds maturing on July 1, 2012 through and including July 1, 2020, and July 1, 2023 through and including July 1, 2025 (collectively, the "Premium Bonds") are greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial Beneficial Owner of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial Beneficial Owner must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial Beneficial Owner is determined by using such Beneficial Owner's yield to maturity. Beneficial Owners of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning Premium Bonds.

ORIGINAL ISSUE DISCOUNT

The initial offering prices of the Bonds maturing on July 1, 2021 through and including July 1, 2022, and July 1, 2027 through and including July 1, 2031 (collectively, the "Original Discount Bonds"), are less than the respective stated principal amounts thereof. As a result, the Original Discount Bonds will be considered to be issued with original issue discount. The difference between the initial public offering price (the "Issue Price") of the Original Discount Bonds, and the amount payable at maturity of the Original Discount Bonds will be treated as "original issue discount." With respect to a taxpayer who purchases an Original Discount Bond in the initial public offering at the Issue Price and who holds the Original Discount Bond to maturity, the full amount of original issue discount will constitute interest income which is not includible in the gross income of the Beneficial Owner of the Original Discount Bond for Federal income tax purposes and Arizona income tax purposes and that Beneficial Owner will not, under present Federal income tax law and present Arizona income tax law, realize a taxable capital gain upon payment of the Original Discount Bond at maturity.

The original issue discount on each of the Original Discount Bonds is treated for Federal income tax purposes and Arizona income tax purposes as accreting daily over the term of such Original Discount Bond on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period from the date of original issue) ending on January 1 and July 1 (with straight-line interpolation between compounding dates).

The amount of original issue discount accruing each period will be added to the Beneficial Owner's tax basis for the Original Discount Bond. The adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Original Discount Bond. An initial Beneficial Owner of an Original Discount Bond who disposes of the Original Discount Bond prior to maturity should consult his or her tax advisor as to the amount of the original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or disposition of the Original Discount Bond prior to maturity.

The Code contains certain provisions relating to the accretion of original issue discount in the case of subsequent Beneficial Owners of the Original Discount Bonds. Beneficial Owners who do not purchase the Original Discount Bonds in the initial offering at the issue price should consult their own tax advisors with respect to the tax consequences of the ownership of Original Discount Bonds.

A portion of the original issue discount that accretes in each year to a Beneficial Owner of an Original Discount Bond may result in certain collateral Federal income tax consequences.

Beneficial Owners of Original Discount Bonds in states other than Arizona should consult their own tax advisors with respect to the state and local taxes.

In the case of income tax laws of states other than Arizona, it is possible that under the applicable provisions governing the determination of state or local income taxes, accrued interest on the Original Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year.

LITIGATION

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, 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 or the Continuing Disclosure Certificate, 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 Certificate, or wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds or the Continuing Disclosure Certificate, or have a material adverse effect on the transaction contemplated by this Official Statement.

CERTIFICATION CONCERNING OFFICIAL STATEMENT

The closing documents will include a certificate confirming that, to the best knowledge, information and belief of the City's Senior Executive Manager, 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 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, 2012 (the "Annual Reports"), and to provide notices of the occurrence of certain enumerated events, as set forth in APPENDIX G (the "Notices"). The Annual Reports, Notices and other information required to be filed but such covenants will be filed by the City with the MSRB, currently through the MSRB's EMMA described in APPENDIX G: "Form of Continuing Disclosure Certificate." These covenants will be made in order to assist the Purchaser in complying with 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 purpose, the City has covenanted to provide notice in the same fashion it provides the Notices. Absence of continuing disclosure, due to non-appropriation or otherwise, could adversely affect the Bonds and specifically their market price and transferability.

The City is and has complied with all existing continuing disclosure undertakings relating to the City in all material aspects.

CANCELLATION OF CONTRACTS

As required by the provisions of A.R.S. Section 38-511, as amended, the City may, within three years of its execution, cancel any contract, without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City is, at any time while the contract or any extension thereof is in effect, an employee of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract.

GENERAL PURPOSE FINANCIAL STATEMENTS

The General Purpose Financial Statements of the City for the year ended June 30, 2010, a copy of which is included in APPENDIX D of this Official Statement, have been audited by LarsonAllen 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 ending June 30, 2010 and are not current. The City neither requested nor obtained the consent of LarsonAllen LLP to include the report, and LarsonAllen 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 matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations or fact of certainty and no representation is made that any of these statements have been or will be realized. 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 Senior Executive Manager.

CITY OF MESA, ARIZONA

By: /s/ Chuck Odom
Senior Executive Manager

CITY OF MESA, ARIZONA
GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION

General

The City is the third largest city in the State and the 38th largest city in the United States. Founded in 1878 and incorporated in 1883, the City has an estimated population of 439,041. The following table illustrates the City's population statistics since 1980, along with the population statistics for the County and the State, respectively.

POPULATION STATISTICS

Year	City of Mesa	Maricopa County	State of Arizona
2010 Census	439,041	3,817,117	6,392,017
2000 Census	396,375	3,072,149	5,130,632
1995 Special Census	338,117	2,551,765	4,228,900
1990 Census	288,091	2,122,101	3,665,305
1985 Special Census	239,587	1,837,956	3,187,000

Source: Arizona Department of Commerce, Population Statistical Unit and US Census Bureau, American FactFinder.

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
2010	133.14
2000	125.00
1990	122.11
1980	66.31
1970	20.80

Source: City of Mesa, Arizona, Planning and Community Development Department.

Municipal Government and Organization

The City operates under a charter form of government with citizens electing a Mayor and six Council members to set policy for the City. In 1998, a voter initiative was approved changing the way Council members are elected from an at-large to a district system. Six districts were created and in March 2000, the first three district Council members were elected in Districts 1, 2 and 3. In March 2002, Districts 4, 5 and 6 elected their first district Council members. The City's Council members serve terms of four years, with three members being elected every two years. The Mayor continues to be elected at-large every four years. The Mayor and Council are elected on a non-partisan basis, and the Vice Mayor is a 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 Mayor and 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 the various City departments.

City Administrative Staff

Christopher Brady, City Manager. Mr. Brady was appointed by City Council to serve as City Manager effective January 1, 2006. Under Mesa'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 Masters in Public Administration from Brigham Young University.

Kari Kent, Deputy City Manager. Ms. Kent has been with the City since 1993. She was promoted to Solid Waste Management Director in 1999, Assistant Development Services Director in July 2001, and Neighborhood Services Director since June 2006, and was appointed Deputy City Manager in June 2007. Ms. Kent received a Bachelor of Science Degree from Northern Arizona University and a Masters of Public Administration from Arizona State University.

Chuck Odom, Senior Executive Manager. Mr. Odom has been with the City in various positions since March 1987. He was promoted to Budget Director in February 2006 and Senior Executive Manager in December 2010. He earned a Bachelor of Science Degree in Accountancy from Northern Arizona University and is registered as a Certified Public Accountant.

Economy

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

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

UNEMPLOYMENT AVERAGES

Year	United States	State of Arizona	Maricopa County	City of Mesa
2011*	9.7 %	9.6 %	9.1 %	8.4 %
2010	9.6	10.0	8.6	8.0
2009	9.3	9.7	8.3	7.6
2008	5.8	5.9	5.1	4.7
2007	4.6	3.8	3.3	3.0
2006	4.6	4.1	3.5	3.3

* Data is through January 2011 for Local Area Unemployment Statistics. Average is through February 2011 for national labor force statistics.

Source: U.S. Department of Labor, Bureau of Labor Statistics & State of Arizona, Department of Commerce, Research Administration, CES/LAUS Unit.

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	9,100
Banner Health System	Hospital Network	5,900
Boeing, Inc.	Helicopter Manufacturing and Assembly	4,500
City of Mesa	Government	4,200
Empire Southwest / Catepillar LLC	Construction Machinery	1,800
Maricopa County Government	Government	1,300
The Kroger Company	Grocery Store	1,000
Mesa Fully Formed	Retail	800
Mountain Vista Medical Center	Hospital	800
Home Depot	Retail	750
Mesa Community College	Education	700

Source: City of Mesa – Office of Economic Development, Phoenix Business Journal Book of Lists 2009 and an individual employer survey.

Phoenix-Mesa Gateway Airport and the Airport/Campus District

Phoenix-Mesa Gateway Airport (formerly known as Williams Gateway Airport) has three runways (10,401 feet; 10,201 feet; and 9,301 feet) and a newly remodeled passenger terminal. Phoenix-Mesa Gateway Airport is positioned to be a reliever airport to Phoenix's Sky Harbor International Airport.

Phoenix-Mesa Gateway Airport is also developing as an international aerospace center with aircraft maintenance, modification, testing and pilot training. Currently, more than 35 aviation companies operate at the airport, generating over $251 million in annual economic activity.

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

Adjacent to Phoenix-Mesa Gateway Airport, the Airport/Campus District serves approximately 8,700 students. The campus includes five higher education partners - Arizona State University Polytechnic campus, Chandler-Gilbert Community College, Embry-Riddle Aeronautical University, Mesa Community College and UND Aerospace. The ASU Polytechnic campus has expanded and added new academic buildings that doubled the instructional lab and classroom space, and added faculty offices and a 500-seat auditorium.

Construction

The following tables set forth annual records of building permit values and new housing permits issued within the City for the period 2004-2009.

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

Year	Residential	Commercial	Industrial	Other	Total
2010	$153,146	$26,125	$2,697	$44,181	$226,149
2009	162,040	63,988	6,550	35,306	267,884
2008	140,104	291,678	18,519	196,585	646,886
2007	32,093	54,446	24,242	34,749	145,530
2006	243,513	94,030	5,975	49,649	393,167

Source: Arizona State University Realty Studies. Note that the report obtains its data from County and municipal divisions which issue such permits. 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

Year	Total New Housing Units
2010	782
2009	1,093
2008	1,460
2007	1,631
2006	1,103

Source: Arizona State University Realty Studies. Note that the report obtains its data from County and municipal divisions which issue such permits. 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.

Retail

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

TAXABLE
RETAIL SALES
City of Mesa, Arizona

Year	Retail Sales
2009/10	$3,662,333,085
2008/09	4,955,009,829
2007/08	5,638,200,343
2006/07	6,064,941,444
2005/06	6,076,511,194

Source: City of Mesa.

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 operations and citrus.

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.

The table below contains a listing of certain hotels located within the City.

HOTELS
City of Mesa, Arizona

Hotel Name	Number of Sleeping Rooms
Phoenix Marriott Mesa	273
Hilton Phoenix East-Mesa	263
Holiday Inn Mesa	246
Dobson Ranch Inn	213
Arizona Golf Resort	187
Hyatt Place Phoenix-Mesa	150
Marriott Courtyard	149
Mezona	132
Country Inn and Suites	126
La Quinta (West)	125
Quality Inn/Suites	120

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 22-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 currently operates 58 parks and numerous other sports facilities, including 13 aquatic facilities, 33 baseball/softball fields, 23 football/soccer fields and two golf courses.

The award-winning arts Mesa Arts Center facility in downtown Mesa opened in spring of 2005. 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.

APPENDIX B

CITY OF MESA, ARIZONA
FINANCIAL DATA

Current Year Statistics (For Fiscal Year 2010/11)
City of Mesa, Arizona

Total General Obligation Bonds to be Outstanding	$ 305,880,000	(a)
Total Utility Systems Revenue Bonds to be Outstanding	914,391,963	(b)
Total Street and Highway User Revenue Bonds Outstanding	134,545,000	(c)
Total Excise Tax Obligations Outstanding	45,000,000	(d)
Primary Assessed Valuation	$ 3,876,749,822	(e)
Secondary Assessed Valuation	4,094,036,999	(e)
Estimated Full Cash Value	31,940,375,887	(f)

Estimated Net Assessed Values (For Fiscal Year 2011/12) (g)

Primary Assessed Valuation	$3,146,946,536
Secondary Assessed Valuation	3,164,277,311

(a) Represents all general obligation bonds to be outstanding. See “Statements of Bonds Outstanding — General Obligation Bonds to be Outstanding” in this appendix.

(b) Represents all utility systems revenue bonds to be outstanding. See “Statements of Bonds Outstanding — Utility Systems Revenue Bonds to be Outstanding” in this appendix.

(c) Represents all street and highway user revenue bonds outstanding. See “Statements of Bonds Outstanding Street and Highway User Revenue Bonds Outstanding” in this appendix.

(d) Represents all excise tax obligations of the City outstanding. See “Statements of Bonds Outstanding — Excise Tax Obligations to be Outstanding” in this appendix.

(e) Arizona legislation divides property taxes into two categories, primary and secondary. Secondary property taxes are those taxes and assessments imposed to pay principal and interest on bonded indebtedness and certain other obligations, those imposed for special districts other than school districts and those imposed to exceed a budget, expenditure or tax limitation pursuant to voter approval. Primary property taxes are all ad valorem taxes other than secondary property taxes. Annual increases in the valuation of certain types of property for primary property tax purposes and the amount of primary property taxes which may be levied in any year are subject to certain limitations. Except for the Property Valuation Protection Option mentioned under “Property Taxes-Ad Valorem Taxes,” such limitations do not apply with respect to secondary property taxes.

(f) Total estimated 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.

(g) Estimated valuations for Fiscal Year 2011/12 provided by the Arizona Department of Revenue. Valuations for Fiscal Year 2011/12 are not official until approved by the Board of Supervisors of the County on the third Monday in August for the following fiscal year. Although the final official 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 of the County.

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

STATEMENTS OF BONDS OUTSTANDING

General Obligation Bonds to be Outstanding (g)
City of Mesa, Arizona

Issue Series	Purpose	Original Amount	Maturity Dates	Balance Outstanding
2000	Various Purpose	$36,500,000	7-1-09/19	$ 2,750,000
2002	Various Purpose	26,575,000	7-1-09/20	1,825,000
2002	Refunding	24,840,000	7-1-04/15	5,935,000
2002A	Refunding	40,105,000	7-1-10/16	33,895,000
2003	Various Purpose	22,565,000	7-1-10/22	21,315,000
2004	Refunding	46,445,000	7-1-09/18	46,365,000
2005	Various Purpose	11,705,000	7-1-12/24	11,705,000
2006	Various Purpose	9,710,000	7-1-13/25	9,710,000
2006	Refunding	26,650,000	7-1-11/14	26,650,000
2007	Various Purpose	15,915,000	7-1-19/27	15,915,000
2008	Various Purpose	15,450,000	7-1-09/28	14,700,000
2009	Various Purpose	61,830,000	7-1-10/29	54,930,000
2010	Various Purpose	30,865,000	7-1-20/30	30,865,000
Total General Obligation Bonds Outstanding				$ 276,560,000
Plus the General Obligation Bonds, Series 2011				29,320,000
Total General Obligation Bonds to Be Outstanding				$ 305,880,000

(g) Excludes $9,750,000 principal amount of the City's General Obligation Bonds, Series 2002, which were refunded by the City's General Obligation Refunding Bonds, Series 2006. Excludes $4,750,000 principal amount of the City's General Obligation Bonds, Series 2002, which were refunded by the City's General Obligation Refunding Bonds, Series 2004. Excludes $8,500,000 principal amount of the City's General Obligation Bonds, Series 2002, which were refunded by the City's General Obligation Refunding Bonds, Series 2002A. Debt service requirements for such refunded bonds are provided for by obligations of the United States of America that are held in irrevocable trust by U.S. Bank National Association.

Utility Systems Revenue Bonds to be Outstanding (h)
City of Mesa, Arizona

Issue Series	Purpose	Original Amount	Maturity Dates	Balance Outstanding (h)
1997	Utility Improvements	$ 94,730,000	7-1-12/17	$ 4,000,000
1998	Refunding	32,500,000	7-1-00/13	225,000
2000	Utility Improvements	69,200,000	7-1-09/19	5,250,000
2002	Utility Improvements	57,950,000	7-1-09/21	7,000,000
2002	Refunding	129,000,000	7-1-04/17	128,540,000
2002A	Refunding	48,850,000	7-1-08/17	48,460,000
2003	Utility Improvements	50,470,000	7-1-10/22	24,000,000
2004	Refunding	40,345,000	7-1-14/19	40,345,000
2004	Utility Improvement	64,625,000	7-1-19/28	6,125,000
2005	Utility Improvement	91,200,000	7-1-19/29	71,200,000
2006	Utility Improvement	105,400,000	7-1-23/30	87,325,000
2006	Refunding	61,300,000	7-1-09/21	58,075,000
2006	Refunding	127,260,000	7-1-12/28	127,260,000
2007	Utility Improvement	65,550,000	7-1-23/31	65,550,000
2008	Refunding	21,125,000	7-1-09/18	20,925,000
2008	Utility Improvement	52,875,000	7-1-23/32	52,875,000
2009	Utility Improvement	59,900,000	7-1-23/33	59,900,000
2009	WIFA Loans	3,758,810	7-1-10/29	3,006,963
2010	Utility Improvement	50,380,000	7-1-34	50,380,000
Total Utility Systems Revenue Bonds Outstanding				$860,441,963
Plus the Utility Systems Revenue Bonds, Series 2011				53,950,000
Total Utility Systems Revenue Bonds to be Outstanding				$914,391,963

(h) Excludes $35,000,000 principal amount of the City's Utility Systems Revenue Bonds, Series 2002, which were refunded by the City's Utility Systems Revenue Refunding Bonds, Series 2006. Excludes $14,000,000 principal amount of the City's Utility Systems Revenue Bonds, Series 2002, which were refunded by the City's Utility Systems Revenue Refunding Bonds, Series 2004. Debt service requirements for such refunded bonds are provided for by obligations issued by the United States of America that are held in irrevocable trust by U.S. Bank National Association.

Street and Highway User Revenue Bonds Outstanding (i)
City of Mesa, Arizona

Issue Series	Purpose	Original Amount	Maturity Dates	Balance Outstanding
2000	Street Improvements	$20,000,000	7-1-10/19	$1,500,000
2002	Street Improvements	25,800,000	7-1-10/20	2,000,000
2002	Refunding	31,985,000	7-1-04/17	29,285,000
2003	Street Improvements	26,805,000	7-1-10/22	26,300,000
2004	Refunding	17,760,000	7-1-14/18	17,760,000
2004	Street Improvements	9,585,000	7-1-10/23	1,475,000
2005	Refunding	23,800,000	7-1-07/23	23,750,000
2005	Street Improvements	10,225,000	7-1-10/24	10,125,000
2006	Street Improvements	11,675,000	7-1-23/25	11,675,000
2007	Street Improvements	10,675,000	7-1-23/27	10,675,000
Total Street and Highway User Revenue Bonds Outstanding				$134,545,000

(i) Excludes $13,250,000 principal amount of the City's Street and Highway User Revenue Bonds, Series 2002; and $8,000,000 principal amount of the City's Street and Highway User Revenue Bonds, Series 2004, all of which were refunded by the City's Street and Highway User Revenue Refunding Bonds, Series 2005. Excludes $6,750,000 principal amount of the City's Street and Highway User Revenue Bonds, Series 2002, which were refunded by the City's Street and Highway User Revenue Refunding Bonds, Series 2004. Excludes $3,000,000 principal amount of the City's Street and Highway User Revenue Bonds, Series 2002, which were refunded by the City's Street and Highway User Revenue Refunding Bonds, Series 2002. Debt service requirements for such refunded bonds are provided for by obligations of the United States of America that are held in irrevocable trust by U.S. Bank National Association.

Excise Tax Obligations Outstanding
City of Mesa, Arizona

Issue Series	Purpose	Original Amount	Maturity Dates	Balance Outstanding
2009	Highway Project Advancement Notes	$20,000,000	7/1/2015	$20,000,000
2010	Highway Project Advancement Notes	$25,000,000	7/1/2016	25,000,000
Total Excise Tax Obligations Outstanding				$45,000,000

Direct General Obligation Bonded Debt, Legal Limitation and Unused General Obligation Bonding Capacity (j)
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 secondary assessed valuation of the taxable property in that city. In addition, an incorporated city may become indebted in an amount not exceeding an additional twenty per cent of the of the secondary assessed valuation 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.

General Municipal Purpose Bonds		Water, Light, Sewer, Open Space, Parks, Streets and Public Safety Bonds	
Total 6% General Obligation Bonding Capacity	$245,642,219	Total 20% General Obligation Bonding Capacity	$818,807,399
Less 6% General Obligation Bonds Outstanding	(6,064,322)	Less 20% General Obligation Bonds Outstanding	(299,815,678)
Net 6% General Obligation Bonding Capacity	$239,577,897	Net 20% General Obligation Bonding Capacity	$518,991,721

(j) General obligation bonding capacity is calculated using the City's fiscal year 2010/11 secondary assessed valuation of $4,094,036,999. Includes the General Obligation Bonds, Series 2011.

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

Overlapping Jurisdiction	General Obligation Bonded Debt (m)	Portion Applicable to City of Mesa (l): Approximate Percentage	Portion Applicable to City of Mesa (l): Net Debt Amount
State of Arizona	None	5.41 %	None
Maricopa County (n)	None	8.24	None
Maricopa Community College District (o)	$ 737,930,000	8.24	$ 60,805,432
East Valley Institute of Technology District No. 401	None	18.57	None
Mesa Unified School District No. 4	271,845,000	86.28	234,547,866
Tempe Elementary School District No. 3	139,120,000	0.60	834,720
Tempe Union High School District No. 213	85,410,000	0.27	230,607
Gilbert Unified School District No. 41	188,720,000	25.23	47,614,056
Queen Creek Unified School District No. 95	45,735,000	26.90	12,302,715
Higley Unified School District No. 60	67,645,000	2.32	1,569,364
City of Mesa (p)	305,880,000	100.00	305,880,000
Total Direct and Overlapping General Obligation Bonded Debt Outstanding			$663,784,760

Source: The various entities.

(k) Proportion applicable to the City is computed on the ratio of secondary assessed valuation as calculated for fiscal year 2010/11 for the overlapping jurisdiction to the amount of such valuation which lies within the City.

(l) 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.

