

GILBERT, ARIZONA

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2015

2nd



SAFEST COMMUNITY

Earned the designation as 2nd safest city in the U.S. for municipalities over 200,000 residents.

8th



MOST THRIVING

Named the 8th most thriving city in the U.S. based on economic factors including: population, bond ratings, residents' educational attainment and local housing market.

9th



BEST CITY FOR FAMILIES

Ranked 9th out of the 150 largest cities in the U.S. thanks to Gilbert's low crime rate and high median family income.

12th



FASTEST GROWING

Recognized as the 12th fastest-growing city in the country with a population of over 50,000 by the U.S. Census Bureau.

INSTRUCTIONS FOR NAVIGATING IN THE “COMPREHENSIVE ANNUAL FINANCIAL REPORT” PDF Files

- **Bookmarks** for major sections are provided in the navigation pane on the left. Click on the bookmark to jump directly to that section.
- If a “+” sign is at the left of a bookmark, click on the “+” to bring up subheadings.
- All pages are linked to the **Table of Contents**. To jump to a specific page or subsection from the Table of Contents, put the pointer finger on the title or page number within and click the mouse.
- Click the “**Table of Contents**” text located in the top right hand corner of any page or click the Table of Contents bookmark on the left.



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Gilbert
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

**Comprehensive Annual
Financial Report**
Year Ended June 30, 2015



John W. Lewis, Mayor

Jordan Ray, Vice Mayor
Eddie Cook, Council Member
Jenn Daniels, Council Member

Victor Petersen, Council Member
Brigette Peterson, Council Member
Jared Taylor, Council Member

Patrick Banger, Manager

Prepared by the Finance & Management Services Department

Cindi Mattheisen, Finance & Management Services Director

TOWN OF GILBERT, ARIZONA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2015

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Introductory Section

Letter of Transmittal

Advisory Organization Chart

Organization Reporting Chart



December 7, 2015

Honorable Mayor, Members of the Council, and Gilbert Citizens:

I am pleased to submit to you the ***Comprehensive Annual Financial Report (CAFR)*** for the Town of Gilbert (Gilbert), for the fiscal year ended June 30, 2015. State law (Arizona Revised Statutes §9-481) requires that local governments publish a complete set of audited financial statements within six months of the close of each fiscal year.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any significant misstatements.

Heinfeld, Meech & Company, a firm of licensed certified public accountants, has issued an unmodified opinion on Gilbert's financial statements for the year ended June 30, 2015. The independent auditors' report is located in the Financial Section of this report.

This letter of transmittal is designed to complement Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The MD&A can be found in the Financial Section of this report.

GILBERT PROFILE

Governmental Structure

Gilbert is an Arizona Municipal Corporation, operating as a general law community as prescribed in the Arizona Revised Statutes. Gilbert was incorporated July 6, 1920, and operates under the Council-Manager form of government. The Mayor is a member of the Council and is elected by the voters for a four-year term. Six additional council members are elected at-large to staggered four-year terms.

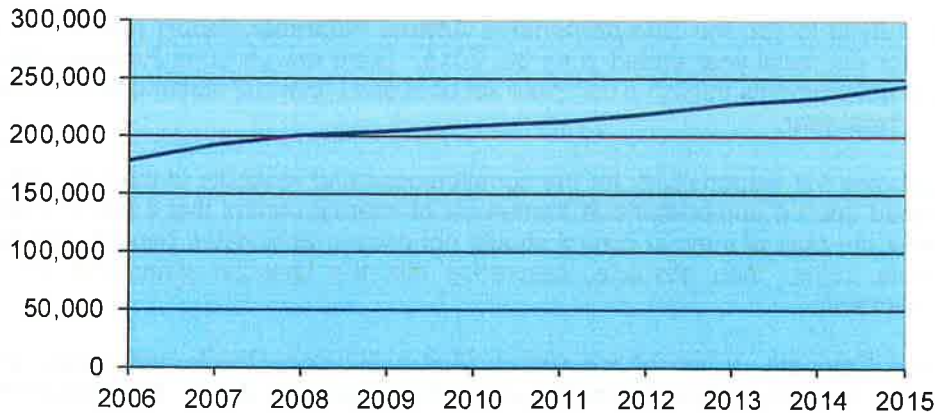
The Mayor is the chief executive officer and chairperson of the Council. The Town Manager (Manager) is appointed by the Council and serves as the chief administrative officer. During fiscal year 2015, the Manager administered Gilbert's operations through a staff of 1,249 budgeted full time equivalent positions.

Gilbert provides or administers a full range of services including police and fire protection, development services (planning, code enforcement, and engineering), public works (water, wastewater, environmental services, and streets), and parks and recreation services. Transit and "dial-a-ride" services are provided through an intergovernmental agreement with the Regional Public Transportation Authority. Library services, incarceration and animal control are provided through intergovernmental agreements with Maricopa County.

Geography and Population

Gilbert is located in the southeastern section of the greater Phoenix metropolitan area in Maricopa County, bounded on the north and east by the City of Mesa, on the west by the City of Chandler, on the southeast by the Town of Queen Creek, and on the south by the Gila River Indian Community. Gilbert has a planning area of 72.6 square miles. The most recent estimate of population from the Maricopa Association of Governments as of July 1, 2015, was 242,955, an increase of 4.3% from fiscal year 2014. The following graph depicts the ten-year population trend for Gilbert.

Population



FACTORS AFFECTING FINANCIAL CONDITION

Growth and Construction

There were 1,668 new residential permits and 268 commercial permits issued in fiscal year 2015 which represents an increase of 55 residential permits and a decrease of 16 commercial permits from the prior fiscal year. The total value of all new construction in fiscal year 2015, including commercial, was \$496 million, up from \$472 million in fiscal year 2014.

System Development Fees (SDF's) are collected for capital needs related to growth in the community. The Council has adopted SDF's for police, fire, general government, traffic signals, parks and recreation, water resources, water, and wastewater. The fees are based on build-out system requirements to serve the projected population and land uses. During fiscal year 2015, a total of \$40.1 million was collected in SDF's compared to \$38.5 million in fiscal year 2014.

Economic Development

With over 242,000 residents, Gilbert, Arizona is thriving as evidenced by its growth and development, commitment to safety, premier education, playfulness, and innovation. Over the past few years, Gilbert has received numerous awards and recognitions, a few of which are included below.

- General obligation bond rating upgraded to Aaa by Moody's Investor Service
- 22nd best place to live in the nation (CNN/Money Magazine, 2014)
- 2nd safest City in the United States (Law Street Media, 2015)
- 3rd best City to Find a Job in the United States (WalletHub, 2015)
- 8th Most Thriving City in the United States (The Daily Beast, 2013)

A community committed to education, 40.7% of residents age 25+ hold a bachelor's degree or higher, compared with 30% nationally. Notable employers like Banner Health, Dignity Health, Banner MD Anderson Cancer Center, Go Daddy, Mapfre Insurance, Unicon, Orbital Sciences, Lockheed Martin, and Heliae, benefit from this commitment to education and have helped keep Gilbert's unemployment near 4.5%, as compared to approximately 6% for the state and the nation. Knowledge assets that support the community include Saint Xavier University (opened in August 2015), Arizona State University Polytechnic Campus, Chandler-Gilbert Community College, A.T. Still University, as well as over 69 other colleges, universities and technical schools within a 30-minute commute. Additionally, four A rated school districts – Gilbert, Higley, Mesa and Chandler – serve the citizens of Gilbert.

To support the growth and attraction of business and industry, the Gilbert Office of Economic Development (OED) has worked closely with stakeholders, elected officials and the development community to encourage the construction of speculative building space. As a result, several major projects are either under construction or in the planning phases. A few of the key developments are:

- Rivulon – A Nationwide Realty Investors development that will provide more than three million square feet of Class A office space northeast of Gilbert Road and the Loop 202 freeway.
- Park Lucero – A multi-phase development by Trammel Crow that will feature six buildings totaling 618,000 square feet. Phase I of the development was completed June 2015.
- Gilbert Spectrum – A planned 800,000 +/- square foot light industrial development located on the southwest corner of McQueen and Elliot Roads.

Additionally, staff has identified Accelerated Development Sites that will allow the community to market large multi-acre parcels and respond quickly to large build-to-suit projects.

The Gilbert OED is one of approximately 46 Accredited Economic Development Organizations in the nation. Gilbert achieved this accreditation through the International Economic Development Council in 2013 and was the first Arizona economic development organization, and the second municipality in the nation, to do so. Fiscal year 2015 represented the third year of a five year Strategic Plan for the OED and produced an increase in business development activity, resulting in \$290 million in new capital investment and more than 1,600 new or retained jobs.

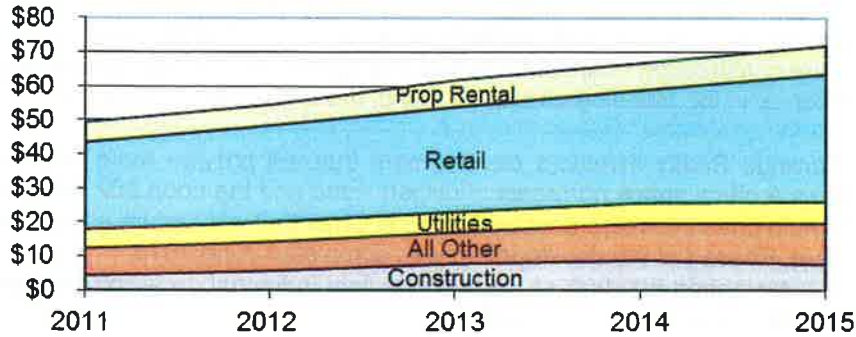
The transformation of Gilbert's Heritage District continued in fiscal year 2015 with the opening of Gilbert's first public parking garage and the completion of Phase I of the Heritage Marketplace – home to food favorites Zinburger, Lo Lo's Chicken and Waffles, Pomo Pizzeria, Barrio Queen Gilbert, and Petersen's Ice Cream. Gilbert OED also continued to enhance Gilbert's position as a tourism destination, completing a tourism needs assessment and launching the "Discover Gilbert" brand with a new website and collateral marketing pieces.

Gilbert's connectivity to major markets is provided through a comprehensive transportation network which includes the Santan Loop 202 and US-60 Superstition Freeways, Sky Harbor International Airport, and Phoenix-Mesa Gateway Airport. This network provides access to Gilbert-based businesses while connecting the community to local, national and international markets. Located just over 10 miles west of Gilbert, Phoenix Sky Harbor Airport is served by 17 airlines. Sky Harbor is one of the busiest airports in the nation for passenger traffic with over 100,000 passengers daily. Phoenix-Mesa Gateway Airport is located on Gilbert's eastern border and handles over one million passengers yearly with flights to over 35 destinations throughout the United States. The airport also provides air cargo services and is located within a Foreign Trade Zone.

Transaction Privilege (Sales) Tax Trend

Sales tax revenues represented 51% of General Fund revenues for fiscal year 2015, totaling approximately \$71.8 million. Local sales taxes are collected by the Arizona Department of Revenue and remitted to Gilbert weekly. The following graph depicts sales tax receipts by source for the past five years.

Privilege Tax by Source
(Millions)



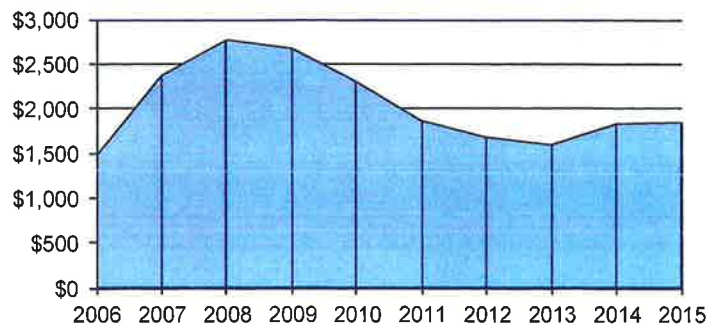
Property Taxes

State law requires municipalities to adopt a property tax levy based on the exact amount of scheduled debt service for the year plus a reasonable amount for delinquencies and certain costs. For fiscal year 2015, Gilbert's property tax rate is \$1.06 per \$100 of secondary assessed valuation and is used exclusively for the payment of voter approved general obligation bond debt. Gilbert does not levy a primary property tax for general operating purposes.

Assessed Valuation

The assessed value of real property within the Gilbert annexed area is a vital economic forecast variable, as the State Constitution contains regulatory restrictions on the amount of debt a community may have outstanding based on secondary assessed valuation. Taking the market value of a property and applying the statutory assessment rate derives the assessed value. Residential properties are assessed at 10%, vacant land is assessed at 16%, and commercial properties are assessed at 18.5%. This illustrates how crucial the additions of commercial properties are to the tax base. The assessed valuation increased by <1% in fiscal year 2015 from \$1.829 billion to \$1.845 billion. The following graph depicts the changes in the assessed valuation in Gilbert for the past ten years:

Secondary Assessed Value
(Millions)



State Shared Revenues

State shared revenues totaled \$44.3 million for the General Fund and \$20.9 million for the Streets Special Revenue Fund in fiscal year 2015, representing approximately 31% of total General Fund revenues and 98% of total Streets Special Revenue Fund revenues. State shared revenues include allocations of state sales tax, income tax, gas tax, motor vehicle in-lieu tax, and lottery funds. These revenues are shared based upon relative population in the State as determined by census. The 2010 Census established Gilbert's population at 208,453 compared to 173,072 from the mid-decade census in September 2005. Currently, Gilbert is participating in the 2015 mid-decade census.

Budget and Financial Policies

Gilbert's financial policies establish the framework for overall fiscal planning and management. The policies set forth guidelines for both current activities and long range planning. The purposes of the financial policies are:

Balanced Budget - Gilbert is required by Arizona Revised Statutes to adopt a balanced budget each fiscal year. A balanced budget is one in which the sum of estimated revenues and appropriated fund balances is equal to appropriations.

Fiscal Conservatism – To ensure that Gilbert is at all times in solid financial condition, defined as:

Cash solvency – the ability to pay bills

Budgetary solvency – the ability to balance the budget

Long-term solvency – the ability to pay future costs

Service level solvency – the ability to provide needed and desired services

Flexibility – To ensure Gilbert is in a position to respond to changes in the economy or new service challenges without an undue amount of financial stress.

Transparency and Communication – To utilize best practices in communicating financial information to facilitate sound decision-making, to promote openness and transparency, and to inspire public confidence and trust.

Adherence to the Highest Accounting and Management Practices – As set by the Governmental Accounting Standards Board and the Government Finance Officers Association standards for financial reporting and budgeting.

A five-year financial plan is developed for each operating fund and current year decisions are made with a forecasted future impact. Other financial policies that guide the budget include: maintaining a minimum general fund balance sufficient to cover 90 days of operating expenditures and the annual debt service payments; one-time revenues are not applied toward ongoing expenditures; and establishment of an economic development reserve. Gilbert's Council adopted a comprehensive listing of policies of responsible financial management in November of 2011. These policies are reviewed annually to ensure their continued relevance and adherence.

Long-Term Financial Planning

In addition to Gilbert's General Plan and Capital Improvement Plan, Gilbert is developing infrastructure inventories (including repair and replacement plans) and functional area master plans. Gilbert also has a total of six strategic initiatives as follows: Long and Short-Term Financial Plans, Community Livability, Technology Leader, Economic Development, Proactive Infrastructure, and High Performing Government, which will be discussed in more detail throughout the document. We have implemented Franklin Covey's *The 4 Disciplines of Execution*, providing an exceptional tool for advancing these goals while managing the challenges of the daily whirlwind, and have begun implementing Lean process improvement events to optimize processes throughout the organization. Several staff members have also begun Lean Six Sigma certification requirements to further enhance Gilbert's long-term financial resiliency. Gilbert is updating its Long-Term Financial Plan, which includes the creation of an interactive Excel model. The model looks at revenue and spending trends to predict what the financial sustainability of Gilbert would look like if those

trends were to continue. The main dashboard contains live “what if” variables that can be easily changed to help decision-makers see the financial impact that individual changes make to the overall budget health into the future.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Gilbert for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This was the 24th consecutive year that Gilbert has received this prestigious award. In order to be awarded a Certificate of Achievement, we must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, Gilbert also received the GFOA’s Distinguished Budget Presentation Award for our annual budget document. In order to qualify for this award, our budget document was judged to be proficient as a policy document, a financial plan, an operations guide, and a communications device. Gilbert has received this award 16 consecutive years.

ACKNOWLEDGMENTS

The completion of this report is the result of the efficient and dedicated services of the entire staff of the Accounting Division. I would like to give special recognition to Florence Shultz, Accounting Manager, and Tanya Wright, Senior Accountant, who were primarily responsible for preparing this document. In addition, I would like to thank staff from all Town departments for their contributions and assistance.

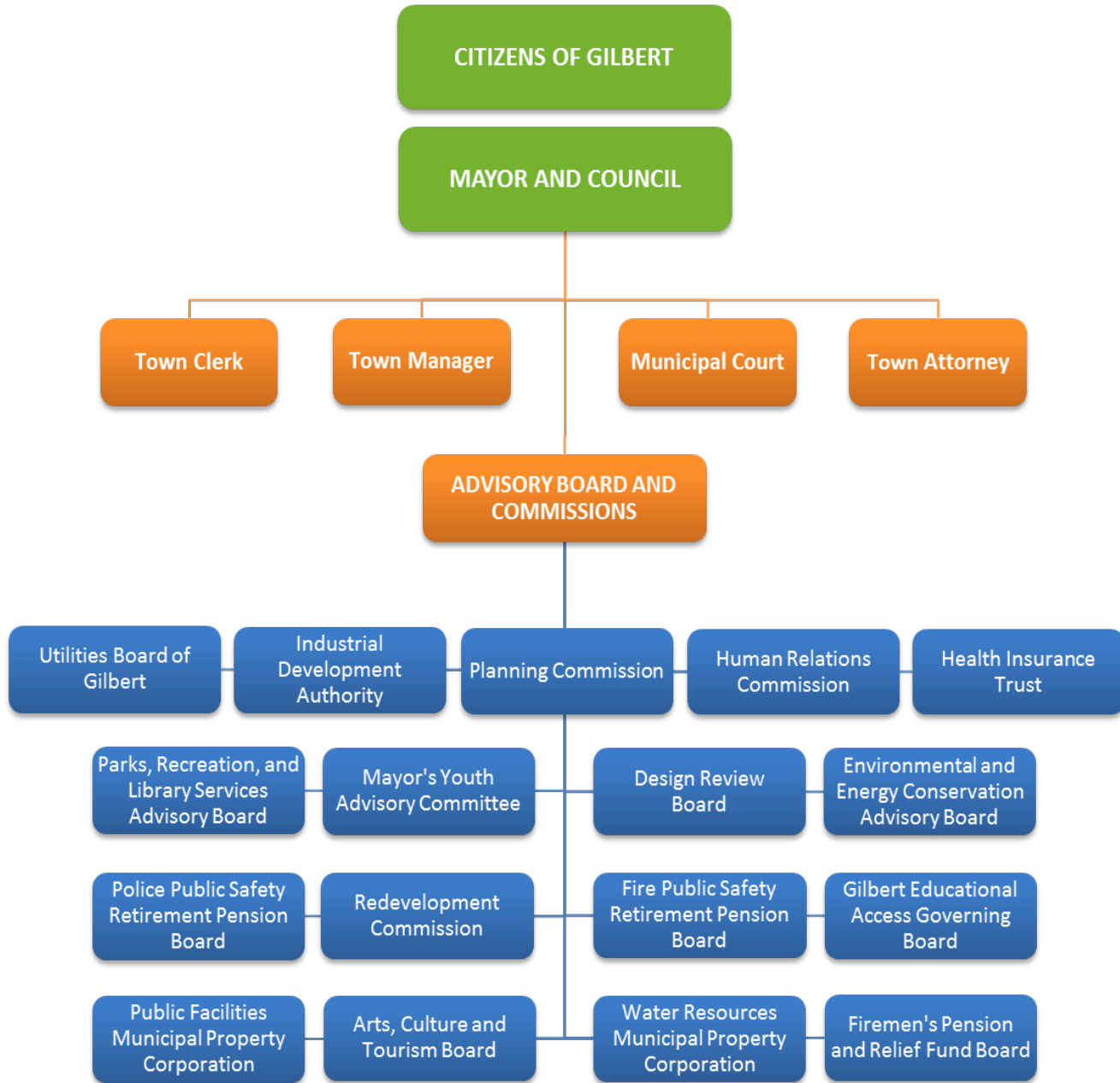
Finally, I wish to acknowledge the continued support of the Council and the Manager in providing the leadership necessary for sound financial management.

Respectfully submitted,



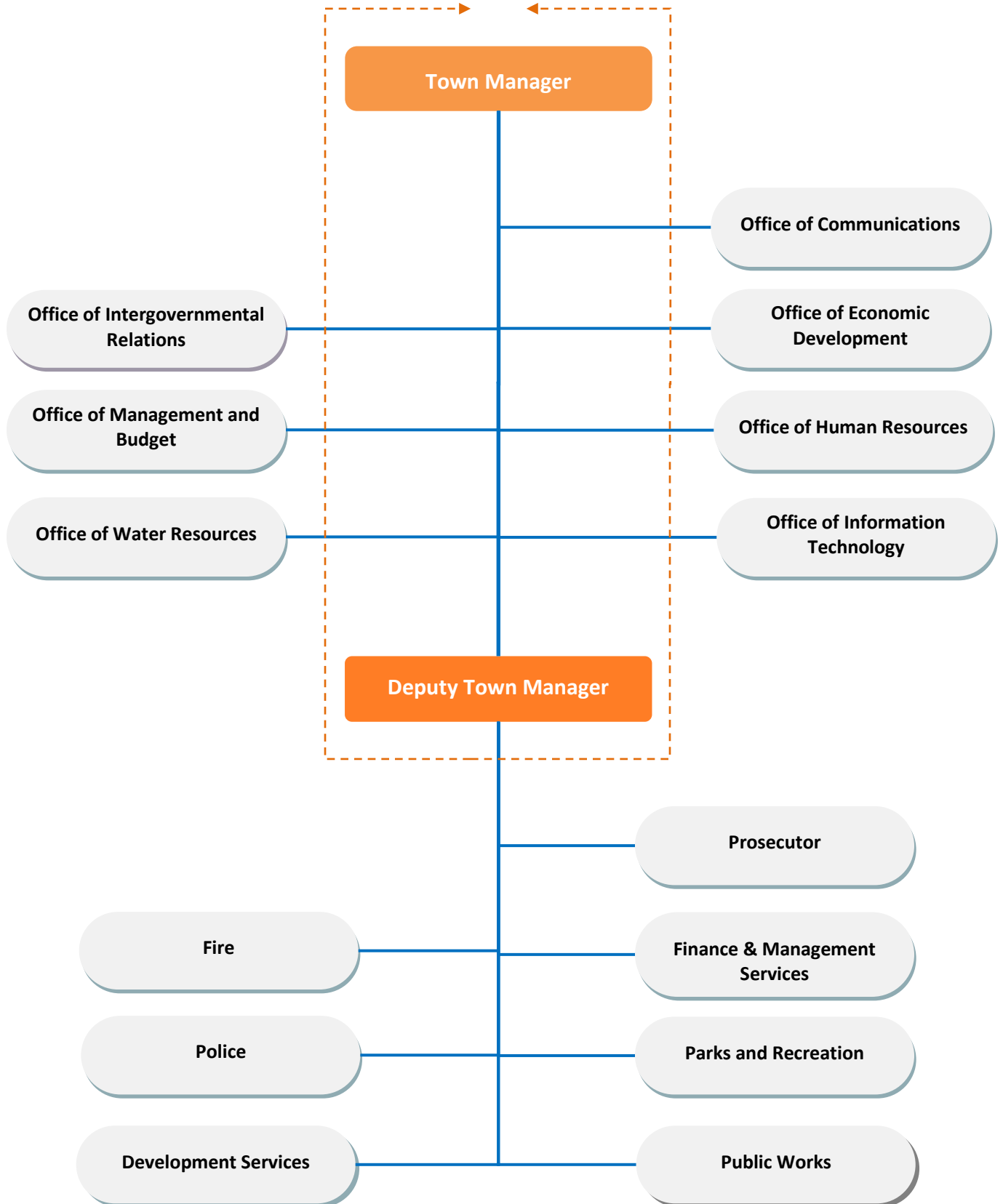
Cindi Mattheisen, CPA
Finance & Management Services Director

Advisory Organization Chart





Organization Reporting Chart



Financial Section

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to the Financial Statements

Required Supplementary Information

**Combining and Individual Fund Statements
and Schedules**

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Tucson, Arizona 85704
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the Town Council
Town of Gilbert, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Town of Gilbert, Arizona (Town), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Town of Gilbert, Arizona, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Streets Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1, the Town implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, for the year ended June 30, 2015, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and net pension liability information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying supplementary information such as the Introductory Section, Combining and Individual Fund Statements and Schedules, and Statistical Section are presented for purposes of additional analysis and are not a required part of the financial statements.

The Combining and Individual Fund Statements and Schedules, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Fund Statements and Schedules information is fairly stated in all material respects in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2015, on our consideration of Town of Gilbert, Arizona'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* in considering Town of Gilbert, Arizona's internal control over financial reporting and compliance.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

December 7, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Gilbert (Gilbert), we offer this narrative overview and analysis of Gilbert's financial activities for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with information provided in the transmittal letter.

Financial Highlights

- Gilbert's assets exceeded its liabilities at the end of the fiscal year by \$1.5 billion. Included in this amount defined as net position is \$321 million of unrestricted net position, of which \$132 million is invested in joint ventures with the Cities of Mesa and Chandler and the Town of Queen Creek, and \$189 million which may be used to fund ongoing operations in future years.
- Net position includes a \$689 million net investment in capital assets such as streets, park land, and municipal buildings and a \$363 million net investment in water, wastewater and environmental services infrastructure and equipment.
- The combined fund balance for all governmental funds is \$204 million, of which \$83 million is unrestricted.
- The General Fund unrestricted fund balance is \$84 million, of which \$13 million has been assigned for capital replacement.
- The General Fund unassigned balance of \$67 million is approximately 52% of the total fund expenditures.
- Gilbert's total bonded debt outstanding at the end of the fiscal year was \$398 million, as compared to \$396 million at the end of fiscal year 2014.
- With the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, Gilbert's total outstanding net pension liability at the end of the fiscal year was \$108 million.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Gilbert's basic financial statements which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements

The **government-wide financial statements** are designed to provide readers with a broad overview of the finances of Gilbert as a whole, in a manner similar to a private-sector business.

The **statement of net position** presents information on all of Gilbert's assets, liabilities, and deferred inflows/outflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether Gilbert's financial position is improving or declining.

The **statement of activities** presents the changes in net position from the previous year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Gilbert that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover a majority or all of their costs through user fees and charges (*business-type activities*). The *governmental activities* of Gilbert include general government, public safety, highways and streets, parks and recreation, and transportation. The *business-type activities* include water, wastewater, and environmental services.