Overlapping Jurisdiction	**General Obligation Bonds Authorized but Unissued**
Maricopa County Community College	$151,193,000
Mesa Unified School District No. 4	8,500,000
Gilbert Unified School District No. 41	12,000,000
Higley Unified School District No. 60	71,475,000
Tempe Elementary School District No. 3	37,560,000
Queen Creek Unified School District No. 95	9,000,000
City of Mesa	116,421,000

Also does not include the obligation of the Central Arizona Water Conservation District ("CAWCD") to the United States of America, 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 will be fixed for the entire 50-year repayment period, which commenced October l, 1993. Effectiveness of the agreement is subject to a number of conditions including settlement of certain Indian community water claims and other water claims and will require certain state legislation. Federal authorizing legislation was enacted in 2004. If the conditions are not met by May 9, 2012, and the parties do not amend the agreement, the agreement will terminate and litigation will resume. If it appears prior to May 9, 2012, that the conditions will not be met by the deadline, the parties can amend the agreement or either party may petition the U.S. District Court to terminate the agreement and resume litigation. It is not possible to predict whether the agreement will become finally effective, be amended, or terminate, or whether litigation will resume. If litigation resumes, it is not possible to predict the outcome of such litigation. CAWCD is a water conservation district having boundaries coterminous with the exterior boundaries of Maricopa, Pima and Pinal Counties. It 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 fourteen cents per $100 of secondary assessed valuation, of which ten cents is being currently 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 to contribute $70 to $80 million to the CAP. The Maricopa County Flood Control District's sole source of revenue to pay the contribution will be ad valorem taxes on real property and improvements.

(n) Does not include Public Finance Corporation Lease Revenue Bonds outstanding in the aggregate principal amount of $143,253,980. Does not include Stadium District Revenue Bonds outstanding in the aggregate principal amount of $37,905,000.

(o) Does not include Revenue Bonds outstanding in the aggregate principal amount of $12,585,000.

(p) Does not include the City's utility systems revenue bonds to be outstanding in the aggregate principal amount of $914,517,810.

Does not include the City's street and highway user revenue bonds outstanding in the aggregate principal amount of $134,545,000.

Does not include the City's excise tax obligations outstanding in the aggregate principal amount of $45,000,000. Such obligations are secured and payable from a pledge of the City's transaction privilege tax revenues and certain other general fund revenues.

Does not include various City special assessment bonds outstanding in the aggregate principal amount of $6,141,000.

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

	Per Capita Bonded Debt Population at 439,041 (q)	As a Percentage of City's 2010/11 Secondary Assessed Valuation	2010/11 Estimated Full Cash Value
Direct General Obligation Bonded Debt	$696.70	7.47 %	0.96 %
Direct and Overlapping General Obligation Debt	$1,511.90	16.21	2.08

(q) Arizona Department of Economic Security, Population and Statistical Unit.

Other Indebtedness
City of Mesa, Arizona

The City has other obligations which are payable from various City funds, including purchase obligations, lease obligations and other contractual commitments. For additional information with respect to such obligations, please refer to Note 5 of the City's Audited Financial Statements For The Year Ended June 30, 2010, contained in APPENDIX D of this Official Statement.

Retirement Plans and Other Post Employment Benefits
City of Mesa, Arizona

All of the City's full-time general employees participate in the Arizona State Retirement System (the "System"), a multiple-employer, cost-sharing defined benefit pension plan, administered by the Arizona State Retirement System. Annual contributions are set by Arizona Legislature. For fiscal year 2009/10 the City's annual contribution to the System is 9.40%. For fiscal year 2010/11, the City's annual contribution rates will be 10.75% for both employers and employees. For fiscal year 2011/12, the City's annual contribution rates will be 11.39% for employees and 10.10% for employers. The City is current on its contributions to the System. See Note 3 on page 58 of the City's audited financial statements for fiscal year 2010 presented in APPENDIX D for more information concerning the City's obligations to the System. The System has reported increases in its unfunded liabilities as compared to both the smoothed value of plan assets and the market value of plan assets. The most recent annual reports for the System may be accessed at: https://www.azasrs.gov/web/FinancialReports.do. The effect of the increase in the System's unfunded liabilities on the City, or on the City's and its employees' future annual contributions to the System, cannot be determined at this time.

Additionally, recently enacted legislation change how the System operates, which includes, effective July 1, 2011, requiring that employers pay an alternative contribution rate for retired System employees that return to work, changing ages at which an employee can retire without penalty based upon years of service, limiting permanent increases in retirement benefits and establishing a Defined Contribution and Retirement Study Committee (as defined in Senate Bill 1609) that will review the feasibility and cost to moving the current defined benefit plan to a defined contribution plan.

Beginning with the Fiscal Year that commenced on July 1, 2008, the City implemented GASB 45, *Accounting by Employers for Other Post Employment Benefits (OPEB)*, which will require the City to report the actuarially accrued cost of post-employment benefits, other than pensions, such as health and life insurance for current and future retirees. GASB 45 will require that such benefits be recognized as current costs over the working lifetime of employees, and to the extent such costs are not prefunded, GASB 45 will require the reporting of such costs as a financial statement liability. Under GASB 45, the City will be required to commission an actuarial valuation of its OPEB costs every two years. City contributions to OPEB costs that are less than an actuarially determined annual required contribution will result in net OPEB costs, which under GASB 45 will be required to be recorded as a liability in the City's financial statements.

The City provides post-retirement health care benefits to all retirees in accordance with the compensation plan adopted by the City Council each fiscal year. These benefits include medical, dental and vision insurance programs and are the same as those offered to active employees. Retirees may select single or family coverage. As of June 30, 2010, approximately 1,428 former employees and beneficiaries were eligible for these benefits. Other Post

Employment Benefits costs incurred by the City in fiscal year 2010 were $14.7 million for health care costs for retired employees. This cost represents actual claims paid for retirees under the self-insurance program and premiums paid to the vision care provider; net of contributions received from retirees and retirement systems. See Note 4 – Post Employment Benefits on page 59 of the City's audited financial statements for fiscal year 2009/10 presented in APPENDIX D.

The City's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The City's annual OPEB cost and the related information for the plan are as follows at June 30, 2010:

Annual Required Contribution	$83,522,342
Interest on Net OPEB Obligation	5,081,970
Adjusted to Annual Required Contribution	(6,634,556)
Annual OPEB Cost	81,969,756
Contributions Made	9,879,765
Increase in Net OPEB Obligation	72,089,991
Net OPEB Obligation - Beginning of Year	112,932,659
Net OPEB Obligation - End of Year	$185,022,650

The City's net OPEB obligation as of June 30, 2010 was $185,022,650. Contributions for fiscal year 2009/10 were $9,879,765.

ASSESSED VALUATIONS AND TAX RATES

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. Arizona property taxes are divided into two systems, primary and secondary. Secondary property taxes are those taxes imposed for payment of bonded indebtedness, for exceeding a budget, expenditure or tax limitation pursuant to voter approval and for operating and maintaining certain special districts. Primary property taxes are all ad valorem taxes other than secondary property taxes.

Under the primary system, the full cash value of locally-assessed real property (consisting of residential, commercial, industrial, agricultural and unimproved property) cannot increase by more than 10% per year, except under certain circumstances. This limitation does not apply to mines, utilities and railroads which are assessed by the State. Annual tax levies under the primary system are based on the nature of the property taxed and the taxing authority. Primary taxes levied on residential property only are limited to 1% of the full cash value of such property. In addition, primary taxes levied on all types of property by counties, cities, towns and community college districts are limited to a maximum increase of 2% over the prior year's levy plus any amount directly attributable to new construction and annexation. The 2% limitation does not apply to primary taxes levied for local school districts.

Secondary assessed valuation represents the value used in determining property tax levies for the payment of principal and interest on general obligation bonds, and the calculation of maximum bonded indebtedness allowed under the State's Constitutional debt limit. Under the secondary system, there is no limitation on annual increases in full cash value of any property, except for the Property Valuation Protection Option discussed in this appendix under the heading "Property Taxes". In addition, annual tax levies for voter-approved bonded indebtedness and special district taxes are unlimited.

Additionally, all property, both real and personal, is assigned a classification to determine its assessed valuation for tax purposes. Each legal classification is defined by property use and has an assessment ratio (a percentage factor) which is multiplied by the limited or full cash values of the property to obtain the assessed valuations.

The assessment ratios utilized over the five-year period, 2007 through 2011, for each class are set forth below:

PROPERTY TAX ASSESSMENT RATIOS
Tax Years 2007 through 2011

Property Classification (r)	2007	2008	2009	2010	2011
Mining, Utility, Commercial and Industrial (s)	24.0%	23.0%	22.0%	21.0%	20.0%
Agricultural and Vacant Land (s)	16.0	16.0	16.0	16.0	16.0
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 Property (t)	21.0	20.0	18.0	17.0	15.0

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

(r) Additional classes of property exist, but seldom amount to a significant portion of a municipality's total valuation.

(s) For tax year 2010, full cash values up to $66,440 on commercial, industrial and agricultural personal property are exempt from taxation. For tax year 2011, full cash values up to $67,268 on commercial, industrial and agricultural personal property are exempt from taxation. This exemption is indexed annually for inflation. Any portion of the full cash value in excess of that amount will be assessed at the applicable rate. Pursuant to recently enacted legislation), the assessment ratio for mines, utilities, and commercial and industrial property will be reduced to 19.5% for tax year 2013 and further reduced one-half of one percent for each year to 18% for 2016 and thereafter. The assessment ratio for agricultural and vacant property will be reduced to 15% for tax year 2016 and thereafter. From time to time, there are legislative proposals in the State, which, if enacted could alter or amend the matters referred to above or adversely affect the 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 the obligations issued prior to enactment.

(t) This percentage is calculated annually based on the ratio of (i) the total assessed valuation of all mining, utility, commercial, industrial and military reuse zone properties, agricultural personal property and certain leasehold personal property to (ii) the total full cash (market) value of such properties.

Set forth in the table below is a record of direct and overlapping assessed valuations and tax rates for fiscal year 2010/11.

Direct and Overlapping Assessed Valuations and Total Tax Rates Per $100 Assessed Valuation

Overlapping Jurisdiction	2010/11 Secondary Assessed Valuation	2010/11 Primary Assessed Valuation	Total Tax Rates Per $100 Assessed Valuation
State of Arizona	$ 75,664,423,588	$ 71,379,821,611	$0.3564 (u)
Maricopa County	49,662,543,618	46,797,410,485	1.0508
Maricopa County Community College District	49,662,543,618	46,797,410,485	0.9728
Maricopa County Fire District Annual Levy (v)	49,662,543,618	N/A	0.0066
Maricopa County Flood Control District (v)	45,681,391,282	N/A	0.1489
Maricopa County Special Health Care District	49,662,543,618	N/A	0.1122
Maricopa County Library District (v)	49,662,543,618	N/A	0.0412
Central Arizona Water Conservation District (v)	49,581,305,918	N/A	0.1000
East Valley Institute of Technology District No. 401 (v)	21,940,476,566	N/A	0.0500
Mesa Unified School District No. 4	3,941,158,715	3,742,906,347	5.2231
Tempe Elementary School District No. 3	2,076,984,341	1,947,475,276	3.6036
Tempe Union High School District No. 213	4,621,381,521	4,370,868,416	2.2966
Gilbert Unified School District No. 41	2,194,799,226	2,073,589,355	5.2584
Queen Creek Unified School District No. 95	355,763,417	329,671,635	4.9178
Higley Unified School District No. 60	575,132,339	553,822,857	4.7709
City of Mesa	$4,094,036,999	3,876,749,822	0.3454

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

(u) Includes the "State Equalization Assistance Property Tax." The State Equalization Assistance Property Tax in fiscal year 2010-11 has been set at $0.3564 and is adjusted annually pursuant to Arizona Revised Statutes, Section 41-1276.

(v) The assessed valuation of the Flood Control District does not include the personal property assessed valuation within the County. The secondary assessed valuation for the Central Arizona Water Conservation District reflects the assessed valuation located within Maricopa County only. The County is mandated to levy a tax annually in support of County fire districts. All levies for library districts, hospital districts, fire districts, technology districts, water conservation districts and flood control districts are levied on the secondary assessed valuation.

Combined Total Tax Rates Per $100 Assessed Valuation

There are 15 taxing jurisdictions which overlap the City's boundaries. The total overlapping property tax rate for property owners within the City ranges from $7.9552 to $9.0845.

Source: Maricopa County Finance Department.

Secondary Assessed Valuation By Property Classification
City of Mesa, Arizona

Set forth below is a breakdown of the City's secondary assessed valuation by property classification for the most recent five years such information is available.

Class	2010/11 Secondary Assessed Valuation	2009/10 Secondary Assessed Valuation	2008/09 Secondary Assessed Valuation	2007/08 Secondary Assessed Valuation	2006/07 Secondary Assessed Valuation
Utilities, Commercial and Industrial	$1,572,866,732	$1,629,705,412	$1,418,829,269	$1,200,422,488	$1,075,708,760
Agriculture and Vacant	207,576,019	244,891,281	246,170,032	233,766,500	174,302,360
Residential (Owner Occupied)	1,839,726,865	2,352,589,266	2,618,600,758	2,252,022,268	1,509,044,085
Residential (Rental)	472,136,515	520,966,522	507,659,786	426,596,244	322,666,375
Railroad	921,832	937,592	1,029,917	1,048,364	1,042,740
Historic	809,036	526,868	698,821	602,454	305,970
Improvements	-	-	93,210	68,995	-
	$4,094,036,999	$4,749,616,941	$4,793,081,793	$4,114,527,313	$3,083,070,290

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

Comparative Secondary Assessed Valuation Histories

Fiscal Year	City of Mesa	Maricopa County	State of Arizona
2010/11	$4,094,036,999	$49,662,543,618	$75,643,290,656
2009/10	4,749,616,941	57,984,051,718	86,504,734,898
2008/09	4,793,081,793	58,303,635,287	86,090,579,647
2007/08	4,114,527,313	49,534,573,831	71,837,099,233
2006/07	3,083,070,290	36,294,693,601	54,394,761,521

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

Estimated Full Cash Value (w)
City of Mesa, Arizona

Fiscal Year	City of Mesa
2010/11	$31,940,375,887
2009/10	37,677,178,897
2008/09	38,984,232,470
2007/08	32,080,488,146
2006/07	22,985,915,773

(w) The City's estimated 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 State of Arizona Department of Revenue, Division of Property and Special Taxes.

Assessed Valuation of Major Taxpayers
City of Mesa, Arizona

Taxpayer (x)	2010/11 Secondary Assessed Valuation	As % of City's Total 2010/11 Secondary Assessed Valuation
Cox Communications Inc	$ 7,991,313	0.20 %
The Boeing Co.	6,260,619	0.15
Walmart Stores Inc.	3,266,531	0.08
Mountain Vista Medical Center LP	3,257,121	0.08
Talley Defense Systems	1,900,774	0.05
TRW Vehicle Safety Systems Inc	1,791,887	0.04
Superstition Crushing LLC	1,592,068	0.04
Home Depot USA Inc	1,569,618	0.04
Empire Southwest LLC	1,460,151	0.04
Fujifilm Electronic Materials USA	1,451,300	0.04
Total	$30,541,382	0.75 %

Source: Maricopa County Treasurer's Office.

The City has not made an independent determination of the financial position of any of the City's major property taxpayers.

(x) 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 NYSE at 20 Broad Street, New York, New York 10005. The filings may also be obtained through the internet on the SEC's EDGAR database at www. sec.gov.

***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 table 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 Plan 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 of the County and the City have no recourse against the property of SRP and the City may not have adequate tax collections to pay debt service on the Bonds in full. The City could but is not obligated to contribute funds from other sources to make up for the deficiency.

Since 1964, when the in lieu contribution was originally authorized in State statute, SRP has never failed to make that election. The fiscal year 2010/11 in lieu assessed valuation of SRP within the City is $67,512,326, which represents approximately 1.65% of the combined secondary assessed value in the City.

PROPERTY TAXES

Tax Years

The Arizona tax year has been defined as the calendar year notwithstanding the fact that tax procedures, as explained below, begin prior to January 1 of the tax year and continue through May of the succeeding calendar year. The tax lien attaches to the real property as of January 1 of the tax year in question. Because the City has not levied a property tax since fiscal year 1944/45, the following is presented to describe the effect of overlapping property taxes upon property in the City and to describe the levy for ad valorem property taxes for payment of a portion of the outstanding general obligation bonds beginning in fiscal year 2009/10 and thereafter.

Ad Valorem Taxes

The State has two different valuation bases for levying ad valorem property taxes. They are “limited property” and “full cash” values. Property valuations are established on most property by the individual county assessors, with the State Department of Revenue determining the valuations of centrally assessed properties such as gas, water and electric utilities, pipelines, mines, local and long distance telephone companies and airline flight property. All property within the State, whether real or personal, is subject to property taxation unless specifically exempted by law.

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.” “Market value” means that estimate of value that is derived annually by use of standard appraisal methods and techniques, which generally include the market approach, the cost approach and the income approach. As a general matter, the various county assessors use a cost approach for commercial/industrial property and a sales data approach for residential property. Arizona law allows taxpayers to appeal the county assessor’s valuations by providing evidence of a lower value, which may be based upon another valuation approach.

Certain residential property owners sixty-five years of age and older may obtain a freeze against property valuation increases (the “Property Valuation Protection Option”) if the owner’s total income from all sources does not exceed 400% (500% for two or more owners of the same property) of the “Social Security Income Benefit Rate.” The Property Valuation Protection Option must be renewed every three years. If the property is sold to a person who does not qualify, the valuation reverts to its current full cash value. Any freeze on increases in full cash value will translate to the secondary assessed value of the affected property.

Additionally, all property, both real and personal, is assigned a classification to determine its assessed valuation for tax purposes. Each legal classification is defined by property use and has an assessment ratio (a percentage factor) which is multiplied by the limited or full cash values of the property to obtain the primary or secondary assessed valuations, respectively.

Primary Taxes

Taxes levied against the assessed value of property (after application of the assessment ratio to the limited property value of such property) which are used for the maintenance and operation of counties, cities/towns, school districts, community college districts and the State. The State does not currently levy ad valorem taxes. Limited property value cannot exceed the full cash value and is derived statutorily using one of the following two procedures:

(1) The limited property value for parcels in existence in the prior year that did not undergo modification through construction, destruction, split or change in use, are established at the previous year’s limited property value increased by the greater of either 10% of last year’s limited property value or 25% of the difference between the current year’s full cash value and last year’s limited property value.

(2) The limited property value for property that was omitted from the tax roll in the prior year, that underwent a change in use or modification through construction, destruction or demolition or that has been split, subdivided or consolidated, is established at a level of percentage of the limited property value to full cash value of existing properties of the same use or legal classification.

The aggregate of the primary taxes levied by a county, city, town and community college district is constitutionally limited to a maximum increase of 2% over the prior year’s levy limit plus any taxes on property not subject to tax 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 limited and full cash values of personal property (other than mobile homes) and for utility, mining and producing oil, gas and geothermal property are the same. Primary taxes on residential property only are constitutionally limited to 1% of the full cash value of such property.

To offset the effects of the primary system limitation of tax levies on residential property to 1% of the primary full cash value, the limitation is applied to the school district's taxes and the State compensates the school district by providing additional State aid so there is no impact on the revenue available to the school district.

Secondary Taxes

Taxes levied against the assessed full cash value (after application of the assessment ratio) are referred to as secondary taxes, which are used for debt retirement (i.e., debt service on bonds), voter-approved budget overrides and the maintenance and operation of special service districts such as sanitary, fire and road improvement districts. Except for the Property Valuation Protection Option described above, there is no limitation on the annual increases in full cash value of any property, and annual levies for voter-approved bond indebtedness and special district assessments are unlimited.

Tax Procedures

On or before the third Monday in August each year the Board of Supervisors of the County prepares the tax roll setting forth the valuation by taxing district of all property in the County subject to taxation. The Assessor of the County is required to complete the assessment roll by December 15th of the year prior to the levy. This tax roll also shows the valuation and classification of each parcel of land located within the County for the tax year. The tax roll is then forwarded to the Treasurer of the County.

With the various budgetary procedures having been completed by the governmental entities, the appropriate tax rate for each jurisdiction is then applied to the parcel of property in order to determine the total tax owed by each property owner. Any decrease in the value of the assessment roll established in December from the value used on the third Monday in August could reduce the aggregate amount of taxes collected and needed by each jurisdiction.

Delinquent Tax Procedures

The property taxes due the City are billed, along with State, County 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. 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 of the County 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 of the County to deliver a treasurer's deed to the certificate holder as prescribed by law.

It should be noted that 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 noninterest 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.

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. Neither the City, the Financial Advisor, the Purchaser nor their respective attorneys, agents or consultants have 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.

Real and Secured Property Taxes Levied and Collected (w)
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 2009/10.

	City of Mesa, Arizona		Collected to 6-30 of Initial Fiscal Year (y)		Cumulative Collection to March 15, 2011 (y)	
Fiscal Year	Tax Rate	City Tax Levy	Amount	% of Levy	Amount	% of Levy
2010/11	$0.3453	$14,079,743	(z)		$ 8,186,355	58.34%
2009/10	0.2977	14,167,777	$13,593,446	97.08%	14,058,818	99.77

Source: Maricopa County Treasurer's Office.

(y) Taxes are certified and collected by the Maricopa County Treasurer. Taxes in support of debt service are levied by the Maricopa County Board of Supervisors as required by Arizona Revised Statutes. Delinquent taxes are subject to an interest and penalty charge of 16% 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.

(z) 2010 taxes in course of collection:
First installment due 10-01-10, delinquent 11-01-10. Second installment due 03-01-11, delinquent 05-01-11.

The table below sets forth the recent property tax collection experience of a municipal jurisdiction which significantly overlaps the City in regard to property subject to the levy of ad valorem taxes. Approximately 86.28% of the secondary assessed valuation of Mesa Unified School District No. 4 lies within the City, according to the Maricopa County Assessor's records for fiscal year 2010/11. The secured property tax collection information below demonstrates only the recent property tax collection experience of Mesa Unified School District No. 4.

	Mesa Unified School District No. 4		Collected to 6-30 of Initial Fiscal Year (aa)		Cumulative Collection to March 15, 2011 (aa)	
Fiscal Year	Tax Rate	District Tax Levy	Amount	% of Levy	Amount	% of Levy
2010/11	$5.2230	$198,638,512	(bb)		$112,668,373	56.89%
2009/10	4.9207	207,030,009	$185,637,890	89.89%	197,288,357	95.63
2008/09	5.1090	203,591,084	188,086,019	92.76	199,731,397	98.74
2007/08	5.4292	189,301,751	181,646,425	96.34	187,885,361	99.94
2006/07	6.3737	186,709,177	179,941,417	96.66	185,754,141	99.99

Source: Maricopa County Treasurer's Office.