The government-wide financial statements also include the Industrial Development Authority as a component unit of Gilbert. The Authority provides financing for eligible private sector entities to acquire

and construct facilities deemed to be in the public interest. The financial information for the Authority is presented separately in the statements.

The government-wide financial statements can be found on pages 15-17 of this report.

Fund financial statements

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. Gilbert, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of Gilbert's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, however, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at fiscal year end. This information may be useful in evaluating a government's near-term financing ability.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of Gilbert's near-term financing decisions. To facilitate this comparison, reconciliations are provided with the fund financial statements.

The basic governmental fund financial statements can be found on pages 18-27.

Proprietary Funds

Gilbert maintains two different types of proprietary funds. ***Enterprise Funds*** report the same functions presented as business-type activities in the government-wide financial statements, which include water, wastewater, and environmental services. ***Internal Service Funds*** accumulate and allocate costs internally among the various functions. Gilbert uses internal service funds to account for maintenance of its fleet of vehicles, copy service operations, and employee health and dental self-insurance. The assets and liabilities of the internal service funds are included in the governmental activities column of the government-wide statement of net position. Costs of internal service funds are allocated to the various user functions on the government-wide statement of activities. Enterprise funds provide the same information as the government-wide financial statements, only with more detail. Internal service funds are combined into a single column on the proprietary funds statements. Additional detail for the internal service funds can be found on pages 109-115.

The proprietary fund statements can be found on pages 28-33.

Fiduciary Funds

Fiduciary funds account for resources held for the benefit of parties outside the government. These funds are not included in the government-wide statements as these funds are not available to support Gilbert's operations. The fiduciary fund statements can be found on pages 34-35.

Notes to the financial statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements.

The notes to the financial statements can be found on pages 37-75.

Government-wide Financial Analysis

Net position serves as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Position as of June 30, 2014 and 2015.

Town of Gilbert						
Condensed Statement of Net Position						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 255,101,566	\$ 239,768,377	\$ 374,524,748	\$ 357,637,183	\$ 629,626,314	\$ 597,405,560
Capital assets	971,375,442	947,841,509	461,523,528	456,128,322	1,432,898,970	1,403,969,831
Total assets	1,226,477,008	1,187,609,886	836,048,276	813,765,505	2,062,525,284	2,001,375,391
Deferred outflows of resources	29,588,990	2,341,801	3,603,374	-	33,192,364	2,341,801
Long-term liabilities	382,714,341	280,137,290	114,316,250	101,366,569	497,030,591	381,503,859
Other liabilities	58,983,087	55,816,482	13,742,010	13,633,593	72,725,097	69,450,075
Total liabilities	441,697,428	335,953,772	128,058,260	115,000,162	569,755,688	450,953,934
Deferred inflows of resources	12,646,822	-	3,306,408	-	15,953,230	-
Net position:						
Net investment in capital assets	688,900,313	680,716,975	363,332,604	351,796,858	1,052,232,917	1,032,513,833
Restricted	82,545,485	80,924,415	54,084,512	65,576,792	136,629,997	146,501,207
Unrestricted	30,275,950	92,356,525	290,869,866	281,391,693	321,145,816	373,748,218
Total net position	\$ 801,721,748	\$ 853,997,915	\$ 708,286,982	\$ 698,765,343	\$ 1,510,008,730	\$ 1,552,763,258

Net position consists of three components. The largest portion of Gilbert's net position (70%) is its investment in capital assets (land, buildings, equipment, infrastructure, etc.), less depreciation and any related debt used to acquire those assets that is still outstanding. Gilbert uses these capital assets to provide services to citizens; consequently, these assets are not available for appropriation. Although Gilbert's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt are provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of Gilbert's net position (9%) represents resources that are subject to external restrictions on how they may be used. The remaining portion of net position (21%) includes \$132 million which is invested in joint ventures with the Cities of Mesa and Chandler and the Town of Queen Creek and \$189 million which may be used to meet the government's ongoing obligations to citizens, customers, and creditors.

Governmental Activities

Governmental activities in fiscal year 2015 decreased Gilbert's net position by \$52.3 million. The reason for a decrease in net position was the addition of net pension liability of \$89.3 million. Taxes and program revenues (charges for services and grants and contributions that are clearly identifiable to operating functions) were Gilbert's most significant revenue sources comprising 99% of total revenues for governmental activities. Taxes (local and state-shared) were \$139 million, an increase of \$9 million from the prior year. Program revenues were \$79 million, an increase of \$19 million from the prior year which was mostly due to the increase in capital grants and contributions. It should be noted that \$13.5 million of the total program revenues represent capital contributions from developers of street related infrastructure and, therefore, were not cash revenues available to cover operating expenses.

The other component of the change in net position is expenses. The largest expense functions were public safety which represented 38%, and highways and streets which represented 23% of total governmental activities expenses. Total expenses increased \$5 million (2.6%) over the prior fiscal year.

The following table details the changes in net position for governmental and business-type activities.

	Changes in Net Position					
	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 17,976,626	\$ 18,785,496	\$ 80,133,119	\$ 79,026,598	\$ 98,109,745	\$ 97,812,094
Operating grants and contributions	24,170,883	22,325,826	-	-	24,170,883	22,325,826
Capital grants and contributions	37,213,656	19,185,760	29,016,502	36,251,598	66,230,158	55,437,358
General revenues:						
Sales taxes	71,772,575	66,756,593	-	-	71,772,575	66,756,593
Property taxes	19,422,848	18,315,083	-	-	19,422,848	18,315,083
State-shared sales taxes	19,041,027	18,118,706	-	-	19,041,027	18,118,706
State-shared income taxes	25,222,298	23,204,634	-	-	25,222,298	23,204,634
Other taxes	3,937,907	3,902,993	-	-	3,937,907	3,902,993
Grants and contributions not						
restricted to specific programs	2,595,244	904,497	-	-	2,595,244	904,497
Unrestricted investment earnings	1,224,192	1,508,342	1,457,286	1,741,848	2,681,478	3,250,190
Other	952,804	1,255,284	1,481,805	1,296,109	2,434,609	2,551,393
Total revenues	223,530,060	194,263,214	112,088,712	118,316,153	335,618,772	312,579,367
Expenses						
Management and policy	19,090,117	13,377,552	-	-	19,090,117	13,377,552
Finance and management services	1,814,026	4,347,031	-	-	1,814,026	4,347,031
Court	4,053,033	5,975,194	-	-	4,053,033	5,975,194
Development services	7,082,385	9,061,728	-	-	7,082,385	9,061,728
Police	47,541,179	45,930,719	-	-	47,541,179	45,930,719
Fire	28,070,881	28,853,208	-	-	28,070,881	28,853,208
Highways and streets	46,931,705	45,780,743	-	-	46,931,705	45,780,743
Parks and recreation	28,428,423	22,493,451	-	-	28,428,423	22,493,451
Transportation	777,965	842,184	-	-	777,965	842,184
Non departmental	4,423,234	4,104,289	-	-	4,423,234	4,104,289
Interest and fiscal charges						
on long-term debt	12,780,375	15,215,884	-	-	12,780,375	15,215,884
Water	-	-	41,817,466	39,926,683	41,817,466	39,926,683
Wastewater	-	-	25,619,743	23,614,969	25,619,743	23,614,969
Environmental services	-	-	16,719,837	16,112,973	16,719,837	16,112,973
Total expenses	200,993,323	195,981,983	84,157,046	79,654,625	285,150,369	275,636,608
Increase in net position before						
transfers	22,536,737	(1,718,769)	27,931,666	38,661,528	50,468,403	36,942,759
Transfers	184,313	110,000	(184,313)	(110,000)	-	-
Change in net position	22,721,050	(1,608,769)	27,747,353	38,551,528	50,468,403	36,942,759
Net position, beginning of year, as restated, (see note 2)	779,000,698	855,606,684	680,539,629	660,213,815	1,459,540,327	1,515,820,499
Net position, end of year	\$ 801,721,748	\$ 853,997,915	\$ 708,286,982	\$ 698,765,343	\$ 1,510,008,730	\$ 1,552,763,258

Business-type Activities

Development related growth increased Gilbert’s net position for business-type activities in fiscal year 2015 by \$9.5 million including \$21.2 million in system development fee collections and \$7.8 million in water and wastewater infrastructure contributed by developers offset by \$18.9 million in net pension liability. The revenues for business-type activities decreased \$6.1 million (5%) from the prior year and expenses increased \$4.5 million (5.7%) from the prior year.

Financial Analysis of Gilbert’s Funds

As noted earlier, Gilbert maintains fund accounting to demonstrate compliance with budgetary and legal requirements. The following is a brief discussion of financial highlights from the fund financial statements.

Governmental Funds

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of resources available for spending. Such information is useful in assessing Gilbert’s financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year. Gilbert operated and separately reported the following major governmental funds:

- General Fund
- Streets Special Revenue Fund
- General Debt Service Fund
- Special Assessments Debt Service Fund
- GO Bonds Capital Projects Fund
- Saint Xavier University Revenue Obligations Capital Projects Fund
- System Development Fees Capital Projects Fund

All nonmajor funds are combined for reporting purposes captioned “Other Governmental Funds”.

As of the end of fiscal year 2015, the governmental funds reported ending unrestricted fund balances totaling \$82.6 million, an increase of \$15.4 million in comparison with the prior fiscal year.

**Town of Gilbert
Governmental Funds - Fund Balances
As of June 30, 2015**

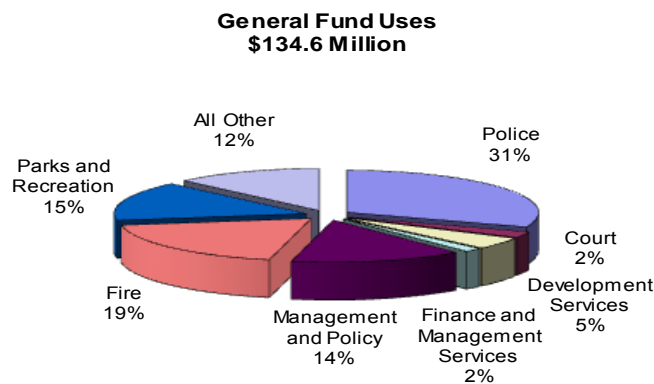
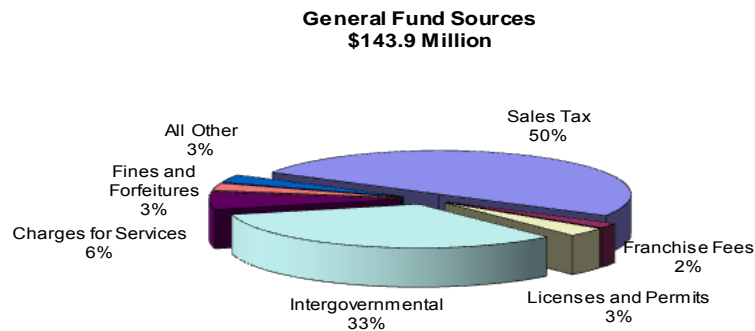
	Restricted	Unrestricted	Total
General	\$ -	\$ 84,103,248	\$ 84,103,248
Streets Special Revenue	13,431,471	4,772,582	18,204,053
General Debt Service	10,165,593	4,767,195	14,932,788
Special Assessments Debt Service	33,734	-	33,734
GO Bonds Capital Projects	13,810,764	5,409,080	19,219,844
Saint Xavier University Revenue Obligations	12,635,183	-	12,635,183
System Development Fees Capital Projects	29,544,109	(23,967,885)	5,576,224
Other Governmental Funds	17,216,403	7,499,690	24,716,093
Total Fund Balances	\$ 96,837,257	\$ 82,583,910	\$ 179,421,167

General Fund

The General Fund is the primary operating fund. At the end of fiscal year 2015, the fund balance of the General Fund was \$108.6 million, an increase of \$9.3 million from the prior year mainly due to the increase in local sales tax and intergovernmental revenue. The unrestricted portion of the fund balance was \$84.1 million, of which \$13 million has been assigned for capital replacement. As a measure of the General Fund’s liquidity, it may be useful to compare its available fund balance to total fund expenditures. The General Fund’s unassigned fund balance represents 52% of total General Fund expenditures for the current year.

Key elements of General Fund sources and uses are as follows:

- Overall, revenues exceeded expenditures in the General Fund by \$12.1 million; however, other financing sources and uses (net) were (\$2.8) million resulting in an increase in fund balance of \$9.3 million. The transfers out included \$5.8 million for debt obligations.
- Local sales tax and intergovernmental revenues are the largest revenue sources for the General Fund accounting for 84% of the total revenues.
- Local sales tax, which accounts for half of total General Fund revenues, increased \$5 million (7.5%) from the prior fiscal year due to the increase in economic development.
- Intergovernmental revenue increased \$3 million (6.8%) from the prior fiscal year mainly due to increased state shared sales and income tax revenue.
- Parks and recreation expenditures increased over the prior fiscal year due to additional park repairs of approximately \$3 million.
- Management and policy expenditures increased over the prior fiscal year due to payments of approximately \$1.5 million for the special census.
- Expenditures increased across the board by approximately \$6 million over the prior fiscal year mainly due to an increase in personnel costs.



Streets Special Revenue Fund

The Streets Fund revenues include state shared revenues which are highway user revenues, vehicle license taxes and lottery funds. The highway user revenues and lottery funds are required by state statute to be used for transportation purposes. The vehicle license tax has been designated by Council to fund the preventive maintenance activities of the Streets Fund. Total revenues increased \$1.5 million (7.7%) from the prior year. This was due to increased highway user and vehicle license revenue of \$1.7 million. Total expenditures increased by \$955 thousand (5.4%) mostly due to increased capital outlay expenditures. In total, revenues exceeded expenditures by \$2.4 million; however, there were \$4 million net transfers out, resulting in a \$1.6 million (8%) decrease in fund balance.

Other Major Governmental Funds

General Debt Service. The fund balance increased by \$4.5 million during the year. This was primarily due to the current year property tax revenues of \$19.4 million and transfers in from other funds of \$20.2 million exceeding the debt service requirements of \$35.2 million. The remaining fund balance of \$14.9 million will be used to fund future debt service payments on voter approved general obligation bonds.

Special Assessments Debt Service. The fund balance of \$34 thousand is all restricted to pay future debt service requirements on special assessment bonds.

GO Bonds Capital Projects. The GO bonds fund consists of general obligation bond proceeds and the expenditure of those proceeds to purchase or construct capital assets. The fund balance decreased by \$3.8 million during the year. This was due to the current year capital outlay expenditures to purchase or construct capital assets.

Saint Xavier University Revenue Obligations Capital Projects. This fund was created this fiscal year to account for the construction of a building to be leased to Saint Xavier University. Revenue obligations were issued in the amount of \$37 million at a premium of \$2.7 million to fund the project. The remaining fund balance of \$12.6 million will be used in fiscal year 2016 to complete construction.

System Development Fees Capital Projects. The system development fees fund accounts for fees collected from building permits paid and the expenditure of those funds for infrastructure related to growth in Gilbert. The fund balance increased by \$5.6 million during the year. This was primarily due to the current year system development fees revenues of \$18.9 million offset by the \$2.3 million in capital outlay expenditures and the \$11.2 million transferred to the general debt service fund for principal and interest payments on bonds. The remaining fund balance of \$5.6 million will be used to fund future infrastructure needs related to growth in Gilbert.

Nonmajor Governmental Funds

All nonmajor governmental funds are combined into one column on the governmental fund statements. The combined fund balance of these funds decreased \$7.3 million (22.9%) to a balance at year-end of \$24.7 million. A portion of the decrease in fund balance can be attributable to an increase in capital outlay expenditures from the prior year. The capital outlay expenditures were for roadway improvements. Nonmajor funds represent 12.1% of the total governmental fund balance.

Proprietary Funds

Gilbert's proprietary funds statements are prepared on the same basis (accrual) as the government-wide financial statements. Gilbert operates and separately reports the following proprietary funds:

- Water Fund
- Wastewater Fund
- Environmental Services Fund

Water Fund

The Water Fund is responsible for producing and distributing potable water that exceeds all county, state and federal drinking water standards. The water system is also sized and pressurized to provide adequate fire suppression to the entire planning area and operates two surface water treatment facilities capable of producing 57 million gallons per day (mgd) and 19 ground water wells capable of producing 43.5 mgd. Net position increased by \$15.1 million to \$373.5 million due primarily to capital contributions of \$18.1 million, including \$13.1 million in system development fees and \$5 million in distribution lines contributed by developers. Operating income was \$1.9 million. The beginning net position was restated due to the implementation of GASB Statement No. 68. See Note 2.

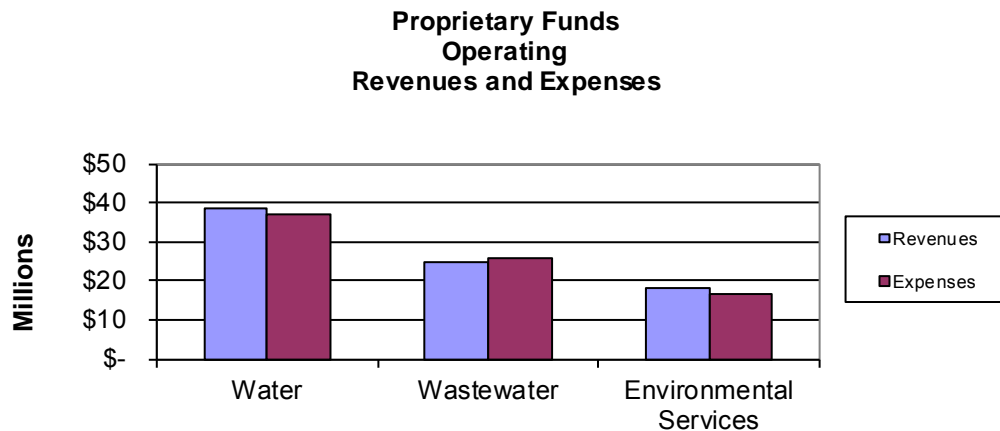
Wastewater Fund

The Wastewater Fund provides wastewater collection and treatment services to residents and businesses in Gilbert. The services also include the storage and distribution of effluent (treated wastewater). Net position increased \$11 million to \$309.8 million due primarily to capital contributions of \$10.9 million, including \$8.1 million in system development fees and \$2.8 million in collection lines contributed by developers. Operating loss was \$1 million. The beginning net position was restated due to the implementation of GASB Statement No. 68. See Note 2.

Environmental Services Fund

Gilbert operates the Environmental Services Fund to provide residential and commercial refuse collection and residential recycling services. Residential services are provided exclusively by Gilbert, while the commercial service competes with the private sector for customers. Net position increased by \$1.7 million to \$24.5 million primarily from operating income. The beginning net position was restated due to the implementation of GASB Statement No. 68. See Note 2.

The following graph compares the fiscal year revenues to expenses for the Water, Wastewater and Environmental Services Funds.



General Fund Budgetary Highlights

Differences between the original adopted budget and the final amended budget were less than 8% reflecting a decrease of \$1.9 million and was attributable to an increase in transfers in. The final amended budget projected that expenditures would exceed revenues by \$21 million resulting in a \$24 million reduction to fund balance per the budget. This was mainly due to budgeting \$17.1 million in capital outlay expenditures and \$11.8 million in contingency.

During the year actual revenues exceeded the budgeted amount by \$5.4 million (4%) mainly due to higher than expected local sales taxes. Actual expenditures were less than budgeted by \$27.7 million (17.7%) mainly due to \$11 million lower than expected capital outlay expenditures and not needing any budgeted contingency. This resulted in an excess of revenues over expenditures of \$33.1 million more than budgeted, resulting in the actual net change in fund balance being \$33 million more than budgeted.

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2015, Gilbert had \$1.4 billion in capital assets. Major capital assets completed during the fiscal year included the following:

Governmental Activities

- Streets and traffic signal projects totaling \$21 million.
- Developer contributions of street related infrastructure valued at \$13.5 million.

Business-type Activities

- Developer contributions of water and wastewater infrastructure valued at \$7.8 million.
- Completed water system improvements totaling \$9.6 million and wastewater system improvements totaling \$2 million.

The following table presents capital assets balances, net of accumulated depreciation, for the fiscal years ended June 30, 2015 and 2014.

**Town of Gilbert
Capital Assets (net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 181,644,373	\$ 179,058,053	\$ 64,675,175	\$ 59,509,511	\$ 246,319,548	\$ 238,567,564
Construction-in-progress	57,193,525	28,469,708	6,504,633	7,210,026	63,698,158	35,679,734
Buildings	139,984,488	140,107,581	-	-	139,984,488	140,107,581
Improvements	32,311,791	35,513,538	-	-	32,311,791	35,513,538
Plant, Machinery & Equip	12,527,705	13,779,548	72,459,504	75,018,746	84,987,209	88,798,294
Water Rights	-	-	7,257,286	7,355,578	7,257,286	7,355,578
Infrastructure	547,713,560	550,913,081	310,626,930	307,034,461	858,340,490	857,947,542
Total Capital Assets	\$ 971,375,442	\$ 947,841,509	\$ 461,523,528	\$ 456,128,322	\$ 1,432,898,970	\$ 1,403,969,831

Total governmental capital assets increased \$23.5 million and business-type capital assets increased \$5.4 million. The increase for the governmental capital assets can be attributable to increased streets construction projects. The majority of the increase for the business-type capital assets can be attributable to the purchase of land.

See Note 7 on pages 51-52 for further information regarding capital assets.

Long-term Debt. At June 30, 2015, Gilbert had total bonded debt obligations of \$300.2 million related to governmental activities and \$98.2 million in business-type activities; \$122.7 million of the outstanding debt is general obligation (GO) bonds backed by the full faith and credit of the Town of Gilbert; \$8.3 million is special assessment bonds secured by a lien against the land of the benefited property owners in Improvement Districts #19 and #20; and all other outstanding debt is secured by pledges of specific revenue sources.

The Arizona Constitution and State Statutes limit a municipality's bonded debt capacity to certain percentages of its secondary assessed valuation and by the type of project to be constructed with GO bonds. For projects involving water, wastewater, artificial lighting, parks, open space, recreational facility improvements, streets, public safety, and fire and emergency facilities, Gilbert can issue GO bonds up to 20% of its secondary assessed valuation. For any other general-purpose improvements, Gilbert may issue bonds up to 6% of its secondary assessed valuation. Gilbert's available debt margin at June 30, 2015 was \$110.7 million in the 6% capacity and \$246.4 million in the 20% capacity.

See Note 10 on pages 54-59 for additional information on debt.

The following schedule shows Gilbert's outstanding debt as of June 30, 2015 and 2014.

**Town of Gilbert
Outstanding Debt**

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
General Obligation	\$ 122,715,000	\$ 135,065,000	\$ -	\$ 245,000	\$ 122,715,000	\$ 135,310,000
Special Assessment	8,275,000	9,410,000	-	-	8,275,000	9,410,000
Street and Highway User	12,165,000	14,915,000	-	-	12,165,000	14,915,000
Revenue Obligations	36,980,000	-	-	-	36,980,000	-
Municipal Property Corporation	120,090,000	132,295,000	98,225,000	104,120,000	218,315,000	236,415,000
Totals	\$ 300,225,000	\$ 291,685,000	\$ 98,225,000	\$ 104,365,000	\$ 398,450,000	\$ 396,050,000

Gilbert's bonds are rated by leading rating agencies that assess the risk of default based on Gilbert's financial condition. The following schedule shows Gilbert's bond ratings as of June 30, 2015.

	Moody's Investor	Standard and	Fitch
	Service	Poors Ratings	Ratings
		Group	
General Obligation	AAA	AA+	Not Rated
Street and Highway User Revenue	Aa3	AA	AA
Public Facilities Municipal Property Corporation*	Aa1	AA+	AA+
Water Resources Municipal Property Corporation	Not Rated	AA-	AA
Subordinate Lien Pledged Revenue Obligations	Aa2	AA+	AA+
Improvement Districts	Aa1	A+	Not Rated

Economic Factors and Next Year's Budget

Gilbert, Arizona is successfully managing rapid growth. In May 2014, the U.S. Census Bureau rated Gilbert as the 12th fastest growing community in the nation of all communities with a population over 50,000. Over the past five years, about 30,000 new residents have come to call Gilbert home. New fire stations, police services, park amenities, roads, and water resources have been added to accommodate these new residents. To give perspective to the magnitude of growth and increased services, it is interesting to note that the Town provides approximately 170 million gallons of additional water annually to accommodate the residents who moved in over the past 12 months. Yet, amid this growth, Gilbert has been deemed Money Magazine's 22nd Best Place to Live and Wallethub's 3rd Best Place to find a Job. Gilbert is a stronghold for modern science, a leader in biomedical, adult stem-cell, and algae research, and also welcomed its first university, Saint Xavier University, in 2015.

Regarding the budget, Gilbert undertakes a zero-based process every third year, and always applies priority, program, and performance-based approaches. Directors are tasked with balancing the budget through consensus, rather than presenting requests and waiting to hear back. Only after the directors achieve consensus is the Town Manager presented with the recommended budget. This method allows Gilbert to promote transparency and the importance of short and long-term planning, while maintaining a strong return on investment for the zero-based process.

The budget for FY 2016 reflects an effort to deliver both effective and efficient services to our community. The budget is balanced assuming no increases in taxes or utility rates, and applies the non-recurring level of construction-related revenues toward non-recurring costs. Recommended increases in ongoing expenses are within the growth in ongoing levels of revenue recognized as a result of growth both in population and in additional retail opportunities within the Town.

Implementing components of a performance-based process allows for an increased focus on results. Departments identify lines of service and performance measures that will be impacted through budgetary requests. Structuring requests by anticipated outcomes allows the leadership team to identify programs that readily align with Council-identified goals.

Budget Highlights for Fiscal Year 2016

With carry forwards and contingency adjustments, the proposed budget of \$615,009,220 is less than the \$621,134,250 adopted on June 4, 2015 as the legal limitation for FY 2016, and is an increase of \$66 million from FY 2015. The change from FY 2015 primarily reflects the budget necessary for carry forward and new capital projects.

Balanced Financial Plan: The FY 2016 adopted budget is balanced based upon identified revenues and expenditures.

Constitutional Expenditure Limit: The FY 2016 adopted budget reflects expenses that will be under the constitutional expenditure limitation. Staff annually monitors conformity with the constitutional expenditure requirements and will recommend, if necessary, continuing adjustments and modifications necessary to comply with expenditure limitation requirements.

State Shared Revenues: The FY 2016 adopted budget reflects State Shared Revenues based upon statutory distribution formulas, taking into account currently projected State sales and income tax collections (provided by the Arizona League of Cities and Towns).