(aa) Taxes are certified and collected by the Maricopa County Treasurer. Taxes in support of debt service are levied by the Maricopa County Board of Supervisors as required by Arizona Revised Statutes. Delinquent taxes are subject to an interest and penalty charge of 16% 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.

(bb) 2010 taxes in course of collection:
First installment due 10-01-10, delinquent 11-01-10. Second installment due 03-01-11, delinquent 05-01-11.

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APPENDIX C

CITY OF MESA, ARIZONA
UTILITY SYSTEMS INFORMATION

Electric System

The City of Mesa ("Mesa") Energy Resources Department's Electric Utility ("Electric Utility") has been in operation since 1917. The Electric Utility service area covers approximately six square miles including the heart of the city. As of the fiscal year ended June 30, 2010, the Electric Utility served approximately 15,399 customers comprised of 12,949 residential and 2,450 commercial and other customers. There are no industrial customers in the Electric Utility's electric service area. A fiscal year summer system peak demand of approximately 87,000 kWand system energy requirements of 326,237,000 kWh were experienced at the Rogers Substation point of supply.

During this fiscal year, Mesa's power and transmission resource scheduling and utilization were managed through Mesa's 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 Mesa, Electrical District Number Two (ED-2), the Town of Fredonia, Aha Macav Power Service, and the Cortaro-Marana Irrigation and Drainage District. As part of the RMS group, these entities pool loads and resources to achieve the benefits of diversity and greater economies of scale in purchased power transactions.

The Electric Utility's fiscal year ending June 30, 2010 supply side resources portfolio was comprised of long-term purchased power agreements and short-term seasonal and daily power market purchases. The Electric Utility contracts for long-term power based on the results of competitive request for proposals and as a member in RMS, have access to the wholesale power supply market and the ability to engage in *ad hoc* short-term firm and non-firm transactions. Current power supply resources for the Mesa's Electric Utility are as follows:

Electric Power Resources	Expiration Dates	Contract Amount (Megawatts) Summer	Winter
Western Area Power Administration (1):			
Parker-Davis Project	2028	10.5	8
Colorado River Storage Project	2024	4.3	3.4
Shell Energy North America, L.P. (2)	2011	15	15
Shell Energy North America, L.P. (3)	2012/13	35	10
Shell Energy North America, L.P. (4)	2013	10	0

(1) The long-term contracts with Western provide hydroelectric power from the Parker-Davis Project ("P-DP") and the Colorado River Storage Project ("CRSP"). The CRSP contract expires on September 30, 2024 and the P-DP contract expires on September 30, 2028.

(2) Mesa and Shell Energy North America, L.P. ("SENA") are parties to a 3-year firm power sale agreement for demand with associated energy effective February 1, 2009. The SENA contract expires December 31, 2011.

(3) Mesa and SENA are also parties to a firm power purchase and sale agreement consisting of a base load product for 10 Megawatts and three summer peaking products for up to 20 additional Megawatts. This agreement was previously held by the Public Service Company of New Mexico ("PNM") until June 20, 2008, when SENA replaced PNM as the provider under the same contract terms and conditions. This agreement will be phased out beginning at the end of August 2012, September 2012 and May 2013.

(4) Mesa and SENA are also parties to a June through October, 10 Megawatt, firm power purchase and sale agreement previously held by PNM. This contract has also been assumed by SENA and has a termination date of October 31, 2013.

Mesa's purchased power and energy resources are contractually transmitted over Western's Parker-Davis and Pacific Intertie transmission systems to Western's 500 kV West Wing, 230 kV Pinnacle Peak and 230 kV Coolidge substation facilities and then to the 230 kV Rogers Substation, jointly owned by Salt River Project ("SRP"), Western and Mesa. The power and energy are then transmitted via Mesa's 69 kV lines to the 4 kV and 12 kV electrical distribution facilities owned by Mesa and operated by the Energy Resources Department's Electric Utility and distributed to Mesa's service area through 10 substations and associated distribution lines. There are approximately 210 miles of overhead primary lines and approximately 235 miles of underground primary lines that distribute power to the distribution transformers.

Electrical Utility Industry Deregulation

In the 1998 legislative session, the Arizona legislature adopted House Bill 2663 (H.B. 2663) to address many of the issues and the implementation of electric industry deregulation within Arizona. H.B. 2663 established a framework for phasing in electric competition for the sale of retail power by public power entities (such as Mesa), and confirmed the Arizona Corporation Commission's authority to set the framework for public service corporations. Under H.B. 2663, however, Mesa could "opt out" and not open its service area to competition so long as Mesa did not provide service outside its service area boundaries. In August of 1998, Mesa adopted a resolution exercising its authority to "opt out" of competition due to non-competition covenants made by Mesa in the Bond Resolution. In 2000, however, the Arizona legislature adopted Senate Bill 1056 (S.B. 1056) under which Mesa was required to open its service territory to competition beginning in January 2002. Consequently, Mesa's electric service area of approximately six square miles is currently open to competition.

Notwithstanding the above, electric industry restructuring in Arizona may be considered to be on hold indefinitely given the lack of substantive regulatory activity since 2004 and the issuance of a variety of regulatory orders beginning in 2002 that have essentially nullified or placed on hold regulatory actions considered significant for implementing deregulation.

The tables below contain information with respect to the City's electric system.

Schedule of Current Electric System Fees and Charges

Description of Electric Services		Fee/Charge* (2009/10)
Residential Electric Service = E1.1		
Monthly Bill Per Meter		
May/October		
Customer Charge	$	5.71
Energy Charge**		
KWH First 1200 KWH		0.05128
KWH All Additional		0.04822
Energy Cost Adjustment Factor (all KWH)		0.02373
November/April		
Customer Charge		5.71
Energy Charge**		
KWH First 800 KWH		0.03765
KWH All Additional		0.01633
Energy Cost (etc.)		0.01039
Minimum		5.71
Non-Residential Service (Single Phase)		
Monthly Bill Per Meter		
May/October		
Customer Charge	$	6.22
Demand Charge		
Generation		
KW First 50 KW		0.00
KW All Additional KW		3.52
Distribution		
KW First 50 KW		0.00
KW All Additional KW		0.03968
Energy Charge**		
Generation		0.02450
Distribution		
KWH First 15,000 KWH		0.06491
KWH 15,001 - 75,000 KWH		0.04125
All Additional		0.02901
November/April		
Customer Charge		6.22
Demand Charge		
Generation		
KW First 50 KW		0.00
KW All Additional KW		3.20
Distribution		
KW First 50 KW		0.00
KW All Additional KW		0.11500
Energy Charge**		
Generation		0.02220
Distribution		
KWH First 15,000 KWH		0.05375
KWH 15,001 - 75,000 KWH		0.03692
All Additional		0.02060
Minimum		6.22

* The City may require special service agreements for consumers requiring large electric loads.

** The energy adjustment factor was implemented November 1, 2004, which allows for the full recovery of the costs of fuel and purchased power costs.

Source: City of Mesa Finance Department. 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.

Schedule of Electric System Rate Increases (2006-2010)

Date	Rate Increase
August 1, 2010	None
August 1, 2009	None
August 1, 2008	None
August 1, 2007	None
August 1, 2006	None

Source: City of Mesa Finance Department.

Schedule of Electric System Customers
(Fiscal Years 2005/06 through 2009/10)

Fiscal Year	Residential Customers	Commercial Customers	Other Customers	Total Customers
2009/10	12,949	2,265	185	15,399
2008/09	12,756	2,273	187	15,216
2007/08	13,518	2,472	20	16,010
2006/07	13,814	2,493	19	16,326
2005/06	12,975	2,273	193	15,441
2004/05	13,880	2,290	206	16,376

Source: City of Mesa Finance Department. The schedule immediately above reflects customers as of June 30 for each fiscal year.

Schedule of the 10 Largest Electric System Customers

Electric System Customer	2009/10 Electric System Fees/Charges
Mesa Public Schools	$1,294,933
Apache Junction Hospital LLC	360,557
AT&T / Mountain Bell	356,856
Pacifica Centennial, LLC	322,104
Bashas/Food City	310,071
Mesa Cold Storage	300,098
Brown and Brown Chevrolet	255,390
Mesa Arizona Temple	245,842
Epicurean Fine Food, Inc	211,798
Courtyard Towers	207,841
Total	$3,865,490
Total As a Percent of Total 2009/10 Electric System Operating Revenue	11.61%

Source: City of Mesa Finance Department. The City is also a customer of the electric system and paid $3,855,403 in electric charges during fiscal year 2009/10.

Natural Gas System

The American Public Gas Association ("APGA") ranks the City of Mesa ("City") Energy Resources Department's Natural Gas Utility System ("NG Utility") as the 14th largest publicly-owned gas utility system in the United States. The NG Utility's natural gas 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 certificated system located southeast of the City in Pinal County, Arizona. As of the fiscal year ended June 2010, the City's combined NG Utility system operated 1,248 miles of distribution mains and served 54,245 customers comprised of 51,819 Residential and 2,426 Commercial customers.

The NG Utility's natural gas supplies and associated contracts are designed to fulfill not only existing system requirements, but anticipate system growth and peak needs of that growth. During fiscal year ended June 2010, the NG Utility's natural gas supplies were provided by Shell Energy North America, L.P. ("SENA"). The natural gas supplies provided by SENA came from both the San Juan Basin in New Mexico and the Permian Basin in West Texas. The natural gas was transported via a major pipeline system owned and operated by the El Paso Natural Gas Company ("EPNG"), under the terms of two transportation service agreements ("TSA") that were effective February 1, 2007. The TSA's provide the NG Utility with the ability to transport its total, daily natural gas supplies (up to 32,000 Decatherms ("DTh") per day during the month of January) to four NG Utility-owned gate stations located in both the CSA and MSA.

For fiscal year ended June 2010, the NG Utility system experienced a total natural gas supply daily peak delivery at its gate stations of 19,337 DThs. Total natural gas supply deliveries at the NG Utility's gate stations during fiscal year ended June 2010 were 3,218,908 DThs.

Facilities and distribution infrastructure necessary to provide service to the majority of the CSA has been completed. Continued growth of the NG Utility system, especially in the MSA will require the extension of distribution mains in order to serve developing residential and commercial areas. Additionally, to augment system reliability, a fifth gate station will be added in the CSA to complement ongoing system facility upgrades and improvements.

The following tables provide information with respect to the City's natural gas utility.

Schedule of Current Natural Gas System Fees and Charges

Description of Natural Gas Services	Fee/Charge	
Residental Gas Service = G1.1		
May 1st through October 31st		
Monthly Service Charge	$	9.24
First 25 Therms		0.6522 / therm
All Additional Therms		0.2214 / therm
November 1st through April 30th		
Monthly Service Charge	$	12.30
First 25 Therms		0.6522 / therm
All Additional Therms		0.4806 / therm
General Gas Service = G3.1		
May 1st through October 31st		
Monthly Service Charge	$	28.32
First 1200 Therms		0.5151 / therm
All Additional Therms		0.3089 / therm
November 1st through April 30th		
Monthly Service Charge	$	37.77
First 1200 Therms		0.5579 / therm
All Additional Therms		0.4462 / therm
Magma Residental Gas Service = GM1.1		
May 1st through October 31st		
Monthly Service Charge	$	10.41
First 25 Therms		0.7190 / therm
All Additional Therms		0.2330 / therm
November 1st through April 30th		
Monthly Service Charge	$	13.57
First 25 Therms		0.7190 / therm
All Additional Therms		0.5300 / therm
Magma General Gas Service = GM3.1		
May 1st through October 31st		
Monthly Service Charge	$	34.98
First 1200 Therms		0.6363 / therm
All Additional Therms		0.3815 / therm
November 1st through April 30th		
Monthly Service Charge	$	46.61
First 1200 Therms		0.6889 / therm
All Additional Therms		0.5510 / therm

Source: City of Mesa Finance Department. The table above reflects only certain basic fees and charges of the City's natural gas system and is not a comprehensive statement of all such fees.

Schedule of Natural Gas System Customers
(Fiscal Years 2005/06 through 2009/10)

Fiscal Year	Residential Customers	Commercial Customers	Total Customers
2009/10	51,819	2,426	54,245
2008/09	50,718	2,475	53,193
2007/08	49,946	2,546	52,492
2006/07	49,003	2,529	51,532
2005/06	47,247	2,529	49,776

Source: City of Mesa Finance Department. The schedule immediately above reflects customers as of June 30 of each fiscal year.

Schedule of Natural Gas System Rate Increases (2006-2010)

Date	Rate Increase
August 1, 2010	2.50%
August 1, 2009	3.00
August 1, 2008	3.00
August 1, 2007	5.00
August 1, 2006	5.00

Schedule of the 10 Largest Natural Gas System Customers

Natural Gas System Customer	2009/10 Natural Gas System Fees/Charges
Regional Public Transit Authority	$ 1,575,612
Meas Public Schools	837,533
Empire Southwest	532,667
Banner Gateway Medical Center	335,636
Banner Desert Medical Center	256,391
Banner Desert Hospital	231,164
Commercial Metals Company	207,290
Banner Corporate Center	176,124
Cal-Am Properties, Inc.	173,142
The Boeing Company	115,996
Total	$4,441,555.00
Total As a Percent of Total 2009/10 Natural Gas System Operating Revenue	11.42%

Source: City of Mesa Finance Department. The City is also a customer of the natural gas system and paid $434,294 in natural gas charges during fiscal year 2009/10.

Water System

The water utility system of the City currently serves a population of over 465,000, residing within a 170 square mile area. The water system currently consists of approximately 135,000 residential and commercial connections.

The City's terrain slopes upward from the southwest to the northeast, and the system consists of eight different pressure zones and two mini-zones. The lowest in elevation and largest pressure zone is bounded on the east by SRP's Eastern Canal. The remaining six zones lie to the east of this canal. Water is provided from three general sources: the Salt and Verde Rivers, the Colorado River via the Central Arizona Project, and groundwater wells.

The City has 20 storage facilities in the water system service area capable of storing 92 million gallons. The City has approximately 2,250 miles of water distribution mains. A backflow prevention program has been implemented and enforced to protect the quality of the drinking water from possible sources of contamination. The total current capacity of the water system is approximately 245 million gallons per day (mgd). The record peak day was in 2005 and required approximately 138 million gallons per day (mgd). The average day in 2010 was 79 mgd with a peak day of 116 mgd.

Surface water from the Salt and Verde Rivers is treated at the Val Vista Water Treatment Plant. The plant is jointly owned by Mesa and the City of Phoenix. Currently, the plant has a treatment capacity of 220 mgd, of which Mesa owns 90 mgd. The plant produces approximately 50% of the water used by the City.

Colorado River water is delivered to the City via the Central Arizona Project (CAP) Canal. The water is treated at the Mesa CAP Water Treatment Plant, which recently was expanded to 72 million gallons per day (mgd) and produces approximately 44% of the City's water.

Groundwater wells produce the remaining 6% of the water used in the City. The City currently has 38 groundwater wells with a pumping capacity of approximately 83 mgd. The continued development of new wells provides water supplies for future growth, but more importantly, provides redundancy in case of drought or operational problems with the surface water system.

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 incorporated an inclining block rate structure to encourage water conservation.

The following tables provide information with respect to the City's water utility.

Schedule of Current Water System Fees and Charges

Description of Water System Services	Fees/Charges
Monthly Minimum Bill - All Classes, All Zones	
3/4 Inch	$ 12.11
1 Inch	14.44
1 1/2 Inch	23.13
2 Inches	32.60
3 Inches	71.74
4 Inches	117.88
6 Inches	232.43
8 Inches	347.73
10 Inches	473.68
Monthly Volume Charge - Residential	
First 12,000 Gallons of Water	$2.43/1,000 Gallons
Next 12,000 Gallons of Water	$3.64/1,000 Gallons
Additional Usage	$4.07/1,000 Gallons

Source: City of Mesa Finance Department. The table above reflects only certain basic fees and charges of the City's water system and is not a comprehensive statement of all such fees.

Schedule of Water System Rate Increases (2006-2010)

Date	Rate Increase
August 1, 2010	5.50%
August 1, 2009	3.40
August 1, 2008	3.00
August 1, 2007	4.50
August 1, 2006	6.60

Source: City of Mesa Finance Department.

Schedule Of Water System Customers
(Fiscal Years 2005/06 through 2009/10)

Fiscal Year	Residential Customers	Commercial Customers	Multi-Unit Customers	Total Customers
2009/10	121,194	10,119	4,410	135,723
2008/09	120,187	10,125	4,380	134,692
2007/08	120,538	9,950	4,347	134,835
2006/07	120,392	9,841	4,331	134,564
2005/06	119,927	9,534	4,332	133,793

Source: City of Mesa Finance Department. The schedule immediately above reflects customers as of June 30 for each fiscal year.

Schedule Of The 10 Largest Water System Customers

Water System Customer	2009/10 Water System Fees/Charges
Mesa Public Schools	$1,514,531
The Church of Jesus Christ of Latter Day Saints	434,493
Arizona State University East	429,895
Gilbert Public Schools	408,559
Cal-Am , Inc.	377,071
Desert Banner Medical Center	313,563
Las Sendas Community Association	269,990
Commercial Metals Company	206,613
IMT-LB Del Coronado/Mesa LLC	204,602
Parkwood Ranch Community Master Assoc.	199,695
Total	$4,359,012
Total as a Percent of Total 2009/10 Water System Operating Revenue	4.17%

Source: City of Mesa Finance Department. The City is also a customer of the water system and paid $4,134,961 in water system charges during fiscal year 2009/10.

Wastewater System

The City's gravity wastewater collection system currently serves approximately 118,047 residential and commercial connections. Three water reclamation plants (WRP) and one wastewater treatment plant (WWTP) provide wastewater treatment for the City of Mesa.

The Phoenix-operated 91st Avenue WWTP, which is jointly owned by the City of Mesa and four other nearby municipalities within the Sub-Regional Operating Group (SROG), currently has a 205 mgd capacity. Mesa's portion of that amount is approximately 30 mgd.

The City owns and operates three water reclamation plants. The Northwest Water Reclamation Plant (NWWRP) currently has a treatment capacity of 18 mgd. Reclaimed water from the NWWRP is delivered to recharge basins where it is converted into a water right that can be used to meet future potable demands. The plant also has sludge processing capabilities.

The Southeast Water Reclamation Plant (SEWRP) has a plant capacity of 8 mgd. The plant sends its bio-solids to the Greenfield Water Reclamation Plant (GWRP).

The GWRP is a regional plant operated by the City of Mesa, and co-owned with the Towns of Gilbert and Queen Creek. The GWRP currently has a treatment capacity of 16 mgd of which Mesa owns 4 mgd. The ultimate treatment capacity of the plant is 56 mgd with Mesa's portion expected to reach 24 mgd. The plant currently has bio-solids processing capacity of 24 mgd of which Mesa owns 12 mgd. The ultimate bio-solids capacity of the plant is 64 mgd, of which Mesa will own 36 mgd.

The City has approximately 1,600 miles of sewer mains, 15 lift stations, 16 sulfide stations (plus one on the Salt River Pima Maricopa Indian Community (SRPMIC) which the City operates), 5 metering stations, and 10 diversion structures in its wastewater collection system. In addition, the City is part owner in the Baseline/Southern Interceptors, and the Salt River Outfall (SRO) interceptor mains that transport sludge and wastewater to the 91st Avenue WWTP. The City's wastewater system master plan was completed in the fall of 2009.

The City's wastewater system and current agreements allow for a treatment capacity of approximately 60 mgd. The peak day during calendar year 2010 was approximately 40 mgd.

The following tables provide information with respect to the City's wastewater utility.

Schedule of Current Wastewater System Fees and Charges

Description of Wastewater System Services	Fee/Charge
Residential Sewer Service - Inside City	
Monthly Bill	
Minimum	
Capital Related Component	$8.30
User Charge Component	2.66
+ User Charge Component (average winter water consumption)	1.19 / 1,000 gallons
+ Capital Related Component (average winter water consumption in excess of 5,000 gallons)	2.16 / 1,000 gallons
General Commercial Sewer Service - Inside City	
Monthly Bill	
Minimum	
Capital Related Component	$8.68
User Charge Component	2.66
+ User Charge Component (all water used)	1.19 / 1,000 gallons
+ Capital Related Component (all water used in excess of 5,000 gallons)	2.16 / 1,000 gallons
Multi-Unit Dwelling Sewer Service - Inside City	
Monthly Bill	
Minimum	
Capital Related Component	$8.68
User Charge	2.66
+ User Charge Component (all water used)	1.19 / 1,000 gallons
+ Capital Related Component (all water used in exess of 5,000 gallons)	2.16 / 1,000 gallons
Industrial Sewer Service - Inside City	
Monthly Bill	
Capital Component	
Flow (in excess of 5,000 gallons)	$2.112 / 1,000 gallons
BOD (in excess of lbs. contributed in first 5,000 gallons)	0.164 / pound
SS (in excess of lbs. contributed in first 5,000 gallons)	0.135 / pound
User Charge Component	
Flow	$0.620 / 1,000 gallons
BOD	0.303 / pound
SS	0.181 / pound
Minimum - Capital Component (includes use of 5,000 gallons)	10.60
User Charge Billing Component	2.66

Source: City of Mesa Finance Department. The table above reflects only certain basic fees and charges of the City's wastewater system and is not a comprehensive statement of all such fees.

Schedule of Wastewater System Rate Increases (2006-2010)

Date	Rate Increase
August 1, 2010	4.50%
August 1, 2009	6.50
August 1, 2008	4.50
August 1, 2007	7.00
August 1, 2006	5.00

Source: City of Mesa Finance Department.

Schedule of Wastewater System Customers
(Fiscal Years 2005/06 through 2009/10)

Fiscal Year	Residential Customers	Commercial Customers	Multi-Unit Customers	Industrial Customers	Other Customers	Total Customers
2009/10	108,355	4,487	4,323	2	880	118,047
2008/09	107,209	4,476	4,283	2	865	116,835
2007/08	106,745	4,603	4,216	6	443	116,013
2006/07	106,426	4,674	4,052	6	436	115,594
2005/06	105,832	4,441	4,168	7*	421	114,869
2004/05	104,226	4,252	4,177	7*	418	113,080

* No longer reported as industrial.