Secondary Property Tax Levy: Previously collections in the current fiscal year could be applied to debt service payments in the following fiscal year, allowing for a consistent property tax levy when scheduled debt service payments fluctuated. House Bill 2347 from the 2013 Legislative Session requires municipalities to adopt a property tax levy based on the exact amount of scheduled debt service for the year, plus a reasonable amount for delinquencies and certain costs. As debt service payments and property values fluctuate, the property tax rate will also fluctuate from year to year. In FY 2015 the secondary property tax rate was \$1.06 per \$100 of assessed value. In FY 2016, the rate would have increased to cover the required payments, but Council chose to use fund balance in the debt service fund to make up the difference so the rate could be kept at the \$1.06 level.

Utility Rates: The proposed FY 2016 Budget reflects revenues projected from Gilbert's current water, wastewater, environmental services, and reclaimed water rates. No rate increases are recommended for this fiscal year.

Capital Project Financing – System Development Fees: The FY 2016 adopted budget reflects revenues projected from the continued collection of System Development Fees as allowed under current State Law. Staff has completed a comprehensive system development fee study to ensure our continued compliance.

Financial Contact

This financial report is designed to provide a general overview of Gilbert's finances and to demonstrate accountability for the use of public funds. This report is also available on Gilbert's website at www.gilbertaz.gov. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to:

Town of Gilbert
Finance & Management Services Department
50 E Civic Center Drive
Gilbert, AZ 85296
(480) 503-6752

TOWN OF GILBERT, ARIZONA

Statement of Net Position

June 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Industrial Development Authority
ASSETS				
Pooled cash and investments	\$ 206,468,253	\$ 174,896,065	\$ 381,364,318	\$ 17,369
Receivables, net:				
Taxes	4,163,338	-	4,163,338	-
Special assessments	8,287,296	-	8,287,296	-
Accrued interest	315,087	300,893	615,980	-
Accounts	14,490,412	4,117,879	18,608,291	-
Due from other governments	2,832,419	150,234	2,982,653	-
Internal balances	(8,839,217)	8,839,217	-	-
Prepaid items	578,161	-	578,161	-
Inventories	555,550	49,272	604,822	-
Restricted assets:				
Cash and investments	25,967,776	54,816,287	80,784,063	-
Accrued interest	563	45,311	45,874	-
Investment in joint venture	281,928	131,309,590	131,591,518	-
Capital assets:				
Non-depreciable	238,837,898	71,179,808	310,017,706	-
Depreciable, net	732,537,544	390,343,720	1,122,881,264	-
Total assets	<u>1,226,477,008</u>	<u>836,048,276</u>	<u>2,062,525,284</u>	<u>17,369</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refundings	4,079,965	-	4,079,965	-
Pension-related items	25,509,025	3,603,374	29,112,399	-
Total deferred outflows of resources	<u>29,588,990</u>	<u>3,603,374</u>	<u>33,192,364</u>	<u>-</u>
LIABILITIES				
Accounts payable	9,501,428	3,544,342	13,045,770	-
Accrued liabilities	11,548,499	784,041	12,332,540	-
Accrued interest	-	1,205,580	1,205,580	-
Claims payable	1,398,171	-	1,398,171	-
Deposits held for others	400,978	-	400,978	-
Utility deposits	-	3,182,022	3,182,022	-
Bond interest payable	3,016,604	-	3,016,604	-
Unearned revenue	67,887	-	67,887	-
Noncurrent liabilities:				
Due within one year	33,049,520	5,026,025	38,075,545	-
Due in more than one year	382,714,341	114,316,250	497,030,591	-
Total liabilities	<u>441,697,428</u>	<u>128,058,260</u>	<u>569,755,688</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Pension-related items	12,646,822	3,306,408	15,953,230	-
Total deferred inflows of resources	<u>12,646,822</u>	<u>3,306,408</u>	<u>15,953,230</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	688,900,313	363,332,604	1,052,232,917	-
Restricted for:				
Debt service	18,486,623	17,408,808	35,895,431	-
Capital projects	47,773,574	36,675,704	84,449,278	-
Highways and streets	12,815,005	-	12,815,005	-
Grant programs	1,432,764	-	1,432,764	-
Court/police programs	1,676,765	-	1,676,765	-
Parks and recreation	24,622	-	24,622	-
Special districts	207,328	-	207,328	-
Contract agreements	128,804	-	128,804	-
Unrestricted	30,275,950	290,869,866	321,145,816	17,369
Total net position	<u>\$ 801,721,748</u>	<u>\$ 708,286,982</u>	<u>\$ 1,510,008,730</u>	<u>\$ 17,369</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF GILBERT, ARIZONA
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government				
Management and policy	\$ 19,090,117	\$ 7,913	\$ 953,952	\$ -
Finance and management services	1,814,026	26,811	-	-
Court	4,053,033	794,286	30,000	-
Development services	7,082,385	6,607,990	-	-
Public safety				
Police	47,541,179	4,526,099	534,487	3,914,269
Fire	28,070,881	223,794	1,479,579	2,063,008
Highways and streets	46,931,705	1,642,703	20,865,939	21,988,833
Parks and recreation	28,428,423	4,146,240	246,095	8,619,465
Transportation	777,965	-	10,947	628,081
Non departmental	4,423,234	790	49,884	-
Interest and fiscal charges on long-term debt	12,780,375	-	-	-
Total governmental activities	200,993,323	17,976,626	24,170,883	37,213,656
Business-type activities:				
Water	41,817,466	37,500,541	-	18,089,457
Wastewater	25,619,743	24,625,084	-	10,927,045
Environmental Services	16,719,837	18,007,494	-	-
Total business-type activities	84,157,046	80,133,119	-	29,016,502
Total primary government	\$ 285,150,369	\$ 98,109,745	\$ 24,170,883	\$ 66,230,158
Component unit				
Industrial development authority	\$ -	\$ 3,000	\$ -	\$ -

General revenues:

Sales taxes

Property taxes, levied for debt service

In-Lieu property taxes

Franchise taxes

Unrestricted state shared sales taxes

Unrestricted state shared income taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position, July 1, 2014, as restated, (see note 2)

Net position, June 30, 2015

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Industrial Development Authority
\$ (18,128,252)	\$ -	\$ (18,128,252)	\$ -
(1,787,215)	-	(1,787,215)	-
(3,228,747)	-	(3,228,747)	-
(474,395)	-	(474,395)	-
(38,566,324)	-	(38,566,324)	-
(24,304,500)	-	(24,304,500)	-
(2,434,230)	-	(2,434,230)	-
(15,416,623)	-	(15,416,623)	-
(138,937)	-	(138,937)	-
(4,372,560)	-	(4,372,560)	-
(12,780,375)	-	(12,780,375)	-
(121,632,158)	-	(121,632,158)	-
-	13,772,532	13,772,532	-
-	9,932,386	9,932,386	-
-	1,287,657	1,287,657	-
-	24,992,575	24,992,575	-
(121,632,158)	24,992,575	(96,639,583)	-
			3,000
71,772,575	-	71,772,575	-
19,422,848	-	19,422,848	-
1,200,604	-	1,200,604	-
2,737,303	-	2,737,303	-
19,041,027	-	19,041,027	-
25,222,298	-	25,222,298	-
2,595,244	-	2,595,244	-
1,224,192	1,457,286	2,681,478	4
106,028	172,109	278,137	-
846,776	1,309,696	2,156,472	-
184,313	(184,313)	-	-
144,353,208	2,754,778	147,107,986	4
22,721,050	27,747,353	50,468,403	3,004
779,000,698	680,539,629	1,459,540,327	14,365
\$ 801,721,748	\$ 708,286,982	\$ 1,510,008,730	\$ 17,369

The notes to the financial statements are an integral part of this statement.

TOWN OF GILBERT, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2015

	<u>General</u>	<u>Streets Special Revenue</u>	<u>General Debt Service</u>	<u>Special Assessments Debt Service</u>
ASSETS				
Pooled cash and investments	\$ 86,539,451	\$ 17,728,073	\$ 14,718,755	\$ 37,487
Receivables, net:				
Taxes	3,993,490	-	150,856	-
Special assessments	-	-	-	8,287,296
Accrued interest	120,202	32,146	36,801	1,247
Accounts	14,287,439	12,174	-	-
Due from other governments	28,674	1,538,323	-	-
Due from other funds	501,870	-	-	-
Prepaid items	578,161	-	-	-
Inventories	-	-	-	-
Advances to other funds	23,891,929	-	-	-
Restricted assets:				
Cash and investments	111,900	-	10,557,872	-
Accrued interest	-	-	108	-
Total assets	<u>\$ 130,053,116</u>	<u>\$ 19,310,716</u>	<u>\$ 25,464,392</u>	<u>\$ 8,326,030</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,602,128	\$ 945,756	\$ -	\$ 5,000
Accrued liabilities	11,239,836	158,555	-	-
Deposits held for others	115,034	2,352	-	-
Due to other funds	-	-	-	-
Bonds payable	-	-	7,515,000	-
Interest payable	-	-	3,016,604	-
Advances from other funds	-	-	-	-
Unearned revenue	66,807	-	-	-
Total liabilities	<u>16,023,805</u>	<u>1,106,663</u>	<u>10,531,604</u>	<u>5,000</u>
Deferred Inflows of Resources:				
Unavailable revenue - special assessments	-	-	-	8,287,296
Unavailable revenue - court fines	4,654,068	-	-	-
Unavailable revenue - sales tax	401,905	-	-	-
Unavailable revenue - other	400,000	-	-	-
Total deferred inflows of resources	<u>5,455,973</u>	<u>-</u>	<u>-</u>	<u>8,287,296</u>
Fund Balances:				
Nonspendable	24,470,090	-	-	-
Restricted	-	13,431,471	10,165,593	33,734
Assigned	17,045,919	4,772,582	4,767,195	-
Unassigned	67,057,329	-	-	-
Total fund balances	<u>108,573,338</u>	<u>18,204,053</u>	<u>14,932,788</u>	<u>33,734</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 130,053,116</u>	<u>\$ 19,310,716</u>	<u>\$ 25,464,392</u>	<u>\$ 8,326,030</u>

GO Bonds Capital Projects	Saint Xavier University Revenue Obligations	System Development Fees Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 19,382,961	\$ -	\$ 29,535,253	\$ 24,827,525	\$ 192,769,505
-	-	-	18,992	4,163,338
-	-	-	-	8,287,296
31,842	-	48,667	41,353	312,258
-	-	16,269	57,562	14,373,444
-	-	-	1,265,422	2,832,419
-	-	-	-	501,870
-	-	-	-	578,161
-	-	-	2,328	2,328
-	-	-	-	23,891,929
-	14,832,185	-	465,819	25,967,776
-	455	-	-	563
<u>\$ 19,414,803</u>	<u>\$ 14,832,640</u>	<u>\$ 29,600,189</u>	<u>\$ 26,679,001</u>	<u>\$ 273,680,887</u>
\$ 182,937	\$ 1,889,450	\$ 132,036	\$ 1,459,971	\$ 9,217,278
12,022	-	-	64,436	11,474,849
-	-	-	283,592	400,978
-	308,007	-	151,501	459,508
-	-	-	-	7,515,000
-	-	-	-	3,016,604
-	-	23,891,929	-	23,891,929
-	-	-	1,080	67,887
<u>194,959</u>	<u>2,197,457</u>	<u>24,023,965</u>	<u>1,960,580</u>	<u>56,044,033</u>
-	-	-	-	8,287,296
-	-	-	-	4,654,068
-	-	-	-	401,905
-	-	-	-	400,000
-	-	-	-	<u>13,743,269</u>
-	-	-	2,328	24,472,418
13,810,764	12,635,183	29,544,109	17,216,403	96,837,257
5,409,080	-	-	7,512,752	39,507,528
-	-	(23,967,885)	(13,062)	43,076,382
<u>19,219,844</u>	<u>12,635,183</u>	<u>5,576,224</u>	<u>24,718,421</u>	<u>203,893,585</u>
<u>\$ 19,414,803</u>	<u>\$ 14,832,640</u>	<u>\$ 29,600,189</u>	<u>\$ 26,679,001</u>	<u>\$ 273,680,887</u>

The notes to the financial statement are an integral part of this statement.