Source: City of Mesa Finance Department. The schedule immediately above reflects customers as of June 30 for each fiscal year.

Schedule of the 10 Largest Wastewater System Customers

Wastewater System Customer	2009/10 Wastewater System Fees/Charges
Mesa Public Schools	$883,206
Town of Gilbert	521,133
Freescale Semiconductor	505,407
Cal-Am Properties, Inc.	416,999
Arizona State University East	315,134
Banner Desert Medical Center	257,279
INTL Rectifier EPI Services	224,231
IMT-LB Del Coronado/Mesa LLC	219,560
Smith's Food and Drug Center, Inc.	216,726
Mesa Public Schools	194,800
Total	$3,754,475.00
Total as a Percent of Total 2009/10 Wastewater System Operating Revenue	6.28%

Source: City of Mesa Finance Department. The City is also a customer of the wastewater system and paid $346,268 in wastewater system charges during fiscal year 2009/10.

Solid Waste System

The City's solid waste system is the exclusive provider of solid waste collection services to single and multi-family residences located within the City. Standard residential solid waste service includes once per week collection of trash and once per week collection of recyclables. Single-family residences and many multi-family residences are serviced using automated side-loader trucks, thereby reducing the personnel required from a collection crew to a single driver/operator. The residential solid waste system currently consists of approximately 110,694 customers. The City's solid waste system is also the exclusive provider of solid waste collection services to apartment complexes using front loader trucks. The City currently has approximately 2,185 customers who have metal bin service.

The City competes with private solid waste hauler and collection services for commercial customers within the City. It is currently estimated that the City serves approximately 43% of the total commercial customers in the City.

The City's solid waste collection system has implemented both a blue barrel and green barrel curbside recycling program. A 31.8% diversion rate in materials going to landfills is expected from these programs, saving the City considerable expense.

In December 2007, the City extended its agreement through the year 2015 for use of the Salt River-Pima Maricopa Indian Community's landfill located directly north of the City across the Salt River. This landfill is a designed facility that meets all Federal Subtitle D requirements.

In September 2005, the City entered into agreements with 4 additional landfills and/or Transfer Stations for the disposal of approximately 21% of the total solid waste. These additional facilities allow the City to reduce our overall operating costs. These facilities meet all Federal Subtitle D requirements.

Schedule of Current Solid Waste System Fees and Charges
Residential Solid Waste System Monthly Billing

Rate R1.2*: $23.34 per unit for single dwellings units, duplexes, triplexes and fourplexes when the water account servicing the unit or units is active or where the resident resides within Mesa Solid Waste service area, for once per week residential solid waste barrel collection and once per week recycling barrel collection (90 gallon individual garbage barrel).
$20.83 per unit for single dwelling units when the water account servicing the unit or units is active, or where the resident resides within Mesa Solid Waste service area for once per week residential Solid waste barrel collection and once per week recycling barrel collection (60 gallon garbage barrel).

Rate R1.21: $11.02 per each additional 60/90 gallon solid waste barrel collected on same day as first solid waste barrel.

Rate R1.23: $25.04 per unit for the first barrel in addition to the above R1.2 rate for twice per week solid waste collection, and $11.02 for each additional barrel at twice per week.

Rate R1.24*: $20.83 per unit for multiple dwelling units with five to twenty units when the water account servicing the units is active, or where the resident resides within Mesa Solid Waste service area for once per week solid waste barrel collection and once per week recycling barrel collection.

Rate R1.26*: $23.34 per unit for duplexes, triplexes and fourplexes when the water account servicing the unit or units is active, or where the resident resides within Mesa Solid Waste service area for metal bin service.

Rate R1.27*: $20.83 per unit for multiple dwelling units with five to twenty units when the water account servicing the units is active, or where the resident resides within Mesa Solid Waste service area for metal bin collection. Applicability of this rate shall be based on one-half cubic yard of capacity per unit per week.

Rate R1.28: $5.51 per each 90 gallon green waste barrel collected once per week.

Rate R1.29*: $22.58 per unit for single dwellings units, when the water account servicing the unit is active or where the resident resides within Mesa Solid Waste service area, for once per week residential solid waste barrel collection (90 gallon individual garbage barrel) and every other week recycling barrel collection, applicability subject to approval of the Deputy City Manager or designee.

$20.07 per unit for single dwelling units when the water account servicing the unit is active, or where the resident resides within Mesa Solid Waste service area for once per week residential solid waste barrel collection (60 gallon garbage barrel) and every other week recycling barrel collection, applicability subject to approval of the Deputy City Manager or designee.

* A $0.54 per billing cycle Mesa Green and Clean fee will be assessed to each dwelling unit.

BULK ITEM COLLECTION PROGRAM

A $19.99 fee will be assessed per load of bundled or properly prepared bulk items. The maximum volume of one load is equivalent to 128 cubic feet at each individual pick-up location. A customer needs to cancel a scheduled pickup prior to the collection crew arriving at the address or a $10.23 fee will be assessed if there are no bulk items located at the scheduled address when a crew arrives.

Commercial Solid Waste System Monthly Billing

Rate R3.8: $23.34 for the first 90 gallon barrel for once per week solid waste barrel collection and once per week recycling barrel collection.
$20.83 for the first 60 gallon barrel for once per week solid waste barrel collection and once per week recycling barrel collection.
Rate R3.81: $11.02 per each additional 60/90 gallon solid waste barrel for once per week solid waste barrel collection on same geographic in-zone day as the first barrel.
Rate R3.82: $25.04 per unit for the first barrel in addition to the above R3.8 rate for twice per week solid waste barrel collection, and $11.02 for each additional barrel at twice per week.

Source: City of Mesa Finance Department. The table 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.

Schedule of Solid Waste System Rate Increases (2006-2010)

Date	Rate Increase
August 1, 2010	0.00%
August 1, 2009	0.00
August 1, 2008	5.50
August 1, 2007	5.00
August 1, 2006	5.00

Source: City of Mesa Finance Department.

Schedule of Solid Waste System Customers
(Fiscal Years 2005/06 through 2009/10)

Fiscal Year	Residential Customers	Commercial Customers	Other Customers	Total Customers
2009/10	110,694	2,185	200	113,079
2008/09	105,400	2,285	244	107,929
2007/08	110,052	2,373	219	112,644
2006/07	112,812	2,263	221	115,296
2005/06	110,734	2,271	101	113,106
2004/05	109,425	2,146	204	111,775

Source: City of Mesa Finance Department. The schedule immediately above reflects customers as of June 30 for each fiscal year.

Schedule of the 10 Largest Solid Waste System Customers

Solid Waste System Customer	2009/10 Solid Waste System Fees/Charges
Mesa Public Schools	$ 367,649
Cal-Am Properties, Inc.	218,480
Viewpoint RV Resort, LLC	151,599
Casa Fiesta Tempe Ltd Ptsp	130,123
Mobile Home Communities	114,640
Norton S. Karno, APC ERT	94,289
MHC Monte Vista LLC	87,618
Tesoro At Greenfield Condo Assoc.	82,719
Sierra Village Associates	79,503
York Financial Corp.	72,424
Total	$1,399,044
Total as a Percent of Total 2009/10 Solid Waste System Operating Revenue	2.98%

Source: City of Mesa Finance Department. The City is also a customer of the solid waste system and paid $365,139 in solid waste system charges during fiscal year 2009/10.

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-half of one percent during the past four fiscal years.

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APPENDIX D

CITY OF MESA, ARIZONA

AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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

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LarsonAllen LLP
CPAs, Consultants & Advisors
www.larsonallen.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mesa, Arizona (City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mesa, Arizona, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

The management's discussion and analysis on pages 3 through 17, the Public Safety Personnel Retirement System Schedule of Funding Progress on page 82, the Other Postemployment Benefit Plan Schedule of Funding Progress on page 83, and budgetary comparison information on pages 84 through 86 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

LarsonAllen LLP

LarsonAllen LLP

Mesa, Arizona
December 23, 2010

Basic Financial Statements

CITY OF MESA, ARIZONA

EXHIBIT A-1

STATEMENT OF NET ASSETS

JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 208,313,967	$ 39,111,806	$ 247,425,773
Investments	8,758,992	5,021,900	13,780,892
Receivables:			
Accounts and Miscellaneous (Net of Allowances)	17,862,724	26,030,889	43,893,613
Accrued Interest	128,119	12,153	140,272
Due From Other Governments	33,690,104	5,406,709	39,096,813
Internal Balances	2,140,225	(2,140,225)	-
Inventory	5,964,364	-	5,964,364
Prepaid Costs	938,724	27,776	966,500
Deposits	374,931	6,926,728	7,301,659
Restricted Assets:			
Cash and Cash Equivalents	41,109,457	104,634,443	145,743,900
Cash with Trustee	33,110,780	-	33,110,780
Accounts Receivable	9,867,430	-	9,867,430
Due From Other Governments	12,227,979	-	12,227,979
Customer Deposits	-	3,264,802	3,264,802
Unamortized Bond Issue Costs	1,545,430	3,536,595	5,082,025
Investment in Joint Ventures	52,143,017	257,587,431	309,730,448
Capital Assets:			
Non-Depreciable	400,325,223	195,674,670	595,999,893
Depreciable, Net	862,321,747	1,070,613,365	1,932,935,112
Total Assets	1,690,823,213	1,715,709,042	3,406,532,255
LIABILITIES			
Warrants Outstanding	3,157,664	-	3,157,664
Accounts Payable	27,067,945	7,962,332	35,030,277
Other Accrued Expenses	29,088,317	-	29,088,317
Customer and Defendant Deposits	9,338,642	-	9,338,642
Compensated Absences	1,265,901	-	1,265,901
Liabilities Payable From Restricted Assets	45,796,609	53,713,991	99,510,600
Noncurrent Liabilities:			
Due Within One Year	35,382,683	14,112,254	49,494,937
Due in More Than One Year	604,342,306	886,389,948	1,490,732,254
Total Liabilities	755,440,067	962,178,525	1,717,618,592
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	844,777,095	434,813,786	1,279,590,881
Restricted For:			
Quality of Life Projects	6,605,784	-	6,605,784
Convention Center	-	262,875	262,875
Airport	-	4,815,651	4,815,651
Hohokam Stadium/Fitch Complex	-	242,342	242,342
Golf Courses	-	21,937	21,937
Debt Service	45,338,759	31,291,280	76,630,039
Bond Indentures	-	9,683,617	9,683,617
Grant Programs	2,463,678	-	2,463,678
Transportation Programs	32,546,293	-	32,546,293
Water, Wastewater & Solid Waste Improvements	-	693,506	693,506
Unrestricted	3,651,537	271,705,523	275,357,060
Total Net Assets	$ 935,383,146	$ 753,530,517	$ 1,688,913,663

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

CITY OF MESA, ARIZONA

EXHIBIT A-2

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

		Program Revenues		
	Expenses	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Functions/Programs				
Primary Government:				
Governmental Activities:				
General Government	$ 54,862,584	$ 15,397,839	$ 1,886,260	$ -
Public Safety	288,928,693	8,989,208	2,085,361	1,221,010
Cultural-Recreational	54,010,115	9,565,672	1,245,030	-
Community Environment	104,096,133	8,433,546	67,595,093	29,122,077
Interest on Long-Term Debt	20,013,068	-	-	-
Total Government Activities	521,910,593	42,386,265	72,811,744	30,343,087
Business-type Activities:				
Electric	27,106,177	33,078,601	-	146,271
Gas	35,466,448	38,923,919	34,000	481,051
Water	80,915,190	98,806,049	19,669	10,042,370
Wastewater	70,227,712	57,698,904	-	5,782,814
Solid Waste	31,503,513	46,685,307	55,497	122,421
Airport	3,943,651	3,124,886	100,908	1,057,399
Golf Course	2,714,896	2,265,452	-	50,000
Convention Center	4,158,023	1,970,891	-	-
Hohokam Stadium/Fitch Complex	7,407,501	5,836,650	-	100,000
District Cooling	1,000,347	983,592	-	-
Total Business-type Activities	264,443,458	289,374,251	210,074	17,782,326
Total Primary Government	$ 786,354,051	$ 331,760,516	$ 73,021,818	$ 48,125,413

General Revenues:

- Sales Taxes
- Property Taxes
- Occupancy Taxes
- Unrestricted State Shared Revenue
- Contributions Not Restricted to Specific Programs
- Unrestricted Investment Income
- Miscellaneous

Transfers In (Out)

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

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

EXHIBIT A-2 (Continued)

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (37,578,485)	$ -	$ (37,578,485)
(276,633,114)	-	(276,633,114)
(43,199,413)	-	(43,199,413)
1,054,583	-	1,054,583
(20,013,068)	-	(20,013,068)
(376,369,497)	-	(376,369,497)
-	6,118,695	6,118,695
-	3,972,522	3,972,522
-	27,952,898	27,952,898
-	(6,745,994)	(6,745,994)
-	15,359,712	15,359,712
-	339,542	339,542
-	(399,444)	(399,444)
-	(2,187,132)	(2,187,132)
-	(1,470,851)	(1,470,851)
-	(16,755)	(16,755)
-	42,923,193	42,923,193
$ (376,369,497)	$ 42,923,193	$ (333,446,304)
121,556,751	-	121,556,751
14,318,257	-	14,318,257
1,580,533	-	1,580,533
104,580,393	-	104,580,393
14,757,171	-	14,757,171
260,939	507,752	768,691
13,846,390	-	13,846,390
65,433,214	(65,433,214)	-
336,333,648	(64,925,462)	271,408,186
(40,035,849)	(22,002,269)	(62,038,118)
975,418,995	775,532,786	1,750,951,781
$ 935,383,146	$ 753,530,517	$ 1,688,913,663

CITY OF MESA, ARIZONA
EXHIBIT A-3
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010

	General Fund	Highway User Revenue Fund	Non-major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	$ 117,394,610	$ 3,772,119	$ 53,291,423	$ 174,458,152
Investments	3,757,742	-	-	3,757,742
Accounts Receivable (Net of Allowances)	16,539,709	600	68,638	16,608,947
Accrued Interest Receivable	107,459	-	-	107,459
Due From Other Governments	24,345,544	2,908,947	6,414,159	33,668,650
Due From Other Funds	3,625,000	-	-	3,625,000
Prepaid Costs	541,336	-	1,008	542,344
Deposits	374,931	-	-	374,931
Restricted Assets:				
Cash and Cash Equivalents	-	-	41,109,457	41,109,457
Cash With Trustee	-	-	33,110,780	33,110,780
Accounts Receivable	3,837,133	-	6,030,297	9,867,430
Due From Other Governments	-	-	12,227,979	12,227,979
Total Assets	$ 170,523,464	$ 6,681,666	$ 152,253,741	$ 329,458,871
LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants Outstanding	$ 3,157,664	$ -	$ -	$ 3,157,664
Accounts Payable	18,628,239	614,584	6,284,976	25,527,799
Due To Other Funds	-	-	3,625,000	3,625,000
Customer and Defendant Deposits	9,336,767	25	1,850	9,338,642
Compensated Absences	1,265,901	-	-	1,265,901
Payable From Restricted Assets:				
Accrued Lease Interest Payable	-	-	2,793	2,793
Accrued Bond Interest Payable	-	-	10,823,241	10,823,241
Accrued Note Interest Payable	-	-	449,167	449,167
Deferred Revenue	5,199,910	-	6,030,297	11,230,207
Matured General Obligation Bonds Payable	-	-	24,058,189	24,058,189
Matured Highway User Revenue Bonds Payable	-	-	5,720,000	5,720,000
Matured Capital Leases Payable	-	-	56,067	56,067
Total Liabilities	37,588,481	614,609	57,051,580	95,254,670
Fund Balances				
Reserved For Encumbrances	16,896,222	10,041	8,324,660	25,230,923
Reserved For Prepaid Costs	541,336	-	1,008	542,344
Reserved For Quality of Life Projects	6,605,784	-	-	6,605,784
Reserved for Transportation Programs	16,704,894	-	-	16,704,894
Reserved For Debt Service	-	-	45,338,759	45,338,759
Unreserved, reported in:				
General Fund	92,186,747	-	-	92,186,747
Special Revenue Funds	-	6,057,016	25,813,648	31,870,664
Capital Project Funds	-	-	15,724,086	15,724,086
Total Fund Balances	132,934,983	6,067,057	95,202,161	234,204,201
Total Liabilities and Fund Balances	$ 170,523,464	$ 6,681,666	$ 152,253,741	$ 329,458,871

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

CITY OF MESA, ARIZONA
EXHIBIT A-4
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Fund Balances - total governmental funds	$	234,204,201
Amounts reported for governmental activities in the statement of net assets are different because (also see Note 2 to the basic financial statements):		
Capital assets used in governmental activites are not financial resources and therefore not reported in the governmental funds.		1,258,664,460
Other assets used in governmental activities are not financial resources and therefore not reported in the governmental funds.		53,688,447
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore not reported in the governmental funds.		(635,334,074)
Deferred revenue for long-term rehabilitation loans and special assessments is shown on the governmental funds, but is not deferred on the statement of net assets.		6,543,055
Internal service funds are used by management to charge the costs of certain activites to individual funds.		17,617,057
Net assets of the governmental activities - statement of net assets	$	935,383,146

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

CITY OF MESA, ARIZONA

EXHIBIT A-5

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Fund	Highway User Revenue Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues:				
Sales Taxes	$ 121,556,751	$ -	$ -	$ 121,556,751
Property Taxes	13,885,749	-	-	13,885,749
Occupancy Taxes	1,580,533	-	-	1,580,533
Special Assessments	-	-	922,651	922,651
Licenses and Permits	9,271,058	-	2,552,700	11,823,758
Intergovernmental	137,515,938	31,605,938	21,609,406	190,731,282
Charges For Services	11,739,505	34,775	8,645,011	20,419,291
Fines and Forfeitures	9,363,903	8,800	761,804	10,134,507
Investment Income	159,520	-	31,196	190,716
Miscellaneous	12,552,373	141,376	981,686	13,675,435
Total Revenues	317,625,330	31,790,889	35,504,454	384,920,673
Expenditures:				
Current:				
General Government	40,112,552	-	-	40,112,552
Public Safety	210,783,051	-	5,242,813	216,025,864
Cultural-Recreational	40,129,484	-	20,550	40,150,034
Community Environment	37,967,436	12,534,006	21,579,831	72,081,273
Debt Service:				
Principal Retirement	-	-	34,845,924	34,845,924
Interest on Bonds	-	-	20,366,043	20,366,043
Interest on Leases	-	-	370,600	370,600
Interest on Notes	-	-	449,167	449,167
Service Charges	-	-	9,397	9,397
Cost of Issuance	-	-	538,824	538,824
Capital Outlay	20,821,645	774,100	60,934,696	82,530,441
Total Expenditures	349,814,168	13,308,106	144,357,845	507,480,119
Excess (Deficiency) of Revenues Over (Under) Expenditures	(32,188,838)	18,482,783	(108,853,391)	(122,559,446)
Other Financing Sources (Uses):				
Transfers In	85,519,851	-	63,917,480	149,437,331
Transfers Out	(46,969,736)	(12,416,168)	(7,268,000)	(66,653,904)
Face Amount of Bonds Issued	-	-	30,865,000	30,865,000
Face Amount of Notes Issued	-	-	45,000,000	45,000,000
Premium on Issuance of Bonds	-	-	401,850	401,850
Premium on Issuance of Notes	-	-	869,000	869,000
Total Other Financing Sources (Uses)	38,550,115	(12,416,168)	133,785,330	159,919,277
Net Change in Fund Balances	6,361,277	6,066,615	24,931,939	37,359,831
Fund Balances - Beginning	126,573,706	442	70,270,222	196,844,370
Fund Balances - Ending	$ 132,934,983	$ 6,067,057	$ 95,202,161	$ 234,204,201

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

CITY OF MESA, ARIZONA
EXHIBIT A-6
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds	$	37,359,831
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.		(150,326)
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.		(56,645,572)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays ($82,530,441) exceeded depreciation ($56,694,347) in the current period.		25,589,094
The net effect of miscellaneous transactions involving capital assets (e.g., donations, transfers and disposals) is to increase net assets.		(2,670,760)
The issuance of long-term debt (e.g., bonds and capital leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes financial resources of governmental funds. Neither transaction has any effect on net assets.		(41,019,076)
Governmental funds report the effect of bond issuance costs, premiums and deferred amounts related to refunding when the new debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		308,224
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		(2,807,264)
Change in net assets of the governmental activities - statement of activities	$	(40,035,849)

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

CITY OF MESA, ARIZONA

EXHIBIT A-7

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

JUNE 30, 2010

	Business-type Activities	Governmental Activities -
	Enterprise Fund	Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 39,111,806	$ 33,855,815
Investments	5,021,900	5,001,250
Accounts Receivable (Net of Allowances of $2,238,186)	26,030,889	499,679
Accrued Premiums Receivable	-	754,098
Accrued Interest Receivable	12,153	20,660
Due From Other Governments	5,406,709	21,454
Inventory	-	5,964,364
Prepaid Costs	27,776	396,380
Deposits	6,926,728	-
Restricted Assets:		
Cash and Cash Equivalents	46,867,848	-
Customer Deposits	3,264,802	-
Total Current Assets	132,670,611	46,513,700
Noncurrent Assets:		
Restricted Assets:		
Impact & Development Fees:		
Cash and Cash Equivalents	753,771	-
Bond Replacement, Extensions and Reserves:		
Cash and Cash Equivalents	9,756,810	-
Capital Projects:		
Cash and Cash Equivalents	47,256,014	-
Unamortized Bond Issue Costs	3,536,595	-
Total Restricted Assets	61,303,190	-
Capital Assets:		
Land	59,946,543	-
Water Rights	17,569,867	-
Buildings	92,701,747	2,014,156
Other Improvements	1,363,453,007	4,944,866
Machinery and Equipment	131,049,353	2,095,871
Intangibles	13,564,978	-
Infrastructure	7,145,836	-
Construction in Progress	118,158,260	44,702
Less Accumulated Depreciation and Amortization	(537,301,556)	(5,117,085)
Total Capital Assets, Net	1,266,288,035	3,982,510
Investment in Joint Ventures	257,587,431	-
Total Noncurrent Assets	1,523,875,466	3,982,510
Total Assets	$ 1,717,849,267	$ 50,496,210

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

CITY OF MESA, ARIZONA

EXHIBIT A-7 (Continued)