TOWN OF GILBERT, ARIZONA
Reconciliation of the Balance Sheet
to the Statement of Net Position
June 30, 2015

Fund balances - total governmental funds		\$ 203,893,585
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Governmental capital assets	1,602,422,711	
Accumulated depreciation	<u>(631,244,398)</u>	971,178,313
<p>The investment in joint venture is not a financial resource and, therefore, is not reported in the funds.</p>		
		281,928
<p>Some receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.</p>		
		13,743,269
<p>Internal service funds are used by management to charge the costs of certain activities, such as equipment maintenance, copy services, 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 position, but are not included on the governmental funds balance sheet.</p>		
		1,880,534
<p>Deferred outflows and inflows of resources related to pensions and deferred charges on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.</p>		
Unamortized deferred outflow on bond refunding	4,079,965	
Pension-related items	<u>12,832,223</u>	16,912,188
<p>Certain liabilities applicable to the Town's governmental activities are not due and payable in the current period, and accordingly are not reported as fund liabilities in the governmental funds statement.</p>		
Net pension	(87,357,883)	
Bonds payable	(292,710,000)	
Bonds premium	(11,550,003)	
Compensated absences	(13,136,140)	
Post-employment benefits	<u>(1,414,043)</u>	(406,168,069)
Net position of governmental activities - statement of net position		<u><u>\$ 801,721,748</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF GILBERT, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	<u>General</u>	<u>Streets Special Revenue</u>	<u>General Debt Service</u>	<u>Special Assessments Debt Service</u>
Revenues				
Taxes:				
Sales	\$ 71,793,671	\$ -	\$ -	\$ -
Property	-	-	19,422,848	-
Franchise	2,737,303	-	-	-
Licenses and permits	4,790,601	-	-	-
Intergovernmental	47,052,108	20,865,939	-	-
Special assessments	-	-	-	1,184,368
Charges for services	9,333,868	5,452	-	-
Other entities' participation	-	10,676	-	-
System development fees	-	-	-	-
Gifts and donations	69,002	-	-	-
Fines and forfeitures	3,847,669	8,873	-	-
Investment earnings	493,751	123,626	139,220	5,345
Miscellaneous	739,596	213,208	-	-
Total revenues	<u>140,857,569</u>	<u>21,227,774</u>	<u>19,562,068</u>	<u>1,189,713</u>
Expenditures				
Current:				
General government:				
Management and policy	19,543,428	-	-	-
Finance and management services	1,942,824	-	-	-
Court	3,129,710	-	-	-
Development services	6,069,032	-	-	-
Public safety:				
Police	41,277,759	-	-	-
Fire	25,502,853	-	-	-
Highways and streets	-	10,796,093	-	-
Parks and recreation	20,408,135	-	-	-
Transportation	350,000	-	-	-
Non departmental	4,373,350	-	-	-
Debt service:				
Principal	-	-	22,615,000	1,135,000
Interest	-	-	12,637,592	470,225
Bond issuance costs	-	-	260,516	-
Fiscal and other charges	-	-	3,060	8,302
Capital outlay	6,100,083	7,987,849	-	-
Total expenditures	<u>128,697,174</u>	<u>18,783,942</u>	<u>35,516,168</u>	<u>1,613,527</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,160,395</u>	<u>2,443,832</u>	<u>(15,954,100)</u>	<u>(423,814)</u>
Other financing sources (uses)				
Transfers in	3,045,025	50,000	20,217,016	-
Transfers out	(5,856,982)	(4,069,280)	-	(21,866)
Revenue obligations issued	-	-	-	-
Premium on revenue obligations	-	-	-	-
Refunding bonds issued	-	-	28,080,000	-
Premium on refunding bonds	-	-	4,417,395	-
Payment to refunded bond escrow agent	-	-	(32,210,612)	-
Total other financing sources and uses	<u>(2,811,957)</u>	<u>(4,019,280)</u>	<u>20,503,799</u>	<u>(21,866)</u>
Net change in fund balances	9,348,438	(1,575,448)	4,549,699	(445,680)
Fund balances at beginning of year	99,224,900	19,779,501	10,383,089	479,414
Fund balances at end of year	<u>\$ 108,573,338</u>	<u>\$ 18,204,053</u>	<u>\$ 14,932,788</u>	<u>\$ 33,734</u>

GO Bonds Capital Projects	Saint Xavier University Revenue Obligations	System Development Fees Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 71,793,671
-	-	-	2,530,121	21,952,969
-	-	-	-	2,737,303
-	-	-	-	4,790,601
-	-	-	8,365,919	76,283,966
-	-	-	-	1,184,368
-	-	-	1,100,391	10,439,711
-	-	-	371,320	381,996
-	-	18,836,030	-	18,836,030
-	-	-	123,555	192,557
-	-	-	619,586	4,476,128
75,403	767	187,869	184,196	1,210,177
-	-	-	-	952,804
<u>75,403</u>	<u>767</u>	<u>19,023,899</u>	<u>13,295,088</u>	<u>215,232,281</u>
-	-	-	941,618	20,485,046
-	-	-	-	1,942,824
-	-	-	362,937	3,492,647
-	-	-	-	6,069,032
-	-	-	1,806,452	43,084,211
-	-	-	127,915	25,630,768
-	-	-	1,682,203	12,478,296
-	-	-	1,428,239	21,836,374
-	-	-	423,936	773,936
-	-	-	49,884	4,423,234
-	-	-	-	23,750,000
-	-	-	-	13,107,817
-	208,601	-	-	469,117
-	-	-	35,421	46,783
3,849,262	24,940,129	2,295,938	13,675,353	58,848,614
<u>3,849,262</u>	<u>25,148,730</u>	<u>2,295,938</u>	<u>20,533,958</u>	<u>236,438,699</u>
<u>(3,773,859)</u>	<u>(25,147,963)</u>	<u>16,727,961</u>	<u>(7,238,870)</u>	<u>(21,206,418)</u>
-	-	-	88,724	23,400,765
-	(1,902,542)	(11,160,456)	(205,326)	(23,216,452)
-	36,980,000	-	-	36,980,000
-	2,705,688	-	-	2,705,688
-	-	-	-	28,080,000
-	-	-	-	4,417,395
-	-	-	-	(32,210,612)
-	<u>37,783,146</u>	<u>(11,160,456)</u>	<u>(116,602)</u>	<u>40,156,784</u>
(3,773,859)	12,635,183	5,567,505	(7,355,472)	18,950,366
22,993,703	-	8,719	32,073,893	184,943,219
<u>\$ 19,219,844</u>	<u>\$ 12,635,183</u>	<u>\$ 5,576,224</u>	<u>\$ 24,718,421</u>	<u>\$ 203,893,585</u>

The notes to the financial statements are an integral part of this statement.



**TOWN OF GILBERT, ARIZONA
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2015**

Net change in fund balances - total governmental funds **\$ 18,950,366**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	58,848,614	
Depreciation expense	<u>(48,823,531)</u>	10,025,083

Issuance of debt, applicable premium and payment to refunded bond escrow agent are reported as a financing source (use) in the governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. Bond premium is deferred and amortized in the statement of activities.

Revenue obligations	(36,980,000)	
Premium on revenue obligations	(2,705,688)	
Refunding bonds	(28,080,000)	
Premium on refunding bonds	(4,417,395)	
Payment to refunded bond escrow agent	<u>32,210,612</u>	(39,972,471)

Repayment of bond principal is reported as expenditures in governmental funds and thus has the effect of reducing fund balance because current financial resources have been used. For the government-wide statements, however, the principal payments reduce the long-term liabilities in the statement of net position and do not result in an expense in the statement of activities. Also, governmental funds report the effect of deferred outflows of resources, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal payments	23,750,000	
Amortization expense	<u>843,341</u>	24,593,341

Internal service funds are used by management to charge the costs of certain activities, such as equipment maintenance and copy services, 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 services funds' costs for the year.

408,137

Capital assets contributed by developers are not shown on the governmental fund statements, but are included in the assets of the Town. On the statement of activities, these donations are shown as capital contributions.

Capital contributions		13,485,570
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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.

Compensated absences	(1,065,169)	
Post-employment benefits	<u>(710,612)</u>	(1,775,781)

Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension liability is measured a year before the report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities.

Pension contributions	9,032,015	
Pension expense	<u>(10,400,422)</u>	(1,368,407)

Certain revenues are not reported in the governmental funds because they do not provide current financial resources due to unavailability but are recognized as revenue in the statement of activities. However, other revenues in the governmental funds that provide current financial resources are not included in the statement of activities because they were recognized in a prior period.

Special assessments	(729,426)	
Court fines	(457,844)	
Sales tax	(21,096)	
Other	<u>(416,422)</u>	(1,624,788)

Change in net position of governmental activities - statement of activities **\$ 22,721,050**

The notes to the financial statements are an integral part of this statement.

TOWN OF GILBERT, ARIZONA
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes:				
Sales	\$ 68,849,000	\$ 68,849,000	\$ 71,793,671	\$ 2,944,671
Franchise	2,365,000	2,365,000	2,737,303	372,303
Licenses and permits	4,388,000	4,388,000	4,790,601	402,601
Intergovernmental	46,639,691	46,639,691	47,052,108	412,417
Charges for services	8,635,590	8,635,590	9,333,868	698,278
Gifts and donations	20,000	20,000	69,002	49,002
Fines and forfeitures	3,361,000	3,361,000	3,847,669	486,669
Investment earnings	430,000	430,000	493,751	63,751
Miscellaneous	745,000	745,000	739,596	(5,404)
Total revenues	<u>135,433,281</u>	<u>135,433,281</u>	<u>140,857,569</u>	<u>5,424,288</u>
Expenditures				
Current:				
General government:				
Management and policy	19,658,109	21,692,946	19,543,428	2,149,518
Finance and management services	2,069,096	1,989,746	1,942,824	46,922
Court	3,146,321	3,167,524	3,129,710	37,814
Development services	6,324,062	6,424,887	6,069,032	355,855
Public safety:				
Police	41,663,623	41,786,136	41,277,759	508,377
Fire	26,429,823	26,478,947	25,502,853	976,094
Parks and recreation	17,723,017	22,136,540	20,408,135	1,728,405
Transportation	350,000	350,000	350,000	-
Non departmental	3,509,670	3,513,970	4,373,350	(859,380)
Capital outlay	18,798,213	17,112,547	6,100,083	11,012,464
Contingency	16,747,500	11,765,891	-	11,765,891
Total expenditures	<u>156,419,434</u>	<u>156,419,134</u>	<u>128,697,174</u>	<u>27,721,960</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,986,153)</u>	<u>(20,985,853)</u>	<u>12,160,395</u>	<u>33,146,248</u>
Other financing sources (uses)				
Transfers in	1,236,830	3,139,380	3,045,025	(94,355)
Transfers out	<u>(5,845,340)</u>	<u>(5,845,340)</u>	<u>(5,856,982)</u>	<u>(11,642)</u>
Total other financing sources and uses	<u>(4,608,510)</u>	<u>(2,705,960)</u>	<u>(2,811,957)</u>	<u>(105,997)</u>
Net change in fund balances	<u>\$ (25,594,663)</u>	<u>\$ (23,691,813)</u>	9,348,438	<u>\$ 33,040,251</u>
Fund balance at beginning of year			99,224,900	
Fund balance at end of year			<u>\$ 108,573,338</u>	

The notes to the financial statements are an integral part of this statement.

TOWN OF GILBERT, ARIZONA
Streets Special Revenue Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 19,570,000	\$ 19,570,000	\$ 20,865,939	\$ 1,295,939
Charges for services	4,000	4,000	5,452	1,452
Other entities' participation	-	-	10,676	10,676
Fines and forfeitures	-	-	8,873	8,873
Investment earnings	100,000	100,000	123,626	23,626
Miscellaneous	-	-	213,208	213,208
Total revenues	<u>19,674,000</u>	<u>19,674,000</u>	<u>21,227,774</u>	<u>1,553,774</u>
Expenditures				
Current:				
Highways and streets	11,187,252	11,513,069	10,796,093	716,976
Capital outlay	10,176,132	10,850,671	7,987,849	2,862,822
Contingency	2,000,000	1,910,268	-	1,910,268
Total expenditures	<u>23,363,384</u>	<u>24,274,008</u>	<u>18,783,942</u>	<u>5,490,066</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,689,384)</u>	<u>(4,600,008)</u>	<u>2,443,832</u>	<u>7,043,840</u>
Other financing sources (uses)				
Transfers in	50,000	50,000	50,000	-
Transfers out	(4,016,190)	(4,069,160)	(4,069,280)	(120)
Total other financing sources and uses	<u>(3,966,190)</u>	<u>(4,019,160)</u>	<u>(4,019,280)</u>	<u>(120)</u>
Net change in fund balances	<u>\$ (7,655,574)</u>	<u>\$ (8,619,168)</u>	<u>(1,575,448)</u>	<u>\$ 7,043,720</u>
Fund balance at beginning of year			<u>19,779,501</u>	
Fund balance at end of year			<u>\$ 18,204,053</u>	

The notes to the financial statements are an integral part of this statement.

TOWN OF GILBERT, ARIZONA

Statement of Net Position

Proprietary Funds

June 30, 2015

Business-type Activities - Enterprise Funds

	Business-type Activities - Enterprise Funds			Total
	Water	Wastewater	Environmental Services	
ASSETS				
Current assets:				
Pooled cash and investments	\$ 89,245,225	\$ 68,326,602	\$ 25,704,526	\$ 183,276,353
Receivables (net):				
Accrued interest	141,056	117,561	42,276	300,893
Accounts	2,156,603	1,116,974	844,302	4,117,879
Due from other governments	150,234	-	-	150,234
Inventories	49,272	-	-	49,272
Total current assets	91,742,390	69,561,137	26,591,104	187,894,631
Noncurrent assets:				
Restricted assets:				
Cash and investments	44,828,766	9,987,521	-	54,816,287
Accrued interest	45,311	-	-	45,311
Investment in joint venture	68,904,567	62,405,023	-	131,309,590
Capital assets:				
Non-depreciable	56,210,377	14,734,522	234,909	71,179,808
Depreciable, net	226,432,797	158,544,395	5,366,528	390,343,720
Total noncurrent assets	396,421,818	245,671,461	5,601,437	647,694,716
Total assets	488,164,208	315,232,598	32,192,541	835,589,347
DEFERRED OUTFLOWS OF RESOURCES				
Pension-related items	1,804,333	674,640	1,124,401	3,603,374
Total deferred outflows of resources	1,804,333	674,640	1,124,401	3,603,374
LIABILITIES				
Current liabilities:				
Accounts payable	1,315,586	1,216,715	1,012,041	3,544,342
Accrued liabilities	413,242	142,415	228,384	784,041
Current portion of accrued compensated absences	380,792	161,798	208,435	751,025
Claims payable	-	-	-	-
Due to other funds	-	-	-	-
Accrued interest	1,205,580	-	-	1,205,580
Bonds payable	4,275,000	-	-	4,275,000
Utility deposits	3,154,813	-	27,209	3,182,022
Total current liabilities	10,745,013	1,520,928	1,476,069	13,742,010
Noncurrent liabilities:				
Utility revenue bonds payable	93,915,924	-	-	93,915,924
Accrued compensated absences	557,698	314,185	262,404	1,134,287
Post-employment benefits	172,002	64,960	121,176	358,138
Net pension liability	9,467,833	3,540,025	5,900,043	18,907,901
Total noncurrent liabilities	104,113,457	3,919,170	6,283,623	114,316,250
Total liabilities	114,858,470	5,440,098	7,759,692	128,058,260
DEFERRED INFLOWS OF RESOURCES				
Pension-related items	1,655,632	619,041	1,031,735	3,306,408
Total deferred inflows of resources	1,655,632	619,041	1,031,735	3,306,408
NET POSITION				
Net investment in capital assets	184,452,250	173,278,917	5,601,437	363,332,604
Restricted for debt service	17,408,808	-	-	17,408,808
Restricted for capital projects	27,452,515	9,223,189	-	36,675,704
Unrestricted	144,140,866	127,345,993	18,924,078	290,410,937
Total net position	\$ 373,454,439	\$ 309,848,099	\$ 24,525,515	\$ 707,828,053
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			458,929	
Net position of business-type activities			\$ 708,286,982	