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

JUNE 30, 2010

	Business-type Activities	Governmental Activities -
	Enterprise Fund	Internal Service Funds
LIABILITIES		
Current Liabilities-Payable From Current Assets:		
Accounts Payable	$ 7,962,332	$ 1,540,146
Other Accrued Expenses	-	29,088,317
Current Liabilities-Payable From Restricted Assets:		
Impact & Development Fees-Accounts Payable	60,264	-
Bond Replacement, Extensions and Reserves-Accounts Payable	73,193	-
Capital Projects-Accounts Payable	3,447,884	-
Accrued Notes Interest Payable	6,964	-
Accrued Bond Interest Payable	20,418,908	-
Matured Bonds Payable	10,741,811	-
Matured Notes Payable	125,847	-
Customer Deposits and Prepayments	18,839,120	-
Current Portion of Long-term Liabilities:		
Current Portion of Revenue Bonds Payable	12,585,000	-
Current Portion of General Obligation Bonds Payable	469,601	-
Current Portion of Notes Payable	239,581	-
Current Portion of Compensated Absences	818,072	90,019
Total Current Liabilities	75,788,577	30,718,482
Long-Term Liabilities:		
Revenue Bonds Payable, Net of Deferred Amounts on Refundings	829,278,756	-
General Obligation Bonds Payable	2,202,106	-
Notes Payable	2,724,199	-
Unamortized Bond Premium	16,915,475	-
Compensated Absences	3,795,055	764,340
Post Employment Benefits	31,474,357	3,536,556
Total Long-Term Liabilities	886,389,948	4,300,896
Total Liabilities	962,178,525	35,019,378
NET ASSETS		
Invested In Capital Assets, Net of Related Debt	434,813,786	3,982,510
Restricted For:		
Convention Center	262,875	-
Airport	4,815,651	-
Golf Courses	21,937	-
Hohokam Stadium\Fitch Complex	242,342	-
Debt Service	31,291,280	-
Bond Indentures	9,683,617	-
Water, Wastewater & Solid Waste Improvements	693,506	-
Unrestricted	273,845,748	11,494,322
Total Net Assets	$ 755,670,742	$ 15,476,832
Adjustment to reflect the consolidation of the internal service funds related to the enterprise fund.	(2,140,225)	
Total net assets of the business-type activities	$ 753,530,517	

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

CITY OF MESA, ARIZONA

EXHIBIT A-8

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-type Activities Enterprise Fund	Governmental Activities - Internal Service Funds
Operating Revenues:		
Electric Sales Pledged as Security for Revenue Bonds	$ 33,078,601	$ -
Gas Sales Pledged as Security for Revenue Bonds	38,923,919	-
Water Sales Pledged as Security for Revenue Bonds	98,806,049	-
Wastewater Charges Pledged as Security for Revenue Bonds	57,698,904	-
Solid Waste Charges Pledged as Security for Revenue Bonds	46,685,307	-
Airport Fees	3,124,886	-
Golf Course Fees	2,265,452	-
Convention Center Fees	1,970,891	-
Hohokam Stadium/Fitch Complex Fees	5,836,650	-
District Cooling Charges	983,592	-
Charges For Services	-	16,835,494
Self-Insurance Contributions	-	56,758,829
Other	-	133,467
Total Operating Revenues	289,374,251	73,727,790
Operating Expenses:		
Electric	23,211,018	-
Gas	29,615,303	-
Water	40,921,769	-
Wastewater	22,890,468	-
Solid Waste	28,729,107	-
Airport	2,587,431	-
Golf Course	2,411,164	-
Convention Center	2,894,614	-
Hohokam Stadium/Fitch Complex	7,407,183	-
District Cooling	611,877	-
Warehouse, Maintenance & Services	-	18,329,249
Self-Insurance	-	60,252,553
Total Operating Expenses	161,279,934	78,581,802
Operating Income Before Depreciation and Amortization	128,094,317	(4,854,012)
Depreciation and Amortization	(52,030,215)	(397,805)
Operating Income (Loss)	76,064,102	(5,251,817)

(Continued)

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

CITY OF MESA, ARIZONA
EXHIBIT A-8 (Continued)
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-type Activities	Governmental Activities -
	Enterprise Fund	Internal Service Funds
Nonoperating Revenues (Expenses):		
Investment Income Pledged as Security for Revenue Bonds	503,382	-
Investment Income Unpledged	4,370	78,932
Intergovernmental	210,074	-
Interest Expense:		
Revenue Bonds	(36,280,691)	-
General Obligation Bonds	(134,780)	-
Notes Payable	(20,870)	-
Capital Leases	(3,558)	-
Amortization of Bond Issuance and Administrative Costs	(537,168)	-
Loss on Disposal of Capital Assets	(1,603,658)	(79,417)
Equity Interest in Joint Ventures	(11,797,464)	-
Total Nonoperating Revenues (Expenses)	(49,660,363)	(485)
Income before Transfers and Capital Contributions	26,403,739	(5,252,302)
Capital Contributions	36,795,839	26,618
Transfers In	134,560	1,663,300
Transfers Out	(84,581,287)	-
Change in Net Assets	(21,247,149)	(3,562,384)
Total Net Assets - Beginning	776,917,891	19,039,216
Total Net Assets - Ending	$ 755,670,742	$ 15,476,832
Adjustment to reflect consolidation of internal service funds related to the enterprise fund.	(755,120)	
Change in net assets of the business-type activities	$ (22,002,269)	

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

CITY OF MESA, ARIZONA
EXHIBIT A-9
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
Cash Flows From Operating Activities:		
Cash Received From Customers	$ 278,400,436	$ -
Cash Received From Users	6,057,142	73,889,610
Cash Payments to Suppliers	(91,659,979)	(75,341,083)
Cash Payments to Employees	(51,441,324)	(8,188,254)
Net Cash Provided By (Used For) Operating Activities	141,356,275	(9,639,727)
Cash Flows From Noncapital Financing Activities:		
Intergovernmental	202,574	-
Transfers In From Other Funds	134,560	1,689,918
Transfers Out to Other Funds	(84,581,287)	-
Net Cash Provided By (Used For) Noncapital Financing Activities	(84,244,153)	1,689,918
Cash Flows From Capital and Related Financing Activities:		
Proceeds From Bond Sales	51,134,189	-
Proceeds From WIFA Notes	3,486,902	-
Acquisition and Construction of Capital Assets	(56,007,562)	(49,729)
Investment in Joint Ventures	(9,937,347)	-
Proceeds From Sale of Capital Assets	233,031	-
Principal Paid on Bonds, Leases and Notes Maturities	(11,496,142)	-
Interest Paid on Bonds, Leases and Notes	(38,790,517)	-
Bond Issuance and Administrative Expenses	(390,050)	-
Capital Contributed by Other Governments	3,140,249	-
Capital Contributed by Subdividers	4,778,443	-
Net Cash Provided By (Used For) Capital and Related Financing Activities	(53,848,804)	(49,729)
Cash Flows From Investing Activities:		
Purchase of Investment Securities	(20,006,327)	(5,000,000)
Proceeds from Sale and Maturities of Investment Securities	25,798,119	5,001,250
Interest Received on Investments	755,709	82,670
Net Cash Provided By Investing Activities	6,547,501	83,920
Net Increase (Decrease) in Cash and Cash Equivalents	9,810,819	(7,915,618)
Cash and Cash Equivalents at Beginning of Year	133,935,430	41,771,433
Cash and Cash Equivalents at End of Year	$ 143,746,249	$ 33,855,815

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

CITY OF MESA, ARIZONA
EXHIBIT A-9 (Continued)
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-type Activities	Governmental Activities -
	Enterprise Fund	Internal Service Funds
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:		
Operating Income	$ 76,064,102	$ (5,251,817)
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:		
Depreciation and Amortization	52,030,215	397,805
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	(4,916,673)	161,821
(Increase) in Inventory	-	(223,748)
Decrease in Deposits and Prepaid Costs	4,292,829	292,849
Increase in Accounts Payable	13,885,802	97,394
(Decrease) in Other Accrued Expense	-	(5,114,031)
Total Adjustments	65,292,173	(4,387,910)
Net Cash Provided By (Used For) Operating Activities	$ 141,356,275	$ (9,639,727)
Noncash Transactions Affecting Financial Position:		
Contributions of Capital Assets	$ 9,814,746	$ -
Transfers of Capital Assets from Governmental Funds	19,013,513	26,618
Loss on Disposal of Capital Assets	1,836,689	-
Amortization of Bond Premium	2,103,208	-
Amortization of Debt Issuance Costs	267,691	-
Amortization of Deferred Amounts on Refundings	1,738,836	-
Accretion of Certificates of Supplementary Interest Payments	41,235	-
Increase of Fair Market Value of Investments	15,573	1,250

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

CITY OF MESA, ARIZONA
EXHIBIT A-10
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2010

	Payroll Agency
ASSETS	
Cash and Cash Equivalents	$ 10,158,717
Total Assets	$ 10,158,717
LIABILITIES	
Accrued Payroll Payable	$ 10,158,717
Total Liabilities	$ 10,158,717

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

The City of Mesa, Arizona, (the "City") was incorporated July 5, 1883 with an approximate population of 300 and an area of one square mile. Today, the City's estimated population is 467,355 within an area of approximately 136 square miles. The City's charter was adopted August 18, 1967 providing for a Council-Manager form of government. The City provides a full range of municipal services including police and fire protection, parks and recreation, library, transportation, health and certain social services and general administration. In addition, the City owns and operates an enterprise whose activities include operations of electricity, gas, water, wastewater, solid waste, airport, golf courses, convention center, stadium and district cooling.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

For the fiscal year ended June 30, 2010, the City adopted GASB Statement No. 51 – *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. In implementing the requirements of GASB Statement No. 51 during the fiscal year ended June 30, 2010, the City has determined which assets meet the provisions to be classified as intangible and added them to the schedule capital assets.

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

a. Reporting Entity

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

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

(Continued)

statements for the corporation can be obtained through the City's Accounting Services Division.

b. **Jointly Governed Organizations**

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

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

Arizona Municipal Water Users Association ("AMWUA") is a nonprofit corporation established and funded by cities in Maricopa County for the development of an urban water policy and to represent the cities' interests before the Arizona legislature. The City's annual membership fee for this fiscal year was approximately $190,207. In addition, AMWUA contracts with the cities jointly using a multi-city sanitary sewer system to perform certain accounting, administrative and support services (see Note 12).

c. **Basic Financial Statements**

Government-wide Financial Statements: The government-wide financial statements (the statement of net assets and the statement of activities) report on the City as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements. Certain charges between the Enterprise Fund's utility systems and the various functional activities are not eliminated, as this would distort the direct costs and program revenues reported for the various functions concerned.

The government-wide statement of net assets reports all financial and capital resources of the City, excluding fiduciary funds. It is presented in a format of assets less liabilities equals net

(Continued)

assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be presented in three components: invested in capital assets, net of related debt; restricted and unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of bonds, capital leases, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use externally either imposed by creditors (such as bond covenants), grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

Effective July 1, 2009, the City moved the Hohokam Stadium/Fitch Complex from the governmental activities to the business-type activities reflecting the desire to track the operations of this recreational complex.

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

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

Government-wide Financial Statements: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of

(Continued)

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 deferred revenue. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

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

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

Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. An exception to this general rule is interest on long-term debt which is recorded when due.

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

(Continued)

Proprietary Funds and Fiduciary Funds Financial Statements: The financial statements of the proprietary fund are reported using the economic resources measurement focus and accrual basis of accounting, similar to the government-wide financial statements described above.

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

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

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

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

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

e. **Fund Accounting**

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are

(Continued)

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

The City reports the following major governmental funds:

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

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

The City reports the following non-major governmental funds:

Ten non-major **Special Revenue Funds** are used to account for specific revenues that are legally restricted to expenditures for specific purposes.

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

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

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

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

At year-end, City cash totaled $6,438,291 which includes $225,310 of petty cash. The carrying amount of the City's deposits was $6,212,981 and the bank balance was $2,088,066.

(Continued)

The entire balance was covered by federal depository insurance or by collateral held in the pledging banks trust department in the City's name. The difference of $4,124,915 represents deposits in transits, outstanding checks and other reconciling items.

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

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

Credit Risk. The City's Policy is consistent with the City Charter which authorizes the investment of City funds in accordance with Arizona Revised Statute §35-313. These investments include obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, towns or duly organized school districts, improvement districts in this state and the State Treasurer's Investment Pool. The State Treasurer's Investment Pool is overseen according to Arizona State Statute by the State Board of Deposit. The fair value of each share as of June 30, 2010, is equal to $1.00. The State Treasurer's Investment Pool #7 that the City participates in does not receive a credit quality rating.

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

The City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The City's investments that are reflected in the financial statements as cash equivalents total $429,733,379.

The City's investments and cash equivalents at June 30, 2010 are as follows:

		Investment Maturities (In Years)			
Investment Type	**Fair Value**	**Less Than 1**	**1-2**	**3-12**	
U.S. Government Agencies	$ 10,023,150	$	$ -	$ 10,023,150	*
City of Mesa Special Improvement District Bonds	3,757,742	744,000	744,000	2,269,742	**
Total Investments	$ 13,780,892	$ 744,000	$ 744,000	$ 12,292,892	

*$10,023,150 of these bonds are callable from July 7, 2010 to November 12, 2010.
**These bonds are callable from July 1, 2010 to July 1, 2020.

(Continued)

		Fair Value
Investments:		
U.S. Government Agencies	$	10,023,150
City of Mesa Special Improvement District Bonds		3,757,742
Total Investments as Reported in the Financial Statements		13,780,892
Cash Equivalents:		
Money Market Mutual Funds	$	24,023
Investments in State Treasurer's Local Government Investment Pool		391,429,314
Repurchase Agreement		5,436,762
Cash with Trustee		33,110,780
Total Cash Equivalents		430,000,879
Total Investments and Cash Equivalents	$	443,781,771

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

The City had a net decrease in the fair value of investments during fiscal year 2009-10 of $216,433. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year.

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

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

(Continued)

Fund	Receivables	Allowance	Net
Governmental Activities:			
General Fund:			
Taxes	$ 13,837,113	$ (2,401,100)	$ 11,436,013
Courts	46,876,829	(43,864,418)	3,012,411
Other Customers	3,224,936	(1,133,651)	2,091,285
Restricted	3,837,133	-	3,837,133
Due from Other Governments			
State Shared Revenues	7,202,407	-	7,202,407
Other	17,143,137	-	17,143,137
Highway User Revenue Fund:			
Customers	600	-	600
Due from Other Governments:	2,908,947	-	2,908,947
Non-Major Governmental Funds:			
Customers	68,638	-	68,638
Restricted-Spec. Assessments	6,030,297	-	6,030,297
Due from Other Governments	6,414,159	-	6,414,159
Restricted-Due from Other Governments	12,227,979	-	12,227,979
Internal Service Funds			
Customers	1,253,777	-	1,253,777
Due from Other Governments	21,454	-	21,454
Total Governmental Activities	$ 121,047,406	$ (47,399,169)	$ 73,648,237
Business-Type Activities:			
Utility Customers	$ 26,275,377	$ (2,005,186)	$ 24,270,191
Other Customers	1,993,698	(233,000)	1,760,698
Due from Other Governments	5,406,709	-	5,406,709
Total Business-type Activities	$ 33,675,784	$ (2,238,186)	$ 31,437,598

h. **Deferred Revenue**

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

Rehabilitation Revolving Loans not yet due (General Fund)	$ 80,250
Surcharges included in Court Receivables (General Fund)	3,756,882
Grants received prior to meeting all eligibility requirements (General Fund)	930,270
Delinquent Property Taxes (General Fund)	432,508
Special assessments not yet due (Debt Service Fund)	6,030,297
Total deferred revenue for governmental funds	$11,230,207

(Continued)

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

The following interfund activities are included in the fund financial statements at June 30, 2010:

Fund	Interfund Receivables	Interfund Payables
Governmental funds:		
General Fund	$ 3,625,000	$ -
Special Revenue Funds	-	3,625,000
Total Governmental funds	$ 3,625,000	$ 3,625,000

The interfund balances at June 30, 2010 are short-term loans to cover temporary cash deficits in various funds. All interfund balances outstanding at June 30, 2010 are expected to be repaid within one year.

The net transfers of $65,433,214 from business-type activities to governmental activities on the government-wide statement of activities are primarily operational subsidies from the Enterprise Fund to the General Fund and capital assets with a book value of $19,013,513 that were transferred between governmental and business-type activities. The following interfund transfers are reflected in the fund financial statements for the year ended June 30, 2010:

Fund	Transfers Out	Transfers In
Governmental funds:		
General Fund	$ 46,969,736	$ 85,519,851
Highway User Revenue Fund	12,416,168	-
Non-major Governmental Funds	7,268,000	63,917,480
Total governmental funds	66,653,904	149,437,331
Proprietary funds:		
Enterprise Fund	84,581,287	134,560
Internal Service Funds	-	1,663,300
Total	$ 151,235,191	$ 151,235,191

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

(Continued)

j. **Inventory**

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

k. **Unbilled Accounts Receivable**

Unbilled utility service receivables are recorded in the year in which the services are provided. At June 30, 2010, unbilled utility service receivables are recorded in the Enterprise Fund as follows:

Electric	$ 1,371,627
Gas	927,391
Water	4,669,565
Wastewater	2,089,092
Solid Waste	1,671,746
	$ 10,729,421

l. **Capital Assets**

Capital assets, including infrastructure (streets, sidewalks, street lighting, storm drainage and other assets that are immovable and of value only to the City) are defined as assets with an initial cost of $5,000 or more and an estimated useful life of more than one year. Effective July 1, 2009, the City implemented GASB Statement No. 51 - *Accounting and Financial Reporting for Intangible Assets,* which requires the capitalization of intangible assets. 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. Intangible assets will be capitalized and accounted for prospectively from July 1, 2009. 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. Effective July 1, 2009, the City moved the Hohokam Stadium/Fitch Complex from the governmental activities to the business-type activities. Capital assets with a value of $19,013,513, net of accumulated depreciation, were transferred to the business-type activities.

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

Prior to June 30, 1978, the City did not maintain detailed property cost records of its capital assets other than for rolling stock. A physical inventory was performed during the fiscal year ended June 30, 1978 and detailed property records were prepared. Generally, the assets were

(Continued)

recorded at cost. Where historical cost information was not available, the assets were valued at estimated cost using engineering estimates, appraisals or current replacement cost, adjusted to the year of acquisition.

Depreciation has been provided using the straight-line method based on the estimated useful lives of the assets. Amortization of capital leased assets has been provided using the straight-line method based on the shorter of the lease period or estimated useful lives of the leased assets.

The estimated useful lives are as follows:

Buildings	15-50 Years
Other Improvements	10-50 Years
Machinery and Equipment	3-30 Years
Intangibles	3-99 Years
Infrastructure	10-99 Years

(Continued)

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2010 follows:

	Balance July 1, 2009	Additions	Retirements	Transfers	Balance June 30, 2010
Governmental Activities:					
Non-depreciable Assets:					
Land	$ 257,858,440	$ 4,597,901	$ -	$ (685,657)	$ 261,770,684
Construction-in-Progress	165,530,225	82,580,163	(109,555,849)	-	138,554,539
Total Non-depreciable Assets	423,388,665	87,178,064	(109,555,849)	(685,657)	400,325,223
Depreciable Assets:					
Buildings	284,809,762	39,939,202	(1,171,629)	(18,312,936)	305,264,399
Other Improvements	127,800,378	23,490,200	(1,161,746)	(8,251,602)	141,877,230
Machinery & Equipment	152,085,182	15,696,258	(3,609,888)	(872,976)	163,298,576
Intangibles	-	150,107	-	-	150,107
Infrastructure	735,085,394	42,690,289	(2,461,760)	-	775,313,923
Total Depreciable Assets	1,299,780,716	121,966,056	(8,405,023)	(27,437,514)	1,385,904,235
Less Accumulated Depreciation for:					
Buildings	(67,097,912)	(5,156,301)	1,166,812	5,051,387	(66,036,014)
Other Improvements	(54,153,379)	(8,916,172)	851,117	3,330,802	(58,887,632)
Machinery & Equipment	(106,591,230)	(19,269,540)	3,581,051	727,469	(121,552,250)
Intangibles	-	(134,590)	-	-	(134,590)
Infrastructure	(256,333,866)	(23,099,896)	2,461,760	-	(276,972,002)
Total Accum. Depreciation	(484,176,387)	(56,576,499)	8,060,740	9,109,658	(523,582,488)
Total Depreciable Assets, net	815,604,329	65,389,557	(344,283)	(18,327,856)	862,321,747
Governmental Activities					
Capital Assets, net	$ 1,238,992,994	$ 152,567,621	$ (109,900,132)	$ (19,013,513)	$ 1,262,646,970

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

General Government	$ 4,925,077
Public Safety	18,100,881
Cultural - Recreational	6,582,621
Community Environment	26,570,115
Capital assets held by the City's Internal Service funds are charged to the various functions based on their usage of the assets	397,805
Total Depreciation	$56,576,499

(Continued)

	Balance July 1, 2009	Additions	Retirements	Transfers	Balance June 30, 2010
Business-type Activities:					
Non-depreciable Assets:					
Land	$ 52,027,492	$ 7,233,394	$ -	$ 685,657	$ 59,946,543
Water Rights	15,523,973	2,045,894	-	-	17,569,867
Construction-in-Progress	147,632,984	53,011,810	(82,486,534)	-	118,158,260
Total Non-depreciable Assets	215,184,449	62,291,098	(82,486,534)	685,657	195,674,670
Depreciable Assets:					
Buildings	74,361,132	27,679	-	18,312,936	92,701,747
Other Improvements	1,281,588,116	76,341,207	(2,727,918)	8,251,602	1,363,453,007
Machinery & Equipment	128,749,601	4,409,493	(3,009,335)	899,594	131,049,353
Intangibles	12,522,509	1,042,469	-	-	13,564,978
Infrastructure	-	7,145,836	-	-	7,145,836
Total Depreciable Assets	1,497,221,358	88,966,684	(5,737,253)	27,464,132	1,607,914,921
Less Accum. Depr. & Amort. for:					
Buildings	(26,652,069)	(2,239,106)	-	(5,051,387)	(33,942,562)
Other Improvements	(367,506,440)	(36,302,997)	982,610	(3,330,802)	(406,157,629)
Machinery & Equipment	(76,835,185)	(12,804,045)	2,804,196	(754,087)	(87,589,121)
Intangibles	(8,928,177)	(417,417)	-	-	(9,345,594)
Infrastructure	-	(266,650)	-	-	(266,650)
Total Accum. Depr. & Amort.	(479,921,871)	(52,030,215)	3,786,806	(9,136,276)	(537,301,556)
Total Depreciable Assets, net	1,017,299,487	36,936,469	(1,950,447)	18,327,856	1,070,613,365
Business-type Activities					
Capital Assets, net	$ 1,232,483,936	$ 99,227,567	$ (84,436,981)	$ 19,013,513	$ 1,266,288,035

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

Electric	$ 3,372,147
Gas	3,394,025
Water	19,379,577
Wastewater	20,348,628
Solid Waste	2,296,471
Airport	1,335,495
Golf Course	252,859
Convention Center	515,182
Stadium	747,361
District Cooling	388,470
Total Depreciation and Amortization	$ 52,030,215

(Continued)

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

Governmental Activities	Construction in Progress	Commitments
General Government	$ 11,142,816	$ 206,541
Public Safety	25,540,596	6,062,464
Cultural-Recreational	22,460,838	6,790,110
Community Environmental	79,365,587	19,704,675
Warehouse, Maintenance & Services	44,702	6,458
Total	$ 138,554,539	$ 32,770,248
Business-type Activities		
Electric	$ 13,356,031	$ 235,029
Gas	13,940,418	932,570
Water	64,044,655	10,136,409
Wastewater	17,944,536	2,976,925
Solid Waste	1,097,438	112,819
Airport	5,523,657	232,984
Golf Course	537,573	1,023
Convention Center	1,422,211	-
Stadium	159,956	6,901
District Cooling	131,785	-
Total	$ 118,158,260	$ 14,634,660

m. **Capitalization of Interest**

For the year ended June 30, 2010, the City capitalized net interest costs of $3,453,424 (interest expense of $3,476,485 reduced by interest income of $23,061 in the Business-type Activities Enterprise Fund). Total interest expense and income in the Business-type Activities Enterprise Fund before capitalization was $39,916,384 and $530,813 respectively.

n. **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

(Continued)

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 $175,000 per contract year. There were no changes in insurance coverage during this fiscal year for any of the three Self-Insurance Funds.