**Governmental
Activities -
Internal Service
Funds**

\$	5,318,460
	2,829
	116,967
	-
	<u>553,222</u>
	<u>5,991,478</u>
	-
	-
	-
	-
	<u>197,129</u>
	<u>197,129</u>
	<u>6,188,607</u>
	363,777
	<u>363,777</u>
	284,150
	73,650
	76,146
	1,398,171
	42,362
	-
	-
	-
	<u>1,874,479</u>
	-
	95,807
	-
	<u>1,908,838</u>
	<u>2,004,645</u>
	<u>3,879,124</u>
	333,797
	<u>333,797</u>
	197,129
	-
	-
	<u>2,142,334</u>
\$	<u><u>2,339,463</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF GILBERT, ARIZONA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds			
	Water	Wastewater	Environmental Services	
Operating revenues				
Charges for services	\$ 37,500,541	\$ 24,625,084	\$ 18,007,494	\$80,133,119
Other	1,207,776	5,021	96,899	1,309,696
Total operating revenues	<u>38,708,317</u>	<u>24,630,105</u>	<u>18,104,393</u>	<u>81,442,815</u>
Operating expenses				
General and administrative	1,096,405	765,693	792,883	2,654,981
Personal services	7,752,434	3,918,519	6,140,731	17,811,684
Operation and maintenance	14,036,453	9,838,681	7,533,697	31,408,831
Claims Incurred	-	-	-	-
Depreciation	11,918,035	10,173,643	1,353,842	23,445,520
Allocation of indirect expenses	1,963,590	944,870	893,630	3,802,090
Total operating expenses	<u>36,766,917</u>	<u>25,641,406</u>	<u>16,714,783</u>	<u>79,123,106</u>
Operating income (loss)	<u>1,941,400</u>	<u>(1,011,301)</u>	<u>1,389,610</u>	<u>2,319,709</u>
Nonoperating revenues (expenses)				
Interest expense	(4,905,368)	-	-	(4,905,368)
Investment earnings	788,031	498,944	170,311	1,457,286
Gain on sale of capital assets	9,037	2,757	160,315	172,109
Total nonoperating revenues (expenses)	<u>(4,108,300)</u>	<u>501,701</u>	<u>330,626</u>	<u>(3,275,973)</u>
Income (loss) before capital contributions and transfers	(2,166,900)	(509,600)	1,720,236	(956,264)
Capital contributions	18,089,457	10,927,045	-	29,016,502
Transfers in	-	590,920	-	590,920
Transfers out	(750,233)	(25,000)	-	(775,233)
Change in net position	15,172,324	10,983,365	1,720,236	27,875,925
Total net position, beginning of year, as restated (see note 2)	<u>358,282,115</u>	<u>298,864,734</u>	<u>22,805,279</u>	
Total net position, end of year	<u>\$ 373,454,439</u>	<u>\$ 309,848,099</u>	<u>\$ 24,525,515</u>	
				(128,572)
				<u>\$27,747,353</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Change in net position of business-type activities

**Governmental
Activities -
Internal Service
Funds**

\$ 22,312,941
2,343,346
24,656,287

1,033,020
1,788,540
5,933,642
15,605,420
30,115
-
24,390,737

265,550

-
14,015
-
14,015

279,565
-
-
-

279,565

2,059,898

\$ 2,339,463

The notes to the financial statements are an integral part of this statement.

TOWN OF GILBERT, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

Business-type Activities - Enterprise Funds

	Business-type Activities - Enterprise Funds			Total
	Water	Wastewater	Environmental Services	
Cash flows from operating activities:				
Cash receipts from customers	\$ 37,700,319	\$ 24,675,250	\$ 17,810,514	\$ 80,186,083
Other operating cash receipts	1,207,776	5,021	96,899	1,309,696
Cash receipts from other funds for services	-	-	-	-
Cash receipts from deposits	49,434	-	-	49,434
Cash payments to suppliers for goods and services	(14,900,539)	(11,622,428)	(7,621,467)	(34,144,434)
Cash payments to employees for services	(7,203,150)	(3,786,601)	(5,883,384)	(16,873,135)
Cash payments to other funds for services	(1,963,590)	(944,870)	(893,630)	(3,802,090)
Net cash provided by operating activities	<u>14,890,250</u>	<u>8,326,372</u>	<u>3,508,932</u>	<u>26,725,554</u>
Cash flows from noncapital financing activities:				
Changes in due to other funds	-	-	-	-
Transfers from other funds	-	590,920	-	590,920
Transfers to other funds	(750,233)	(25,000)	-	(775,233)
Net cash provided by (used in) noncapital financing activities	<u>(750,233)</u>	<u>565,920</u>	<u>-</u>	<u>(184,313)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(8,933,933)	(2,002,865)	(3,008,910)	(13,945,708)
Proceeds from development fees	13,118,358	8,100,833	-	21,219,191
Cash paid for interest and fiscal charges	(4,978,456)	-	-	(4,978,456)
Principal payments on bonds	(6,140,000)	-	-	(6,140,000)
Proceeds from sale of capital assets	9,037	2,757	160,315	172,109
Net cash provided by (used in) capital and related financing activities	<u>(6,924,994)</u>	<u>6,100,725</u>	<u>(2,848,595)</u>	<u>(3,672,864)</u>
Cash flows from investing activities:				
Interest received on investments	812,748	490,640	178,198	1,481,586
Net cash provided by investing activities	<u>812,748</u>	<u>490,640</u>	<u>178,198</u>	<u>1,481,586</u>
Net increase in cash and cash equivalents	8,027,771	15,483,657	838,535	24,349,963
Cash and cash equivalents at beginning of year	126,046,220	62,830,466	24,865,991	213,742,677
Cash and cash equivalents at end of year	<u>\$ 134,073,991</u>	<u>\$ 78,314,123</u>	<u>\$ 25,704,526</u>	<u>\$ 238,092,640</u>
Cash and cash equivalents at end of year includes:				
Equity in pooled cash and investments	\$ 89,245,225	\$ 68,326,602	\$ 25,704,526	\$ 183,276,353
Restricted cash and investments	44,828,766	9,987,521	-	54,816,287
Total cash and cash equivalents	<u>\$ 134,073,991</u>	<u>\$ 78,314,123</u>	<u>\$ 25,704,526</u>	<u>\$ 238,092,640</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operations:				
Operating income (loss)	\$ 1,941,400	\$ (1,011,301)	\$ 1,389,610	\$ 2,319,709
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	11,918,035	10,173,643	1,353,842	23,445,520
Provision for uncollectible accounts	(286,736)	(183,018)	(162,232)	(631,986)
Pension expense	893,642	334,133	556,889	1,784,664
Employer pension contributions	(700,749)	(262,010)	(436,684)	(1,399,443)
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	486,513	233,183	(33,188)	686,508
Decrease in inventories	157,298	-	-	157,298
Increase (decrease) in accounts payable	75,021	(1,018,053)	705,113	(237,919)
Increase in claims payable	-	-	-	-
Increase (decrease) in deposits	49,434	-	(1,560)	47,874
Increase in accrued expenses	356,392	59,795	137,142	553,329
Total adjustments	<u>12,948,850</u>	<u>9,337,673</u>	<u>2,119,322</u>	<u>24,405,845</u>
Net cash provided by operating activities	<u>\$ 14,890,250</u>	<u>\$ 8,326,372</u>	<u>\$ 3,508,932</u>	<u>\$ 26,725,554</u>
Supplemental disclosures of noncash financing activities:				
Additions to property and equipment:				
Contributions from developers	\$ 4,971,099	\$ 2,826,212	\$ -	\$ 7,797,311
Total additions to property and equipment	<u>\$ 4,971,099</u>	<u>\$ 2,826,212</u>	<u>\$ -</u>	<u>\$ 7,797,311</u>

**Governmental
Activities -
Internal Service
Funds**

\$	-
	2,233,011
	22,307,894
	-
	(22,492,378)
	(1,718,867)
	-
	<u>329,660</u>
	42,362
	-
	-
	<u>42,362</u>
	(25,202)
	-
	-
	-
	<u>(25,202)</u>
	13,864
	<u>13,864</u>
	360,684
	4,957,776
\$	<u>5,318,460</u>
\$	5,318,460
	-
\$	<u>5,318,460</u>
\$	<u>265,550</u>
	30,115
	-
	180,170
	(141,280)
	(115,382)
	(14,755)
	(37,219)
	131,679
	-
	30,782
	<u>64,110</u>
\$	<u>329,660</u>
\$	-
\$	-

The notes to the financial statements are an integral part of this statement.

TOWN OF GILBERT, ARIZONA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Firemen's Pension Trust	Agency Funds
ASSETS		
Restricted cash and investments	\$ 92,346	\$ -
Prepaid items	-	22,355
Total assets	92,346	\$ 22,355
LIABILITIES		
Accounts payable	-	\$ 3,513
Dependent care benefits payable	-	18,842
Total liabilities	-	\$ 22,355
NET POSITION		
Held in trust for pension benefits	\$ 92,346	

The notes to the financial statements are an integral part of this statement.

TOWN OF GILBERT, ARIZONA
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2015

	Firemen's Pension Trust
Additions	
Interest on investments	\$ 68
Total additions	68
Deductions	
Benefits	2,400
Administration	100
Total deductions	2,500
Change in net position	(2,432)
Net position - beginning of the year	94,778
Net position - end of the year	\$ 92,346

The notes to the financial statements are an integral part of this statement.



TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

The Town of Gilbert, Arizona (Gilbert) was incorporated on July 6, 1920, under the provisions of Article 13, Section 1 of the Constitution of the State of Arizona. Gilbert operates as a general law community, under the provisions of Title 9, Chapter 2, Article 3 (Common Council provision). Gilbert operates under the Council-Manager form of government, as empowered in Chapter 2, Article 2-51 of the Code of the Town of Gilbert, Arizona. There are seven members of the Council, elected to staggered four-year terms. The voters select the Mayor and the Council membership annually elects the Vice Mayor.

Note 1 - Summary of Significant Accounting Policies

Gilbert's accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

During the fiscal year ended June 30, 2015, Gilbert implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. GASB Statement No. 71 addresses the issue of amounts associated with contributions made by a state or local government to a defined benefit pension plan after the measurement date of their beginning net pension liability. The implementation of these Statements represents a change in accounting principle. See Note 2.

A. Reporting Entity

Gilbert's operations include public safety (police, fire, and animal control), parks and recreation (parks, recreation, library, culture and arts, and social services), development services (planning, code enforcement, and engineering), and general administration in support of operations. Gilbert also operates three enterprise funds to provide water, wastewater, and environmental services, and three internal service funds that provide equipment and fleet maintenance, copy services, and employee self-insurance for medical and dental claims.

The accompanying financial statements present the activities of Gilbert (the primary government) and its component units. Component units are legally separate entities for which Gilbert is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of Gilbert's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the Town of Gilbert. Each blended and discretely presented component unit discussed below has a June 30 year-end.

Blended Component Units - The Water Resources Municipal Property Corporation (Water MPC) is a legally separate, non-profit corporation which exists solely for the purpose of financing the construction or acquisition of water and wastewater capital improvement projects. The Public Facilities Municipal Property Corporation (Public Facilities MPC) is a legally separate, non-profit corporation which exists solely for the purpose of financing construction of municipal facilities. Each is considered a blended component unit because the Council appoints the five-member board of directors of the MPC, the Council must approve any amendments to the articles of incorporation of the MPC, the Council must approve any debt issues of the MPC, and the MPC provides services solely to the Town of Gilbert. At June 30, 2015, the Water MPC bonded debt is reported within the water fund and the Public Facilities MPC bonded debt is reported within the debt service fund (current portion only) and within the governmental activities in the government-wide statement of net position.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

Discretely Presented Component Unit - The Industrial Development Authority (IDA) issues industrial revenue bonds to provide financial assistance to private sector entities for the acquisition and construction of eligible industrial and commercial facilities deemed to be in the public interest. The IDA is considered a component unit because the Council appoints the board of directors of the IDA, the Council must approve any amendments to the articles of incorporation of the IDA, and the Council must approve any debt issues of the IDA. The IDA is discretely presented in these combined financial statements because the IDA does not provide services solely to Gilbert. Separate financial statements for the IDA have not been prepared.