The various funds of the City include, as expenditures, amounts contributed to each of the self-insurance funds during the fiscal year. The Property and Public Liability and the Employee Benefits Self-Insurance Funds establish a liability for actuarially computed estimates for those claims incurred but not yet reported. The claims incurred but not reported in the Workers' Compensation Fund consist of actual claims reported during July 2010.

The stop loss receivable balance for the Workers' Compensation Fund at June 30, 2010 is $39,946. Over the past three fiscal years the Fund has received settlements in excess of insurance coverage of $422,086 with $93,080 received this current fiscal year. The Property and Public Liability Fund does not have a stop loss receivable at June 30, 2010, and the Fund has not received any settlements in excess of insurance coverage over the past three fiscal years. The stop loss receivable for the Employee Benefits Fund at June 30, 2010 is $459,733. Over the past three fiscal years the Fund has received settlements in excess of insurance coverage of $1,919,050 with $148,619 received this current fiscal year.

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

	Property & Public Liability	Workers' Compensation	Employee Benefits	Total
Unpaid Claims, 6/30/08	$ 16,800,000	$ 6,239,328	$ 5,650,397	$ 28,689,725
Adjustments to Reserves-FY 08-09	8,304,458	3,146,731	45,104,935	56,556,124
Claim Payments-FY 08-09	(1,604,458)	(2,423,429)	(46,962,265)	(50,990,152)
Unpaid Claims, 6/30/09	$ 23,500,000	$ 6,962,630	$ 3,793,067	$ 34,255,697
Adjustments to Reserves-FY 09-10	$ 768,233	$ 3,711,902	$ 50,014,525	$ 54,494,660
Claim Payments-FY 09-10	(6,632,233)	(2,953,506)	(50,076,301)	(59,662,040)
Unpaid Claims, 6/30/10	$ 17,636,000	$ 7,721,026	$ 3,731,291	$ 29,088,317

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

(Continued)

The Property and Public Liability Self Insurance Fund reported a decrease in unpaid claim reserves of $5.9 million during the fiscal year ended June 30, 2010. This decrease is due to the settlement of three large claims, dismissals of several high exposure cases and reserve estimates were revised during the current year.

o. **Compensated Absences**

The current portion of governmental funds accrued vacation and sick leave benefits payable are included as a liability in the fund financial statements. The entire amount of accumulated unpaid vested vacation pay and an estimated amount for sick leave related to the proprietary funds is included as a liability in the fund financial statements. The remaining long-term balances related to governmental activities are included in the government-wide financial statement (see Note 5 for additional disclosure of long-term balances).

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 repurchase agreements and all monies in the State Treasurer's Local Government Investment Pool since the City may deposit or withdraw cash at any time without prior notice or penalty.

q. **Budgets and Budgetary Accounting**

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

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

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

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

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

(Continued)

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

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

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

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

Budgeted amounts are as originally adopted by the City Council on June 22, 2009.

r. **Contingency Services**

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

Any balance of a contingency appropriation not used during one fiscal year is available to help finance the following year's budget. The contingency applications are reflected in the budget basis financial statements for the fiscal year ended June 30, 2010 and are made in accordance with State Statutes.

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

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

(Continued)

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

	Total Governmental Funds	Long-term Assets/ Liabilities(1)	Internal Service Funds(2)	Reclassifications and Eliminations	Statement of Net Assets Total
Assets					
Cash and Cash Equivalents	$ 174,458,152	$	$ 33,855,815		$ 208,313,967
Investments	3,757,742		5,001,250		8,758,992
Accounts Receivable, net	16,608,947		1,253,777		17,862,724
Interest Receivable	107,459		20,660		128,119
Due From Other Governments	33,668,650		21,454		33,690,104
Due From Other Funds	3,625,000		2,140,225	(3,625,000)	2,140,225
Inventories			5,964,364		5,964,364
Prepaid Costs	542,344		396,380		938,724
Deposits	374,931				374,931
Restricted Cash and Cash Equivalents	41,109,457				41,109,457
Restricted Cash With Trustee	33,110,780				33,110,780
Restricted Accounts Receivable - Deferred	9,867,430				9,867,430
Restricted Due From Other Governments	12,227,979				12,227,979
Unamortized Bond Issuance Costs		1,545,430			1,545,430
Investment in Joint Ventures		52,143,017			52,143,017
Capital Assets		1,258,664,460	3,982,510		1,262,646,970
Total Assets	$ 329,458,871	$ 1,312,352,907	$ 52,636,435	$ (3,625,000)	$ 1,690,823,213
Liabilities					
Warrants Outstanding	$ 3,157,664	$	$	$	$ 3,157,664
Accounts Payable	25,527,799		1,540,146		27,067,945
Other Accrued Expenses			29,088,317		29,088,317
Due To Other Funds	3,625,000			(3,625,000)	-
Customer and Defendant Deposits	9,338,642				9,338,642
Compensated Absences	1,265,901				1,265,901
Restricted Lease Interest Payable	2,793				2,793
Restricted Bond Interest Payable	10,823,241				10,823,241
Restricted Note Interest Payable	449,167				449,167
Restricted Deferred Revenue	11,230,207	(6,543,055)			4,687,152
Matured G.O. Bonds Payable	24,058,189				24,058,189
Matured HURF Bonds Payable	5,720,000				5,720,000
Matured Capital Leases Payable	56,067				56,067
Long-term Liabilities		635,334,074	4,390,915		639,724,989
Total Liabilities	95,254,670	628,791,019	35,019,378	(3,625,000)	755,440,067
Fund Balance/Net Assets					
Total Fund Balance/Net Assets	234,204,201	683,561,888	17,617,057	-	935,383,146
Total Liabilities and Fund Balance/Net Assets	$ 329,458,871	$ 1,312,352,907	$ 52,636,435	$ (3,625,000)	$ 1,690,823,213

(1) When capital assets (land, buildings, equipment, etc.) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures

(Continued)

in governmental funds, and thus a reduction in fund balance. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Costs of capital assets	$1,777,129,863
Accumulated depreciation	(518,465,403)
	$1,258,664,460

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

Investment in joint ventures	$ 52,143,017

Bond issuance costs are expended when incurred in governmental funds, but are deferred and amortized over the life of the bonds in the statement of net assets.

Unamortized bond issuance costs	$ 1,545,430

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	$ 409,362,629
Notes payable	45,000,000
Capital leases	5,406,120
Compensated absences	17,697,898
Post employment benefits	150,011,737
Unamortized bond premiums	7,855,690
	$ 635,334,074

Deferred revenue for the long-term special assessment receivables, property tax receivables and for the rehabilitation loan program shown on the governmental fund statements is not deferred on the statement of net assets.

Deferred property tax revenues	432,508
Deferred special assessment revenue	$ 6,030,297
Deferred rehabilitation loan revenue	80,250
	$ 6,543,055

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

Total	$ 17,617,057

(Continued)

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

	Total Governmental Funds	Long-term Revenues/ Expenses(1)	Capital-Related Items(2)	Internal Service Funds(3)	Long-term Debt Transactions(4)	Eliminations and Adjustments(5)	Statement of Activities
Revenues and Other Sources							
Taxes	$ 121,556,751	$	$	$	$	$	$ 121,556,751
Property Taxes	13,885,749	432,508					14,318,257
Occupancy Taxes	1,580,533						1,580,533
Special Assessments	922,651	(600,187)					322,464
Licenses and Permits	11,823,758						11,823,758
Intergovernmental	190,731,282	17,353					190,748,635
Charges for Services	20,419,291						20,419,291
Contributions				14,757,171			14,757,171
Fines and Forfeitures	10,134,507						10,134,507
Investment Income	190,716			78,932			269,648
Miscellaneous	13,675,435			133,467	37,488		13,846,390
Other Sources:							
Capital Contributions			16,664,125				16,664,125
Transfers In	149,437,331			992,905		(63,917,480)	86,512,756
Face Amount of Bond Sales	30,865,000				(30,865,000)		-
Premiums on Issuance of Bonds	401,850				(401,850)		-
Face Amount of Notes Issued	45,000,000				(45,000,000)		-
Premiums on Issuance of Notes	869,000				(869,000)		-
Total Revenues and Other Sources	611,493,854	(150,326)	16,664,125	15,962,475	(77,098,362)	(63,917,480)	502,954,286
Expenditures/Expenses							
Current:							
General Government	40,112,552	7,265,196	4,932,241	2,550,750	1,845		54,862,584
Public Safety	216,025,864	40,060,765	18,136,117	14,668,535	37,412		288,928,693
Cultural-Recreational	40,150,034	4,962,033	7,103,924	1,760,142	33,982		54,010,115
Community Environment	72,081,273	4,366,975	27,063,819	487,325	96,741		104,096,133
Debt Service:							
Principal Payments	34,845,924				(34,845,924)		-
Interest on Bonds	20,366,043				(1,172,742)		19,193,301
Interest on Capital Leases	370,600						370,600
Interest on Notes	449,167						449,167
Service Charges	9,397	(9,397)					-
Cost of Issuance	538,824				(538,824)		-
Capital Outlay	82,530,441		(82,530,441)				-
Total Expenditures\Expenses	507,480,119	56,645,572	(25,294,340)	19,466,752	(36,387,510)	-	521,910,593
Other Financing Uses/ Changes in Net Assets							
Transfers Out	66,653,904		19,040,131	(697,013)		(63,917,480)	21,079,542
Total Expenditures\Expenses & Other Financing Uses	574,134,023	56,645,572	(6,254,209)	18,769,739	(36,387,510)	(63,917,480)	542,990,135
Net Change for the Year	$ 37,359,831	$ (56,795,898)	$ 22,918,334	$ (2,807,264)	$ (40,710,852)	$ -	$ (40,035,849)

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

Property tax revenue	$ 432,508
Special assessment revenue	(600,187)
Rehabilitation loan revenue	17,353
Total	$ (150,326)

(Continued)

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

Accrual of long-term compensated absences	$ 1,316,639
Accrual of post employment benefits	(57,962,211)
Total	$ (56,645,572)

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

Capital outlay for capital assets	$ 80,915,523
Capital outlay for joint venture	1,614,918
Depreciation expense	(56,178,694)
Depreciation expense for joint venture	(762,653)
Total	$ 25,589,094

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

Donation of capital assets	$ 16,664,125
Loss on disposal of capital assets	(294,754)
Transfer of capital assets reclassified to transfer in	(19,040,131)
Total	$ (2,670,760)

(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	$ 14,969,570
Expenditures and other uses	(19,466,752)
Transfers in from General Fund	697,013
Transfer in from Enterprise Fund	966,287
Transfer of capital assets from governmental activities	26,618
Change in net assets	$ (2,807,264)

(Continued)

(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.

New debt issued (including refunded debt)	
General Obligation bond proceeds	$ (30,865,000)
Highway Project Advancement Notes	(45,000,000)
Principal repayments	34,845,924
Total	$ (41,019,076)

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

Current year bond issue cost additions	$ 621,873
Amortization of bond issue costs	(169,980)
Amortization of deferred amounts	(1,190,187)
Accretion of certificates	1,124,069
Current year bond premium additions	(1,270,850)
Amortization of bond premiums	(1,193,299)
Total	$ 308,224

(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	$ (63,917,480)
Transfers in	63,917,480
Total	$ -

(Continued)

3. RETIREMENT AND PENSION PLANS

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

Arizona State Retirement System:

a. **Plan Description**

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

b. **Funding Policy**

Covered employees were required by state statute to contribute 9.40 percent of their salary to the System during fiscal year 2009-10 and the City was required to match it. The Arizona Revised Statutes ("A.R.S.") provide statutory authority for determining the employees' and employers' contribution amounts as a percentage of covered payroll. Employers are required to contribute at the same rate as employees. Although the statutes prescribe the basis of making the actuarial calculation, the Arizona legislature is able to legislate a contribution rate other than the actuarially determined rate. The City's contributions to the System for the years ending June 30, 2010, 2009 and 2008 were $13,134,628, $13,983,834 and $14,784,935 respectively, which were equal to the required contributions for each year. The City's employees contributed equal amounts to the System for the same time period.

Elected Officials Retirement Plan:

a. **Plan Description**

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

(Continued)

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

b. **Funding Policy**

The retirement plan's funding policy (required by State Statutes) provides for periodic employer contributions at actuarially determined rates and employee contributions of 7 percent of their annual covered salary. The employer rate for 2009-10 was 26.25 percent. The City's contributions to EORP for the fiscal years ending June 30, 2010, 2009 and 2008 were $39,152, $42,300 and $30,470 respectively, which were equal to the required contributions for each year. The City's employees contributed $10,440, $10,575 and $10,554, for the same time period.

Public Safety Personnel Retirement System:

a. **Plan Description**

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

b. **Funding Policy**

PSPRS members are required to contribute 7.65 percent of their annual covered salary and the City is required to contribute an actuarially determined rate. The rate for 2009-10 was 21.88 (21.44 pension plus .44 health care) percent for fire personnel and 21.44 (20.90 pension plus .54 health care) percent for police members. Benefit and contribution provisions are established by state law and may be amended only by the State of Arizona Legislature. (A.R.S. Section 38-843)

(Continued)

c. **Annual Pension Cost**

Police personnel contributed $4,347,225 and fire personnel $2,101,874 during fiscal year 2009-10. For 2010, the City's annual pension cost of $12,183,595 for police and $6,011,633 for fire was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 8.5 percent investment rate of return, (b) projected salary increases of 5.5 percent attributable to inflation, (c) additional projected salary increases ranging from 0.0 percent to 3.0 percent per year, attributable to seniority/merit. The actuarial value of PSPRS assets was determined using the smooth market value method. PSPRS's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over an closed period of 27 years.

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

Police

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	$ 7,112,462	100%	$ -
2008	9,525,313	100	-
2009	13,261,044	100	-

Fire

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	$ 3,501,613	100%	$ -
2008	5,098,956	100	-
2009	6,677,496	100	-

e. **Annual Other Post Employment Benefits Cost**

For 2009 the City's annual Other Post Employment Benefits (OPEB) cost of $1,030,688 for police and $469,225 for fire was equal to the City's required contributions. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and the two preceding years were as follows:

(Continued)

Police

Fiscal Year Ending		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
2007	$	1,000,670	100%	$	-
2008		971,065	100		-
2009		1,030,688	100		-

Fire

Fiscal Year Ending		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
2007	$	489,195	100%	$	-
2008		477,752	100		-
2009		469,225	100		-

4. POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 3, the City provides post-retirement health care benefits to all eligible retirees in accordance with the compensation plan adopted by the City Council each fiscal year. These benefits include medical, dental and vision insurance programs and are the same as those offered to active employees. Retirees may select single or family coverage. As of June 30, 2010, approximately 1,428 former employees were eligible for these benefits, an increase of 107 participants from the prior year or an 8.1% increase.

The cost of post-employment healthcare benefits, from an accrual accounting perspective, similar to the cost of pension benefits, should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In implementing the requirements of GASB Statement No. 45, the City recognizes the cost of post employment healthcare in the year the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows. Recognition of the liability accumulated from prior years will be amortized over 30 years, the first period commencing with the fiscal year ending June 30, 2008.

The unfunded actuarial accrued annual required contribution for current retirees as well as current active members for fiscal year 09-10 was $72,089,991. A liability of $12,723,899 is accrued in the business type activities financial statements, the remaining $59,366,092 has been accrued in the governmental activities column in the government-wide financial statements.

(Continued)

Plan Description

The City provides post-employment medical care (OPEB) for retired employees through a single-employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses and dependents through the City's self-insurance health insurance plan which covers both active and retired members. The benefits, benefit levels and contribution rates are determined annually by the City's Benefits Advisory Board and approved by the Mesa City Council. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate financial report.

Benefits Provided

The City provides post-employment medical care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under one of the state retirement plans for public employees and be covered under the City's medical plan during their active status. Employees must enroll in a City plan immediately after they retire or their eligibility for this benefits ceases. All medical care benefits are provided through the City's self-insured health plan. The benefit levels are the same as those afforded to active employees. Upon a retiree's death, the retiree's dependents are no longer eligible for City coverage.

As of July 1, 2009, Membership Consisted of:

Retirees and Beneficiaries Receiving Benefits	1,296
Active Employees	3,167
Total	4,463

Funding Policy

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

Ten years of service for employees hired prior to January 1, 2001
Fifteen years of service for employees hired at January 1, 2001 but before January 1, 2006.
Twenty years of service for employees hired on or after January 1, 2006.
As of January 1, 2009, new hires are no longer eligible for benefits.

For fiscal year ended June 30, 2010, the City contributed $9,879,765 to the plan (approximately 65.4 percent of total premiums). Plan members receiving benefits contributed $5,235,201 or approximately 34.6 percent of total premiums.

(Continued)

Annual OPEB Costs / Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The City's annual OPEB cost for the current year and the related information for the plan are as follows at June 30, 2010:

Annual Required Contribution	$	83,522,342
Interest on Net OPEB Obligation		5,081,970
Adjusted to Annual Required Contribution		(6,634,556)
Annual OPEB Cost		81,969,756
Contributions Made		9,879,765
Increase in Net OPEB Obligation		72,089,991
Net OPEB Obligation – Beginning of year		112,932,659
Net OPEB Obligation – End of year	$	185,022,650

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the three years ending June 30, 2008 through 2010 were as follows:

Fiscal Year Ended	Annual Required Contributions	Actual Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2008	$65,194,175	$8,191,946	12.57%	$ 57,002,229
2009	65,194,175	9,263,746	14.21	112,932,659
2010	81,969,756	9,879,765	12.05	185,022,650

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010 was as follows:

Actuarial Value of Plan Assets	$	-
Actuarial Accrued Liability		916,615,559
Unfunded actuarial accrued liability	$	916,615,559
Funded ratio		0%
Covered payroll	$	321,012,148
Unfunded actuarial accrued liability as a percentage of covered payroll		286.0%

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan understood by the employer and plan members) and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the City and the plan members at that point. Actuarial calculations

(Continued)

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

Valuation Date	July 1, 2009
Actuarial Cost Method	Entry age normal, level dollar amount
Amortization method	30 – year amortization open
Remaining amortization period	30 years remaining as of June 30, 2009
Asset Valuation Method	N/A, no assets in trust

Actuarial Assumptions:	
Discount rate	4.50%
Projected salary increases	N/A
Health care cost trend rate:	
•	Medical, Drug, Vision10.0% in 2009-2010, grading down by 0.5% each year to an ultimate rate of 5.0%
•	Dental, Mental Health 5% for all years
•	Retiree contribution increase Same as medical Trend
• Cost of living adjustments	N/A

Medical Reimbursements

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

(Continued)

5. LONG-TERM OBLIGATIONS

a. Changes in Long-Term Obligations

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

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	$ 267,062,537	$ 30,865,000	$ (24,058,188)	$ 273,869,349	$ 21,675,399
Highway User Revenue Bonds	140,265,000	-	(5,720,000)	134,545,000	6,030,000
Special Assessment Bonds with Governmental Commitment	7,294,000	-	(744,000)	6,550,000	744,000
Add Certificates of Supplemental Interest	1,124,069	43,097	(1,167,166)	-	-
Less Deferred Amounts on Refundings	(6,708,552)	-	1,106,832	(5,601,720)	-
Total Bonds Payable	409,037,054	30,908,097	(30,582,522)	409,362,629	28,449,399
Capital Leases	9,729,856	-	(4,323,736)	5,406,120	3,240,527
Highway Project Advancement Notes	-	45,000,000	-	45,000,000	-
Unamortized Premiums	7,778,139	1,270,850	(1,193,299)	7,855,690	-
Post Employment Benefits	94,182,201	67,502,076	(8,135,984)	153,548,293	-
Compensated Absences	19,885,086	12,506,267	(13,839,096)	18,552,257	3,692,757
Governmental Activities Total	$ 540,612,336	$ 157,187,290	$ (58,074,637)	$ 639,724,989	$ 35,382,683
Business-type Activities:					
Bonds Payable:					
Revenue Bonds	$ 817,530,000	$ 50,380,000	$ (10,475,000)	$ 857,435,000	$ 12,585,000
General Obligation Bonds	2,957,463	-	(266,812)	2,690,651	469,601
Add Certificates of Supplemental Interest	41,234	1,582	(42,816)	-	-
Less Deferred Amounts on Refundings	(17,329,024)	-	1,738,836	(15,590,188)	-
Total Bonds Payable	803,199,673	50,381,582	(9,045,792)	844,535,463	13,054,601
Notes Payable	333,189	3,486,902	(856,311)	2,963,780	239,581
Capital Leases	158,413	-	(158,413)	-	-
Unamortized Bond Premiums	18,264,494	754,189	(2,103,208)	16,915,475	-
Post Employment Benefits	18,750,458	14,467,680	(1,743,781)	31,474,357	-
Compensated Absences	4,759,465	2,886,703	(3,033,041)	4,613,127	818,072
Business-type Activities Total	$ 845,465,692	$ 71,977,056	$ (16,940,546)	$ 900,502,202	$ 14,112,254

(Continued)

b. **Bonds Payable**

At June 30, 2010, long-term bonds payable consisted of:

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

General Obligation Bonds

$36,500,000 2000 general obligation serial bonds (partially refunded by general obligation refunding bonds, series 2002A, 2004 & 2006), due in annual principal installments ranging from $2,500,000 to $2,750,000, plus semi-annual interest of 6.50 percent through July 1, 2011.	$ 2,750,000
$25,375,000 2002 general obligation serial bonds (partially refunded by general obligation refunding bonds, series 2002A, 2004 & 2006), due in annual principal installments ranging from $1,750,600 to $1,825,000, plus semi-annual interest ranging from 5.25 percent to 6.00 percent through July 1, 2011.	1,743,700
$24,720,000 2002 general obligation refunding serial bonds, due in annual principal installments ranging from $59,706 to $9,498,229, plus semi-annual interest ranging from 3.75 percent to 5.375 percent through July 1, 2015.	5,803,957
$41,680,611 2002A general obligation refunding serial bonds, due in annual principal installments ranging from $1,461,369 to $10,277,813, plus semi-annual interest ranging from 3.75 percent to 4.20 percent through July 1, 2016. Total bonds outstanding at June 30, 2008, include $1,473,597 of certificates of ownership of supplemental interest payments and $98,701 of capital appreciation maturing through 2010.	32,179,011
$22,565,000 2003 general obligation serial bonds, due in annual installments ranging from $1,250,000 to $2,315,000, plus semi-annual interest ranging from 3.50 percent to 5.00 percent through July 1, 2022.	21,315,000
$46,230,300 2004 general obligation refunding serial bonds, due in annual installments ranging from $34,839 to $31,852,800, plus semi-annual interest ranging from 2.4 percent to 5.0 percent through July 1, 2018.	44,281,391
$11,705,000 2005 general obligation serial bonds, due in annual installments ranging from $500,000 to $3,250,000, plus semi-annual interest ranging from 4.0 percent to 5.0 percent through July 1, 2024.	11,705,000
$9,710,000 2006 general obligation serial bonds, due in annual installments ranging from $135,000 to $4,225,000, plus semi-annual interest ranging from 4.40 percent to 5.0 percent through July 1, 2025.	9,710,000
$25,482,000 2006 general obligation refunding serial bonds, due in annual installments ranging from $143,425 to $11,306,746, plus semi-annual interest ranging from 4.25 percent to 5.25 percent through July 1, 2014.	24,694,494
$15,915,000 2007 general obligation serial bonds due in annual installments ranging from $615,000 to $5,500,000 plus semi-annual interest ranging from 4.125 percent to 6.0 percent through July 1, 2027.	15,915,000

(Continued)

$15,450,000 2008 general obligation serial bonds due in annual installments ranging from $375,000 to $6,675,000 plus semi-annual interest ranging from 4.25 percent to 5.0 percent through July 1, 2028.	$ 14,700,000
$61,830,000 2009 general obligation serial bonds due in annual installments ranging from $1,750,000 to $10,125,000 plus semi-annual interest ranging from 4.0 percent to 4.625 percent through July 1, 2029.	54,930,000
$30,865,000 2010 general obligation bonds due in annual installments ranging from $1,115,000 to $13,225,000 plus semi-annual interest ranging from 4.75 percent to 5.85 percent through July 1, 2030.	30,865,000
Total General Obligation Bonds	**$270,592,553**
Deferred amounts on refundings	3,276,796
Bonds not including deferred amounts on refunding	$273,869,349

Street and Highway User Revenue Bonds

$20,000,000 2000 street and highway user revenue bonds (partially refunded by street and highway user revenue refunding bonds, series 2002A, 2004 & 2005), due in annual principal installments of $1,500,000, plus semi-annual interest of 6.50 percent through July 1, 2011.	$ 1,500,000
$25,800,000 2002 street and highway user revenue bonds (partially refunded by street and highway user revenue refunding bonds, series 2002A, 2004 & 2005), due in annual principal installments ranging from $800,000 to $1,000,000, plus semi-annual interest ranging from 5.75 percent to 6.25 percent through July 1, 2012.	2,000,000
$31,985,000 2002 street and highway user revenue refunding bonds, due in annual installments ranging from $40,000 to $6,270,000, plus semi-annual interest ranging from 2.0 percent to 5.0 percent through July 1, 2017.	28,612,457
$26,805,000 2003 street and highway user revenue bonds, due in annual principal installments ranging from $500,000 to $9,750,000, plus semi-annual interest ranging from 4.25 percent to 5.50 percent through July 1, 2022.	26,300,000
$9,585,000 2004 street and highway user revenue bonds (partially refunded by street and highway user revenue refunding bonds, series 2005), due in annual principal installments ranging from $100,000 to $225,000, plus semi-annual interest ranging from 4.00 percent to 5.00 percent through July 1, 2022.	1,475,000
$17,760,000 2004 street and highway user revenue refunding bonds, due in annual installments ranging from $20,000 to $7,250,000, plus semi-annual interest ranging from 3.5 percent to 5.0 percent through July 1, 2018.	17,098,621
$23,800,000 2005 street and highway user revenue refunding bonds, due in annual principal installments ranging from $25,000 to $8,000,000, plus semi-annual interest ranging from 2.75 percent to 5.0 percent through July 1, 2023.	22,758,998
$10,225,000 2005 street and highway user revenue bonds, due in annual principal installments ranging from $50,000 to $8,500,000, plus semi-annual interest ranging from 4.0 percent to 5.0 percent through July 1, 2024.	10,125,000

(Continued)

$11,675,000 2006 street and highway user revenue bonds, due in annual installments ranging from $850,000 to $9,850,000, plus semi-annual interest ranging from 4.50 percent to 5.25 percent through July 1, 2025.	$ 11,675,000
$10,675,000 2007 street and highway user revenue bonds, due in annual principal installments ranging from $1,000,000 to $3,900,000, plus semi-annual interest ranging from 4.25 percent to 5.0 percent through July 1, 2027.	10,675,000
Total Street and Highway User Revenue Bonds	**$132,220,076**
Deferred amounts on refundings	2,324,924
Total Street and Highway User Revenue Bonds not including deferred amounts on refundings	$134,545,000

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

$5,025,000 2005 special assessment district bonds, due in annual principal installments of $335,000, plus semi-annual interest of 5.80 percent, through January 1, 2021.	$ 3,685,000
$4,091,840 2007 special assessment district bonds, due in annual principal installments ranging from $408,840 to $410,000, plus semi-annual interest of 5.0 percent, through January 1, 2017.	2,865,000
Total Special Assessment Bonds	**$ 6,550,000**
Total bonds payable recorded in governmental activities	**$409,362,629**

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

General Obligation Bonds

$1,200,000 2002 general obligation serial bonds (partially refunded by 2002A, 2004 & 2006 general obligation refunding bonds), due in annual principal installments ranging from $79,100 to $82,490, plus semi-annual interest ranging from 5.25 percent to 6.00 percent through July 1, 2011.	$ 81,300
$120,000 2002 general obligation refunding serial bonds, due in annual principal installments ranging from $294 to $46,771, plus semi-annual interest ranging from 3.75 percent to 5.375 percent through July 1, 2015.	27,364
$1,529,379 2002A general obligation refunding serial bonds, due in annual principal installments ranging from $53,631 to $377,187, plus semi-annual interest ranging from 3.75 percent to 4.20 percent through July 1, 2016. Total bonds outstanding at June 30, 2007, include $54,062 of certificates of ownership of supplemental interest payments and $3,640 of capital appreciation maturing through 2010.	1,180,711
$214,700 2004 general obligation refunding serial bonds, due in annual principal installments ranging from $35,000 to $32,000,000, plus semi-annual interest ranging from 2.4 percent to 5.0 percent through July 1, 2016.	214,332

(Continued)

$1,168,000 2006 general obligation refunding serial bonds, due in annual principal installments ranging from $6,574 to $518,254, plus semi-annual interest ranging from 4.25 percent to 5.25 percent through July 1, 2014.	$ 1,168,000
Total General Obligation Bonds	**$ 2,671,707**
Deferred amounts on refundings	18,944
Total General Obligation Bonds not including deferred amounts on refunding	$ 2,690,651

Utility Systems Revenue Bonds

$94,730,000 1997 utility systems revenue serial bonds (partially refunded by 1998, 2002 & 2006 utility systems revenue refunding bonds), due on July 1, 2012, plus semi-annual interest of 7.25 percent through July 1, 2012.	$ 4,000,000
$32,500,000 1998 utility systems revenue refunding serial bonds (partially refunded by 2002A, 2006 and 2008 utility systems revenue refunding bonds), due in annual principal installments ranging from $100,000 to $9,105,000, plus semi-annual interest ranging from 4.25 percent to 5.00 percent through July 1, 2013.	15,751
$69,200,000 2000 utility systems revenue serial bonds (partially refunded by 2002, 2002A & 2004 utility systems revenue refunding bonds), due in annual principal installments ranging from $4,200,000 to $5,250,000, plus semi-annual interest of 6.50 percent through July 1, 2011.	5,250,000
$57,950,000 2002 utility systems revenue serial bonds (partially refunded by 2004 & 2006 utility systems revenue refunding bonds), due in annual principal installments ranging from $950,000 to $1,000,000, plus semi-annual interest ranging from 4.25 percent to 5.75 percent through July 1, 2017.	7,000,000
$129,000,000 2002 utility systems revenue refunding serial bonds, due in annual principal installments ranging from $65,000 to $29,550,000, plus semi-annual interest ranging from 3.40 percent to 5.25 percent through July 1, 2017.	126,727,949
$48,850,000 2002A utility systems revenue refunding serial bonds, due in annual principal installments ranging from $40,000 to $17,890,000, plus semi-annual interest ranging from 3.00 percent to 5.00 percent through July 1, 2017.	47,327,045
$50,470,000 2003 utility systems revenue serial bonds, (partially refunded by 2006 (Series 2) utility systems revenue refunding bonds), due in annual principal installments ranging from $970,000 to $25,500,000, plus semi-annual interest ranging from 3.50 percent to 5.00 percent through July 1, 2022.	24,000,000
$64,625,000 2004 utility systems revenue serial bonds, (partially refunded by 2006 (Series 2) utility systems revenue refunding bonds), due in annual principal installments ranging from $1,125,000 to $11,000,000, plus semi-annual interest ranging from 5.00 percent to 6.00 percent through July 1, 2028.	6,125,000
$40,345,000 2004 utility systems revenue refunding serial bonds, due in annual principal installments ranging from $20,000 to $21,010,000, plus semi-annual interest ranging from 3.50 percent to 5.00 percent through July 1, 2019.	38,628,461

(Continued)

$91,200,000 2005 utility systems revenue serial bonds, (partially refunded by 2006 (Series 2) utility systems revenue refunding bonds), due in annual principal installments ranging from $750,000 to $24,000,000, plus semi-annual interest ranging from 4.125 percent to 5.0 percent through July 1, 2029.	$ 71,200,000
$105,400,000 2006 utility systems revenue serial bonds, (partially refunded by 2006 (Series 2) utility systems revenue refunding bonds), due in annual principal installments ranging from $8,650,000 to $36,750,000, plus semi-annual interest ranging from 4.375 percent to 5.0 percent through July 1, 2030.	87,325,000
$61,300,000 2006 utility systems revenue refunding serial bonds, due in annual principal installments ranging from $2,075,000 to $18,000,000, plus semi-annual interest ranging from 4.0 percent to 5.0 percent through July 1, 2021.	55,023,086
$127,260,000 2006 (Series 2) utility systems revenue refunding serial bonds, due in annual principal installments ranging from $50,000 to $25,845,000 plus semi-annual interest ranging from 4.0 percent to 5.25 percent through July 1, 2028.	120,168,301
$65,550,000 2007 utility systems revenue serial bonds, due in annual principal installments ranging from $2,500,000 to $41,800,000 plus semi-annual interest ranging from 4.25 percent to 6.25 percent through July 1, 2031.	65,550,000
$52,875,000 2008 utility systems revenue serial bonds, due in annual principal installments ranging from $700,000 to $44,675,000 plus semi-annual interest ranging from 4.875 percent to 5.25 percent through July 1, 2032.	52,875,000
$21,125,000 2008 utility systems revenue refunding serial bonds, due in annual principal installments ranging from $100,000 to $2,200,000 plus semi-annual interest ranging from 3.00 percent to 4.00 percent through July 1, 2018.	20,368,163
$50,380,000 2010 utility systems revenue bonds, due in one principal installment plus semi-annual interest 6.10 percent through July 1, 2034.	50,380,000
$59,900,000 2009 utility systems revenue refunding serial bonds, due in annual principal installments ranging from $900,000 to $48,250,000 plus semi-annual interest ranging from 5.875 percent to 6.375 percent through July 1, 2033.	59,900,000
Total Utility Systems Revenue Bonds	**$ 841,863,756**
Deferred amounts on refundings	15,571,244
Total Utility System Revenue Bonds not including deferred amounts on refundings	857,435,000
Total bonds payable recorded in business-type activities	**$ 844,535,463**

(Continued)

The following tables summarize the City's debt service requirements to maturity for its long term bonds payable at June 30, 2010. The deferred amounts on refundings are not included.

Governmental Activities

General Obligation Bonds

Fiscal Year	Principal	Interest	Total
2011	$ 21,675,399	$ 12,780,313	$ 34,455,712
2012	20,955,638	11,714,226	32,669,864
2013	21,868,905	10,720,190	32,589,095
2014	14,007,029	9,666,567	23,673,596
2015	10,964,033	9,076,090	20,040,123
2016-20	75,228,345	35,801,352	111,029,697
2021-25	48,620,000	21,636,431	70,256,431
2026-30	60,550,000	9,513,176	70,063,176
TOTALS	$ 273,869,349	$ 120,908,345	$ 394,777,694

Highway User Revenue Bonds

Fiscal Year	Principal	Interest	Total
2011	$ 6,030,000	$ 6,365,243	$ 12,395,243
2012	6,390,000	6,028,242	12,418,242
2013	6,745,000	5,695,242	12,440,242
2014	7,040,000	5,378,088	12,418,088
2015	7,355,000	5,088,587	12,443,587
2016-20	42,110,000	20,010,620	62,120,620
2021-25	51,200,000	9,022,638	60,222,638
2026-30	7,675,000	491,938	8,166,938
TOTALS	$ 134,545,000	$ 58,080,598	$ 192,625,598

Special Assessment Bonds

Fiscal Year	Principal	Interest	Total
2011	$ 744,000	$ 337,040	$ 1,081,040
2012	744,000	297,160	1,041,160
2013	744,000	257,280	1,001,280
2014	744,000	217,400	961,400
2015	744,000	177,520	921,520
2016-20	2,495,000	381,025	2,876,025
2021	335,000	9,715	344,715
TOTALS	$ 6,550,000	$ 1,677,140	$ 8,227,140

(Continued)

Business-type Activities

	General Obligation Bonds				Revenue Bonds		
Fiscal Year	Principal	Interest	Total	Fiscal Year	Principal	Interest	Total
2011	$ 469,601	$ 122,787	$ 592,388	2011	$ 12,585,000	$ 42,835,311	$ 55,420,311
2012	679,363	103,843	783,206	2012	24,840,000	41,948,511	66,788,511
2013	706,095	70,521	776,616	2013	34,030,000	40,618,536	74,648,536
2014	357,971	35,722	393,693	2014	35,595,000	38,983,886	74,578,886
2015	210,966	21,061	232,027	2015	37,595,000	37,163,311	74,758,311
2016-20	266,655	28,934	295,589	2016-20	174,275,000	157,753,579	332,028,579
2021-25	-	-	-	2021-25	154,900,000	118,724,294	273,624,294
2026-30	-	-	-	2026-30	194,460,000	78,417,059	272,877,059
2031-34	-	-	-	2031-34	189,155,000	27,992,221	217,147,221
TOTALS	$ 2,690,651	$ 382,868	$ 3,073,519	TOTALS	$ 857,435,000	$ 584,436,708	$ 1,441,871,708

Special Assessment Bonds
The City acts as trustee for special assessment districts whereby it collects the assessments levied against owners of property within established districts and disburses the amounts collected to retire the bonds issued to finance the improvements. At June 30, 2010, the special assessments receivable, together with amounts paid in advance and interest to be received over the life of the assessment period, is adequate for the scheduled maturities of the bonds payable and the related interest.

Improvement bonds are collateralized by properties within the districts. In the event of default by the property owner, the City may enforce an auction sale to satisfy the debt service requirements of the improvement bonds. The City is contingently liable on special assessment bonds to the extent that proceeds from auction sales are insufficient to retire outstanding bonds. Special assessment bonds payable with governmental commitment currently outstanding as of June 30, 2010 are $6,550,000.

General Obligation Bonds
The general obligation bonds are backed by the ultimate taxing power and general revenues of the City; however, $2,671,707 of these bonds at June 30, 2010 is carried as a liability of the Enterprise Fund to reflect the intention of retirement from resources of that fund.

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

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

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percent of the secondary assessed valuation for supplying such city with water, artificial light or sewers, and for the acquisition and development of land for open space preserves, parks, playgrounds and recreation facilities, public safety, law enforcement, fire and emergency services facilities and streets and transportation facilities.

The total debt margin available July 1, 2010 is:

6% Bonds	$239,577,898
20% Bonds	548,311,722
Total Available	$787,889,620

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

c. **Reserves for Bond Indentures**

Pursuant to the provisions of the Bond Resolution of the City of Mesa Utility System Revenue and Refunding bonds, Replacement and Reserve Funds are required to be established, into which a sum equal to 2 percent of the gross revenues – as determined on a modified accrual basis – must be deposited until a sum equal to two percent of all tangible assets of the Utility System is accumulated. As of June 30, 2010, the amount provided in the Replacement and Extension Funds equaled $9,683,617 which is in compliance with the bond provisions.

f. **Notes Payable**

Governmental Activities

The City issued $45,000,000 of Highway Project Advancement Notes to provide funds to the Arizona Department of Transportation (ADOT) for the acceleration of the right-of-way acquisition and for design of highway improvements to State Route 802 between State Route 202L and Ellsworth Road. The City has entered into an intergovernmental agreement with ADOT and the Maricopa Association of Governments to advance the improvements to State Route 802. The agreement provides for repayment by ADOT to the City of the full amount of the City advance from monies available to ADOT for the project within a 60-month loan period. The repayments are not secured by any lien upon or pledge of any particular revenues, monies or property of ADOT. No assurance can be given that ADOT will have funds available for repayments due at the times or in the amounts set forth under the agreement.

Business Type Activities

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

The 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 $3,846,902 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, 2010:

	Governmental Activites			Business-type Activities		
Fiscal Year	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
2011	$ -	$ 1,575,694	$ 1,575,694	$ 232,654	$ 59,775	$ 292,429
2012	-	1,512,500	1,512,500	237,490	61,185	298,675
2013	-	1,512,500	1,512,500	122,290	54,714	177,004
2014	-	1,512,500	1,512,500	124,945	52,058	177,003
2015	20,000,000	1,512,500	21,512,500	127,660	49,343	177,003
2016-2020	25,000,000	812,500	25,812,500	681,225	203,792	885,017
2021-2025	-	-	-	758,948	126,070	885,018
2026-2029	-	-	-	678,568	38,701	717,269
TOTALS	$ 45,000,000	$ 8,438,194	$ 53,438,194	$ 2,963,780	$ 645,638	$ 3,609,418

(Continued)

e. **Lease Obligations**

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2010.

	Governmental Activities		
Fiscal Year	**Principal**	**Interest**	**Total**
2011	$ 3,240,527	$ 204,646	$ 3,445,173
2012	1,344,045	83,368	1,427,413
2013	681,953	34,186	716,139
2014	67,952	6,581	74,533
2015	71,643	2,889	74,532
TOTALS	$ 5,406,120	$ 331,670	$ 5,737,790

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Asset:		
Land	$ 3,642,860	$ -
Buildings	10,567,294	-
Other Improvements	3,664,352	10,646,407
Machinery & Equipment	30,084,585	2,863,145
Infrastructure	85,936	-
Construction Work in Process	4,351,277	3,041
Less: Accumulated depreciation	(26,448,694)	(11,989,301)
Total	$ 25,947,610	$ 1,523,292

f. **Short-term Debt**

The City had no short-term debt activity for the fiscal year ended June 30, 2010.

6. **LIABILITIES TO BE PAID FROM ASSETS HELD IN ESCROW**

Liabilities to be paid from assets held in escrow include bonded debt of the City that has been provided for through an Advanced Refunding Bond Issue. Under an advanced refunding arrangement, refunding bonds are issued and the net proceeds, plus additional resources that may be required, are used to purchase securities issued or guaranteed by the United States

(Continued)

Government. These securities are then deposited in an irrevocable trust under an escrow agreement which provides that all proceeds from the trust will be used to fund the principal and interest payments of the previously issued bonded debt being refunded. The trust deposits have been computed so that the securities in the trust, along with future cash flow generated by the securities, will be sufficient to service the previously issued bonds.

In accordance with GASB Statement No. 7, the refunded debt outstanding at June 30, 2010 as reflected below is not included in the City's financial statements.

Utility Systems Revenue Bond Issue dated September 1, 1995	$ 7,000,000
Utility System Revenue Bond Issue dated April 1, 1997	7,000,000
Utility System Revenue Refunding Bond Issue dated March 1, 1998	7,405,000
Utility System Revenue Bond Issue dated March 1, 1998	13,125,000
General Obligation Bond Issue dated January 1, 2002	21,250,000
Utility System Revenue Bond Issue dated January 1, 2002	49,000,000
Street and Highway User Revenue Bond Issue dated January 1, 2002	23,000,000
Utility System Revenue Bond Issue dated March 1, 2003	25,500,000
Street and Highway User Revenue Bond Issue dated June 1, 2004	8,000,000
Utility System Revenue Bond Issue dated June 1, 2004	58,500,000
Utility System Revenue Bond Issue dated June 1, 2005	20,000,000
Utility System Revenue Bond Issue dated June 1, 2006	18,075,000
Total Refunded Bonds Outstanding	$ 257,855,000

(Continued)

7. CAPITAL CONTRIBUTIONS

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

	Property Owners	Governmental Agencies	Developers	Total
Governmental Activities:				
Federal and State Funds	$ -	$ 13,678,962	$ -	$ 13,678,962
Contributions - Capital Assets	124,437	9,788,806	6,750,882	16,664,125
Total	$ 124,437	$ 23,467,768	$ 6,750,882	$ 30,343,087
Business-type Activities:				
Federal and State Funds	$ -	$ 3,140,249	$ -	$ 3,140,249
Developers - Impact and Development Fees	-	-	3,654,875	3,654,875
Contributions-In-Aid	1,172,456	-	-	1,172,456
Contributions - Capital Assets	-	-	9,814,746	9,814,746
Total	$ 1,172,456	$ 3,140,249	$ 13,469,621	$ 17,782,326

8. COMMITMENTS AND CONTINGENT LIABILITIES

a. Pending Litigation

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

b. Sick Leave Benefits

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

(Continued)

pay to employees has been expensed and the liability is shown in the appropriate funds. These amounts have been calculated based on the vested method.

The total sick leave balance recorded as a liability at June 30, 2010, is $6,957,085.

9. ENTERPRISE ACTIVITIES OPERATIONS DETAIL

The Enterprise Fund includes operations of electricity, gas, water, wastewater, solid waste, airport, golf course, convention center, stadium and district cooling. Although the City's Enterprise Fund does not meet the requirements for disclosing segment information, these services provided by the City are of such significance as to warrant certain additional disclosures. Operating revenue, expenses and operating income loss for the year ended June 30, 2010 for these services are as follows:

		Operating Expenses		
Functions	**Operating Revenues**	**Depreciation and Amortization**	**Other**	**Operating Income (Loss)**
Electric	$ 33,078,601	$ 3,372,147	$ 23,211,018	$ 6,495,436
Gas	38,923,919	3,394,025	29,615,303	5,914,591
Water	98,806,049	19,379,577	40,921,769	38,504,703
Wastewater	57,698,904	20,348,628	22,890,468	14,459,808
Solid Waste	46,685,307	2,296,471	28,729,107	15,659,729
Airport	3,124,886	1,335,495	2,587,431	(798,040)
Golf Course	2,265,452	252,859	2,411,164	(398,571)
Convention Center	1,970,891	515,182	2,894,614	(1,438,905)
Hohokam /Fitch Complex	5,836,650	747,361	7,407,183	(2,317,894)
District Cooling	983,592	388,470	611,877	(16,755)
Total	$ 289,374,251	$ 52,030,215	$ 161,279,934	$ 76,064,102

10. NET ASSETS

a. <u>Restricted Net Assets</u>

The government-wide statement of net assets reports $133,965,722 of restricted net assets, of which $39,152,077 is restricted by enabling legislation.

(Continued)

b. **Designated Net Assets**

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

c. **Deficit Net Assets**

The deficit in the Property and Public Liability Self-Insurance Fund is the result of the large increases in the estimated liability for claims during prior fiscal years. Settlements in three claims, dismissals of several high exposure cases and adjustments to reported reserve amounts resulted in a reduction of the deficit net assets during the fiscal year. Contributions from the various funds will need to be increased in future years to cover this deficit.

11. PLEDGED REVENUES

a. **Utility System Revenue Bonds**

The City has pledged future utility customer revenues, net of specified operating expenses, to repay approximately $1.223 billion in utility system revenue bonds issued since 1997. Proceeds from the bonds provided financing for the construction of various utility related projects including new gas pipelines and water and wastewater treatment plants. The bonds are payable solely from utility customer net revenues and are payable through 2034. Annual principal and interest payments on the bonds were 63 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $1,441,871,708. Principal and interest paid for the current year and total customer net revenues were $50,854,631 and $81,037,308, respectively.

b. **Highway User Revenue Bonds**

The City has pledged future Highway User Taxes Revenue to repay $188.3 million in highway user revenue bonds issued since 2000. 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 39 percent of eligible revenues. The total principal and interests remaining to be paid on the bonds is $192,625,598. Principal and interest paid for the current year and total highway user tax revenues were $12,411,417 and $31,790,889, respectively.

c. **Special Assessment Bonds**

The special assessment revenues collected by the City are pledged to repay $9.1 million of special assessment bonds issued since 2005. Proceeds from the bonds are used to finance improvements that property owners have agreed to pay. In the event of default by the property owner, an auction sale may be enforced by the City. If collections and auction proceeds are not sufficient to retire outstanding bonds the City is contingently liable. These bonds are payable through 2021.

(Continued)

Annual principal and interest payments on the bonds are expected to be covered 100% with collections from the property owners. The total principal and interest remaining to be paid on the bonds is $8,227,140. Principal and interest paid for the current year and total assessments collected were $1,120,920, and $922,651, respectively.

12. JOINT VENTURES

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

The System has no debt outstanding. Audited summary financial information on the System (GAAP basis) as of and for the fiscal year ended June 30, 2009 (latest information available) is as follows:

Assets	
Equity in Pooled Cash and Investments	$ 37,478,000
Receivables	25,627,000
Inventories at Average Cost	537,000
Capital Assets	900,813,000
Total Assets	964,455,000
Liabilities	53,259,000
Net Assets	$ 911,196,000
Total Revenues	$ 173,417,000
Total Expenses	(67,878,000)
Increase (Decrease) in Net Assets	$ 105,539,000

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

The City also participates with the City of Phoenix in a water treatment plant. The City of Phoenix is responsible for the planning, budgeting, construction, operation and maintenance of the plant. As lead agency, Phoenix provides all management personnel and financing

(Continued)

arrangements. Phoenix and Mesa participate in ownership of the plant and are charged for operating expenses based on gallons of water treated. The City's investment in the joint venture is reflected in the proprietary funds financial statements.

The water treatment plant has no debt outstanding. Audited summary financial information for the plant (GAAP basis) as of and for the fiscal year ended June 30, 2009 (latest information available) is as follows:

Assets		
Equity in Pooled Cash and Investments	$	7,674,000
Receivables		7,385,000
Inventories		277,000
Capital Assets, Net of Accumulated Depreciation		230,288,000
Total Assets		245,624,000
Liabilities		10,588,000
Net Assets	$	235,036,000
Total Revenues	$	72,205,000
Total Expenses		(24,388,000)
Increase in Net Assets	$	47,817,000

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

Construction of a joint water reclamation plant with the Towns of Gilbert and Queen Creek was completed on December 2, 2006. The City acts as the lead agency and is responsible for the planning, budgeting, construction, operation and maintenance of the plant. As lead agent, the City provides all management personnel and financing arrangements. Mesa, Gilbert and Queen Creek participate in ownership of the plant and are charged for operating expenses based on gallons of flow. The City's investment in the joint venture is reflected in the proprietary funds financial statements. Separate financial statements are not prepared.

(Continued)

Total investment in the joint venture as of June 30, 2010 is:

Mesa's Share	$ 72,322,270
Gilbert's Share	68,796,562
Queen Creek's Share	30,058,417
Total Joint Venture	$171,177,249

In June 2002, the City agreed to participate in the Central Phoenix/East Valley Light Rail Transit (LRT). The City participates with the cities of Phoenix, Tempe and Glendale. Valley Metro Rail, Inc. (VMR) will design, construct, and operate the LRT project. A total of $51,429,715 has been spent on this project through the fiscal year ended June 30, 2010. The City has received $41.6 million of funding from the Federal Transit Administration (FTA); Congestion Mitigation Air Quality (DMAQ) and Public Transit Funds (PTF) related to this project. The City's investment in the joint venture is reflected in the governmental activities column on the government-wide financial statements.

Audited summary financial information on the system (GAAP basis), as of and for the fiscal year ended June 30, 2009, (latest information available) is as follows:

Assets	
Current Assets	$ 159,051,762
Non Current Assets	1,221,349,623
Total Assets	1,380,401,385
Liabilities	192,544,719
Net Assets	$ 1,187,856,666
Total Revenues	$ 179,370,902
Total Expenses	(75,076,079)
Increase in Net Assets	$ 104,294,823

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

Valley Metro Rail Inc. (METRO) and the City of Mesa (COM) are advancing the planning to implement an extension to the existing 20-mile Light Rail (LRT) starter line that opened in December 2008. The Central Mesa corridor is a 3.1 mile extension east into downtown Mesa that

(Continued)

will connect to the existing Light Rail line. The new line is anticipated to commence passenger operations in 2016. The project is identified in the voter approved Regional Transportation Plan

(RTP) and is included in the Regional Transportation Improvement Plan (TIP) approved by the Maricopa Association of Governments (MAG) Regional Council. The total capital cost of the project is $175 million in 2010 dollars and $199 million in year of expenditure dollars.

In August 2008, the City of Mesa, the City of Apache Junction, Apache Junction Fire District the Town of Gilbert, and the Town of Queen Creek (the Parties) entered into an intergovernmental agreement to plan, design, construct, operate, maintain and finance the TOPAZ Regional Wireless Cooperative Network (Trunked Open Arizona Network – 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 subscriber units (radio counts). The City's investment in the joint venture is reflected in the governmental funds financial statements. Separate financial statements are not prepared.
Total investment in the joint venture as of June 30, 2010 is:

City of Mesa	$ 713,302
Town of Gilbert	190,815
City of Apache Junction	42,231
Apache Junction Fire District	19,056
Town of Queen Creek	6,695
Total Joint Venture	$ 972,099

(Concluded)

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APPENDIX E

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 issued 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 Bond certificate will be issued 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 Standard & Poor's highest rating: "AAA." 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 and www.dtc.org.

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 Bond ("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 Bond 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 and Paying Agent, 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 and Paying Agent, 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 and Paying Agent, 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 Paying Agent, 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 and Paying Agent. 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 Registrar and Paying Agent'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 and Paying Agent. 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.

NEITHER THE CITY, THE REGISTRAR NOR THE 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 OR THE CERTIFICATES UNDER THE RESOLUTIONS; (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 OR THE CERTIFICATES; (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE BONDS OR CERTIFICATES; OR (5) ANY OTHER MATTERS.

APPENDIX F

FORM OF APPROVING LEGAL OPINION

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June 2, 2011

MAYOR AND COUNCIL
CITY OF MESA
MARICOPA COUNTY, ARIZONA

We have examined the transcript of proceedings relating to the issuance by the City of Mesa, Arizona (the "*City*"), of its $29,320,000 of aggregate principal amount General Obligation Bonds, Series 2011 (the "*Bonds*"). The Bonds are dated the date of initial delivery and bear interest payable January 1 and July 1 of each year, commencing January 1, 2012.

As to questions of fact material to our opinion, we have relied upon, and assumed due and continuing compliance with the provisions of, the proceedings and other documents, and have relied upon certifications, covenants and representations furnished to us without undertaking to verify the same by independent investigation, including, without limitation, those with respect to causing interest on the Bonds to be and remain excluded from gross income for federal income tax purposes.

Based upon the foregoing, we are of the opinion, as of this date, which is the date of initial delivery of the Bonds against payment therefor, that:

1. The Bonds are valid and binding general obligations of the City.

2. All taxable property within the City is subject to the levy of a direct, annual, ad valorem tax to pay the principal of and interest on the Bonds without limit as to rate or amount. It is required by law that there be levied, assessed and collected, in the same manner as other taxes of the City, an annual tax upon the taxable property in the City sufficient to pay the principal of and interest on the Bonds when due.

3. Under existing laws, regulations, rulings and judicial decisions, the interest income on the Bonds is excluded from gross income for the purpose of calculating federal income taxes and is exempt from Arizona income taxes. Interest income on the Bonds is not an item of tax preference to be included in computing the alternative minimum tax of individuals or corporations; however, such interest income must be taken into account for federal income tax purposes as an adjustment to alternative minimum taxable income for certain corporations, which income is subject to federal alternative minimum tax. The Bonds are not private activity bonds within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended (the "Code"). We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

The Code imposes various restrictions, conditions and requirements relating to the continued exclusion of interest income on the Bonds from gross income for federal income tax purposes, including a requirement that the City rebate to the federal government certain of the investment earnings with respect to the Bonds. Failure to comply with such restrictions, conditions and requirements could result in the interest income on the Bonds being included as gross income for federal income tax purposes from their date of issuance. The City has covenanted to comply with the restrictions, conditions and requirements of the Code necessary to preserve the tax-exempt status of the Bonds. For purposes of this opinion we have assumed continuing compliance by the City with such restrictions, conditions and requirements.

The rights of the owners of the Bonds and the enforceability of those rights may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and the enforcement of those rights may be subject to the exercise of judicial discretion in accordance with general principles of equity.

GUST ROSENFELD P.L.C.

Bond Counsel

APPENDIX G

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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$29,320,000
CITY OF MESA, ARIZONA
GENERAL OBLIGATION BONDS
SERIES 2011

CONTINUING DISCLOSURE CERTIFICATE
(CUSIP NO. 590485)

This Continuing Disclosure Certificate (the "*Disclosure Certificate*") is undertaken by the City of Mesa, Arizona (the *"City*") in connection with the issuance of General Obligation Bonds, Series 2011 (the "*Bonds*"). In consideration of the initial sale and delivery of the Bonds, the City covenants as follows:

Section 1. **Purpose of the Disclosure Certificate**. This Disclosure Certificate is for the benefit of the Bondholders and in order to assist the Participating Underwriter in complying with the Rule (as hereinafter defined).

Section 2. **Definitions**. Any capitalized term used herein shall have the following meanings, unless otherwise defined herein:

"*Annual Report*" shall mean the annual report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Bondholder*" shall mean any registered owner or beneficial owner of the Bonds.

"*Bond Counsel*" shall mean Gust Rosenfeld P.L.C. or such other nationally recognized bond counsel as may be selected by the City.

"*Dissemination Agent*" shall mean the City or any person designated in writing by the City as the Dissemination Agent.

"*EMMA*" shall mean the Electronic Municipal Market Access system and the EMMA Continuing Disclosure Service of MSRB, or any successor thereto approved by the United States Securities and Exchange Commission, as a repository for municipal continuing disclosure information pursuant to the Rule.

"*Listed Events*" shall mean any of the events listed in Section 5 of this Disclosure Certificate.

"*MSRB*" shall mean the Municipal Securities Rulemaking Board, or any successor thereto.

"*Official Statement*" shall mean the final official statement dated May 19, 2011 relating to the Bonds.

"*Participating Underwriter*" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. **Provision of Annual Reports**.

(a) The City shall, or shall cause the Dissemination Agent to, not later than February 1 of each year (the "*Filing Date*"), commencing February 1, 2012, provide electronically to MSRB, in a format prescribed by MSRB, an Annual Report for the fiscal year ending on the preceding June 30 which is consistent with the requirements of Section 4 of this Disclosure Certificate. Currently, filings are required to be made with EMMA. Not later than fifteen (15) business days prior to such Filing Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City).

(b) If the City is unable or for any reason fails to provide electronically to EMMA an Annual Report or any part thereof by the Filing Date required in subsection (a) above, the City shall promptly send a notice to EMMA in substantially the form attached as *Exhibit A* not later than such Filing Date.

(c) If the City's audited financial statements are not submitted with the Annual Report and the City fails to provide to EMMA a copy of its audited financial statements within 30 days of receipt thereof by the City, then the City shall promptly send a notice to EMMA in substantially the form attached as *Exhibit B*.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date(s) for providing the Annual Report and audited financial statements the proper address of EMMA; and

(ii) if the Dissemination Agent is other than the City, file a report or reports with the City certifying that the Annual Report and audited financial statements, if applicable, have been provided pursuant to this Disclosure Certificate, stating the date such information was provided and listing where it was provided.

Section 4. Content of Annual Reports.

(a) The Annual Report may be submitted as a single document or as separate documents comprising an electronic package, and may incorporate by reference other information as provided in this Section, including the audited financial statements of the City; provided, however, that if the audited financial statements of the City are not available at the time of the filing of the Annual Report, the City shall file unaudited financial statements of the City with the Annual Report and, when the audited financial statements of the City are available, the same shall be submitted to EMMA within 30 days of receipt by the City.

(b) The City's Annual Report shall contain or incorporate by reference the following:

(i) Type of Financial and Operating Data to be Provided:

(A) Subject to the provisions of Sections3 and 4(a) hereof, annual audited financial statements for the City.

(B) Annually updated financial information and operating data of the type contained in the following subsections of the Official Statement:

Security for and Sources of Payment of the Bonds - Sources of Payment of the Bonds;

Appendix B – Financial Data – Statements of Bonds Outstanding.

(C) In the event of an amendment pursuant to Section 8 hereof not previously described in an Annual Report, an explanation, in narrative form, of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided and, if the amendment is made to the accounting principles to be followed, a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles, including a qualitative discussion of the differences, and the impact on the presentation and, to the extent feasible, a quantitative comparison.

(ii) Accounting Principles Pursuant to Which Audited Financial Statements Shall Be Prepared: The audited annual financial statements shall be prepared in accordance with generally accepted accounting principles and state law requirements as are in effect from time to time. A more complete description of the accounting principles currently followed in the preparation of the City's audited annual financial statements is contained in Note 1 of the audited financial statement included within the Official Statement.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the City or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from EMMA. The City shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Significant Events.

This Section 5 shall govern the giving of notices by the City of the occurrence of any of the following events with respect to the Bonds, and the City shall in a timely manner, not in excess of ten business days after the occurrence of the event, provide notice of the following events with EMMA:

(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 (the "*IRS*") of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds;
(7) Modifications to rights of Bondholders, if material;
(8) Bond calls, if material, and tender offers;
(9) Defeasances;
(10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
(11) Rating changes;
(12) Bankruptcy, insolvency, receivership or similar event 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; and
(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material

Note to Paragraph (12) above: For the purposes of the event identified in paragraph (12) above, the event is considered to occur when 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 or 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.

Section 6. **Termination of Reporting Obligation**. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. Such termination shall not terminate the obligation of the City to give notice of such defeasance or prior redemption.

Section 7. **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 Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

Section 8. **Amendment**. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate if:

(a) The amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in identity, nature or status of the City, or the type of business conducted;

(b) This Disclosure Certificate, as amended, would, in the opinion of Bond Counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Bondholders, as determined by Bond Counsel.

Notice of any amendment to the accounting principles shall be sent within 30 days to EMMA.

Section 9. **Filing with EMMA**. The City shall, or shall cause the Dissemination Agent to, electronically file all items required to be filed with EMMA.

Section 10. **Additional Information**. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. **Default**. In the event of a failure of the City to comply with any provision of this Disclosure Certificate any Bondholder may seek specific performance by court order to cause the City to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance and such failure shall not constitute a default under the Bonds or the resolution authorizing the Bonds.

Section 12. **Compliance by the City**. The City hereby covenants to comply with the terms of this Disclosure Certificate. The City expressly acknowledges and agrees that compliance with the undertaking contained in this Disclosure Certificate is its sole responsibility and the responsibility of the Dissemination

Agent, if any, and that such compliance, or monitoring thereof, is not the responsibility of, and no duty is present with respect thereto for, the Participating Underwriter, Bond Counsel or the City's financial advisor.

Section 13. **Subject to Appropriation**. Pursuant to Arizona law, the City's undertaking to provide information under this Disclosure Certificate is subject to appropriation to cover the costs of preparing and sending the Annual Report and notices of material events to EMMA. Should funds that would enable the City to provide the information required to be disclosed hereunder not be appropriated, then notice of such fact will be made in a timely manner to EMMA in the form of *Exhibit C* attached hereto.

Section 14. **Beneficiaries**. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Bondholders, and shall create no rights in any other person or entity.

Section 15. **Governing Law**. This Disclosure Certificate shall be governed by the law of the State of Arizona and any action to enforce this Certificate must be brought in an Arizona state court. The terms and provisions of this Disclosure Certificate shall be interpreted in a manner consistent with the interpretation of such terms and provisions under the Rule and the federal securities law.

Section 16. **Notice Concerning Cancellation of Contracts**. To the extent applicable by provision of law, this Disclosure Certificate is subject to cancellation pursuant to A.R.S. Section 38-511, as amended.

Date: June 2, 2011

CITY OF MESA, ARIZONA

By______________________________________
Its ______________________________________

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Mesa, Arizona
Name of Bond Issue: $29,320,000 General Obligation Bonds, Series 2011
Dated Date of Bonds: June 2, 2011 CUSIP 590485

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Disclosure Certificate dated June 2, 2011. The Issuer anticipates that the Annual Report will be filed by ______________________.

Dated:

City of Mesa, Arizona

By____
Its ____

EXHIBIT B

NOTICE OF FAILURE TO FILE AUDITED FINANCIAL STATEMENTS

Name of Issuer: City of Mesa, Arizona
Name of Bond Issue: $29,320,000 General Obligation Bonds, Series 2011
Dated Date of Bonds: June 2, 2011 CUSIP 590485

NOTICE IS HEREBY GIVEN that the Issuer failed to provide its audited financial statements with its Annual Report or, if not then available, within 30 days of receipt as required by Section 4(a) of the Disclosure Certificate dated June 2, 2011, with respect to the above-named Bonds. The Issuer anticipates that the audited financial statements for the fiscal year ended June 30, ____ will be filed by ______________________.

Dated:

City of Mesa, Arizona

By____
Its ____

EXHIBIT C

NOTICE OF FAILURE TO APPROPRIATE FUNDS

Name of Issuer: City of Mesa, Arizona
Name of Bond Issue: $29,320,000 General Obligation Bonds, Series 2011
Dated Date of Bonds: June 2, 2011 CUSIP 590485

NOTICE IS HEREBY GIVEN that the Issuer failed to appropriate funds necessary to perform the undertaking required by the Disclosure Certificate dated June 2, 2011.

Dated: ________________

City of Mesa, Arizona

____
Its ____

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WEDBUSH