B. Jointly Governed Organizations

Phoenix-Mesa Gateway Airport Authority (PMGAA) is a non-profit corporation established and funded by the Towns of Gilbert and Queen Creek, the Cities of Mesa and Phoenix, and the Gila River Indian Community. The purpose of the entity is the redevelopment of Williams Air Force Base, which was closed in September 1993 and became Phoenix-Mesa Gateway Airport. The airport has three runways, a newly remodeled passenger terminal and is positioned to be a reliever airport to Phoenix's Sky Harbor International Airport. The Board of Directors consists of the mayors of the respective communities and the governor of the tribal community. Gilbert contributed \$350,000 in fiscal year 2015 to the PMGAA operating and capital budget.

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

C. Government-wide and Fund Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) report on Gilbert and its component units 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 support.

The government-wide Statement of Net Position reports all financial and capital resources of the government (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net position, with the assets and liabilities shown in order of their relative liquidity. Net position is required to be displayed in three components: 1) net investment in capital assets, 2) restricted and 3) unrestricted. Net investment in capital assets is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net position has constraints placed on its use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net position not otherwise classified as restricted, is shown as unrestricted.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of the various functions or departments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or department. Interest and fiscal charges on long-term debt are not allocated to the various functions. Program revenues include charges for services, fines and forfeitures, licenses and permit fees, special assessment fees, certain system development fees, intergovernmental grants and other entities participation. Taxes, investment earnings and other revenues not identifiable with a particular function or department are included as general revenues. The general revenues support the net costs of the functions and departments not covered by program revenues.

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For the most part, the effect of internal activity has been removed from the government-wide financial statements. Net internal activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements. Certain charges between the enterprise funds' 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.

Separate financial statements are provided for the governmental funds, proprietary funds and fiduciary funds. The focus of the fund financial statements is on major funds. Major individual governmental funds and proprietary funds are reported as separate columns in the fund financial statements. Other nonmajor governmental funds, as well as the internal service funds, are summarized into a single column on the fund financial statements and are detailed in the combining statements included as supplementary information.

As stated above, the fiduciary funds are presented in the fund financial statements and not included in the government-wide statements. By definition these assets are being held for the benefit of a third party and cannot be used to address Gilbert's activities or obligations.

The internal service funds, which provide services to the other funds of the government, are presented in a single combined column in the proprietary fund financial statements. Because the principal users of the internal service funds are the governmental activities, the assets and liabilities of the internal service funds are consolidated into the governmental activities column of the government-wide Statement of Net Position. The costs of the internal service fund services are spread to the appropriate function or department 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 from these revenues and expenses.

D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency fund financial statements have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered available if they are collected within 60 days of the end of the current fiscal period. Principal revenue sources considered to be susceptible to accrual are property taxes, sales taxes, franchise taxes, licenses and permits, intergovernmental revenue and investment earnings associated with the current fiscal period.

Charges for services, fines and forfeitures, and miscellaneous revenues are recorded as revenue when received as cash because they are generally not measurable until actually received. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the page following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide presentation.

The proprietary funds and the pension trust fund are reported using the economic resources measurement focus and the accrual basis of accounting (same basis as the government-wide financial statements).

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. The principal operating revenue of Gilbert's internal service funds are charges to user departments for services provided. The principal operating revenue of Gilbert's enterprise funds are user fees and charges to customers for water, wastewater, and environmental services. Operating expenses for these funds include the cost of sales and services, administrative and payroll expenses, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Fund Accounting

Gilbert uses funds to report its financial position and the results of its operations. Fund accounting segregates funds according to their intended purpose and is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, which includes assets, liabilities, fund equity, revenues and expenditures/expenses.

Gilbert uses the following fund categories, further divided by fund type:

Governmental Funds

Governmental funds are those through which most of the governmental functions are financed. The measurement focus is based upon determination of changes in financial position rather than upon net income determination.

Gilbert reports the following major governmental funds:

General Fund - The general fund is the primary operating fund and is used to account for all financial resources except those required to be accounted for in another fund. The general fund will always be considered a major fund in the basic financial statements.

Streets Special Revenue Fund – The streets fund accounts for Gilbert's portion of the Arizona Highway User Revenue Tax, Local Transportation Assistance Funds, and Vehicle License Taxes. The revenue is used exclusively for the maintenance and improvement of highways and streets.

General Debt Service Fund – The general debt service fund accounts for the principal and interest requirements of general obligation, highway user revenue and municipal property corporation revenue bonds not recorded in proprietary funds. Financing is provided from the levy of secondary property taxes and revenue-supported transfers.

Special Assessments Debt Service Fund – The special assessments fund accounts for the principal and interest requirements of special assessment bonds not recorded in proprietary funds. Financing is provided by special assessment levies against benefited property owners.

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GO Bonds Capital Projects Fund – The GO bonds fund accounts for the receipt of proceeds from general obligation bonds and the expenditure of those proceeds to purchase or construct capital assets.

System Development Fees Capital Projects Fund – The system development fees fund accounts for the receipt of fees collected from building permits paid and the expenditure of those funds for infrastructure related to growth in Gilbert.

Saint Xavier University (SXU) Revenue Obligations Capital Projects Fund – The SXU revenue obligations fund accounts for the receipt of revenue obligations proceeds and the expenditure of those proceeds to design and construct a building that will be leased to the St. Xavier University.

Proprietary Funds

Proprietary funds are used to account for Gilbert's ongoing activities which are similar to those found in the private sector and where cost recovery and the determination of net income is useful or necessary for sound fiscal management. The measurement focus is based upon determination of net income, changes in net position, financial position and cash flows.

Gilbert reports the following major proprietary funds:

Water Fund – The water fund accounts for the revenues and expenses from the operation and maintenance of the domestic water system.

Wastewater Fund – The wastewater fund accounts for the revenues and expenses from the operation of the sanitary wastewater collection and treatment and reclaimed water distribution system.

Environmental Services Fund – The environmental services fund accounts for the revenues and expenses of operating the solid waste collection system.

Additionally, Gilbert reports the following fund types:

Internal Service Funds – The internal service funds account for operations that provide services to other departments on a cost-reimbursement basis. These services include maintenance of Gilbert's motorized equipment, operation of centrally located copiers and self-insurance for employee benefit programs.

Pension Trust Fund - The pension trust fund accounts for assets held by the government in a trustee capacity. The fund includes the assets and pension payments to retired volunteer firefighters and survivors.

Agency Funds – The agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds. Gilbert currently maintains an agency fund to account for monies collected from employees to pay medical and dependent care claims, monies collected from sworn fire employees for providing a monthly stipend for retirees to apply to the cost of their medical and/or dental insurance, medical and dental co-pays, and prescriptions and other benefits, and monies collected from developers for sewer buy-ins and paid out to the developer that constructed the sewer.

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F. Budgetary Data

In January of each year, the Office of Management & Budget (OMB) prepares a revenue estimate based upon local and state-shared revenue forecasts, historic trends, economic indicators, anticipated growth, and year-to-date revenue performance to develop guidelines for departments to follow in preparing budget requests. The Council is briefed on this information and asked to approve boundaries and priorities for consideration in the preparation of departmental requests.

Simultaneously, departments develop operating budget requests and submit them to the OMB. Departments work with the Capital Improvement Program (CIP) Division to finalize project estimates for the CIP, and submit them to the OMB for funding. Estimates for trust and agency, debt service, maintenance improvement districts, and internal service funds are prepared by the OMB and submitted for review.

In March, the Council is presented with a working budget request for preliminary review and discussion, and approves a schedule of hearings and dates for approval of the budget. A public hearing is held in May, in anticipation of the adoption of the final budget.

Prior to June 30 of each year, the Council adopts a preliminary budget as the maximum legal expenditure limit for the upcoming year. Council establishes dates for the final public hearing, the final adoption of the budget, and the setting of tax levies. The Council adopts the final tax levy and reports the levy amounts to Maricopa County for collection not later than the third Monday in August.

The Council sets policy and adopts the annual budget at the fund level as a total amount of expenditures. Financial control is set by Council at the fund level, with budgetary control for operating performance administered at the departmental level. Budget adjustments for special revenue funds, excluding Highway User Revenue Funds, will be administered by the OMB and will not exceed the available revenues. Grants and restricted appropriations are administered by departments. Directors may authorize transfers within non-personnel budget lines at the same fund, department, and project level. Council action is required to approve adjustments between funds, projects, or contingency transactions over \$50,000. All annual appropriations lapse at year-end and are considered for inclusion in the subsequent year's budget on a case-by-case basis.

Gilbert prepares its budget on a basis generally consistent with GAAP, with certain exceptions as explained in Note 3. In addition, the financial statements present the budget and actual information for the departments at a summary level by function.

G. Pooled Cash and Investments

Gilbert maintains pooled cash and investment accounts for funds that are not legally required to be maintained separately. Each fund's equity in pooled cash and investments represents that fund's position in the consolidated accounts and determines that fund's allocation of interest earned in the pool. The Arizona Revised Statutes require a pooled collateral program for public deposits and regulate the investment of surplus cash. Gilbert limits its investments to the Local Government Investment Pool (managed by the Arizona State Treasurer), U.S. government securities, certificates of deposit, bonds, repurchase agreements, corporate notes, commercial paper, and money market accounts.

Investments are stated at fair value based on quoted market prices and cash equivalents are stated at amortized cost.

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H. Inventories and Prepaid Items

Inventories are recorded in the equipment maintenance internal service fund and the water enterprise fund. Inventories are recorded as assets when purchased and expensed when consumed. These inventories are stated at cost using the weighted average method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

I. Restricted Assets

Certain bond proceeds, as well as certain resources set aside for their repayment, are classified as restricted on the balance sheet, or statement of net position, because they are maintained in trust accounts and their use is limited by applicable debt covenants.

J. Capital Assets

Capital assets, including public domain infrastructure (e.g., roads, bridges, sidewalks and similar assets), are defined as assets with an initial, individual cost of more than \$10,000 and an estimated useful life greater than one year. All infrastructure, including infrastructure acquired prior to June 30, 1980, is reported. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets (including streets, water and wastewater lines installed by developers) are recorded at the estimated fair market value at the date of donation. Gain or loss is recognized when assets are retired from service or otherwise disposed.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, if material.

Capital assets are depreciated using the straight-line method based on the following estimated useful lives (land and construction-in-progress are not depreciated):

Buildings	25 to 50 years
Improvements	25 to 50 years
Machinery and equipment	3 to 10 years
Infrastructure	15 to 50 years
Water rights	100 years

K. Compensated Absences

Annual leave is based on a graduated scale of years of employment and is credited to each employee as it accrues. Annual leave hours vary according to years of employment and job class, and is either taken as time off from work or paid to employees upon separation or retirement. Sick leave accumulated in excess of 520 hours (728 hours for fire personnel) is convertible annually to a partial cash benefit. Sick leave is convertible to a cash benefit upon retirement or death of the employee (at 100%) or upon resignation (at 50%) when the employee has ten or more years of service (calculated at a 5 year average hourly rate).

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For the governmental funds, a liability for compensated absences is reported only if they have matured, for example, as a result of employee resignations and retirements. For the government-wide financial statements, as well as the proprietary fund financial statements, all of the outstanding compensated absences are recorded as a liability.

L. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The debt service funds are specifically established to account for and service the long-term obligations for the governmental funds and special assessment debt. Each enterprise fund individually accounts for and services the applicable bonds that benefit these funds. Long-term obligations are recognized as a liability of a governmental fund when due, or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

M. Transactions Between Funds

Transactions that would be recorded as revenues and expenditures/expenses if they involved entities external to the governmental unit are recorded as revenues and expenditures/expenses in the respective funds. Transactions constituting a reimbursement of a fund for expenditures/expenses originally recorded in that fund, but properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund, and as reductions of the expenditures/expenses in the fund which is reimbursed, excluding indirect administrative costs which are recorded as revenues and expenditures/expenses in the related funds. Indirect administrative expenses represent overhead costs which have been allocated to the enterprise funds based upon a formula approved with the budget. All other interfund transactions are reported as transfers.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. See Note 6 for further discussion of the interfund receivables/payables at June 30.

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N. Property Tax

Gilbert's property tax levy is adopted by the Council each year on or before the third Monday of August, based on the previous year's full cash value as of the lien date (January 1). Maricopa County, at no charge, levies and collects all property taxes. Levies are due and payable in two installments on September 1 and March 1 and become delinquent on November 1 and May 1, respectively.

Public auctions of properties that have delinquent real estate taxes are held in February following the May 1 delinquency of the second installment. The purchaser is given a certificate of purchase, issued by the County Treasurer. Five years from the date of sale, the holder of a certificate of purchase, which has not been redeemed, may demand of the County Treasurer, a County Treasurer's Deed.

Gilbert does not levy property taxes for general operations (primary tax). Secondary property taxes are levied solely for the purpose of retiring the principal, interest, and servicing fees on voter approved general obligation bonded indebtedness. Gilbert may levy the amount deemed necessary to meet its bonded debt service requirements. State law requires municipalities to adopt a property tax levy based on the exact amount of scheduled debt service for the year plus a reasonable amount for delinquencies and certain costs. For fiscal year 2015, Gilbert's property tax rate is \$1.06 per \$100 of secondary assessed valuation.

O. Deferred outflows/inflows of resources

On the government-wide and proprietary funds Statement of Net Position, deferred outflows of resources are reported and represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Gilbert has two items that qualify for reporting in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred charge on pension-related items results from the difference between expected and actual experience and also changes in proportion and differences between Gilbert contributions and proportionate share of contributions. These amounts are deferred and amortized over a closed period equal to the average of the expected remaining service lives of active and inactive members.

On the governmental funds Balance Sheet, deferred inflows of resources are reported and represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Gilbert only has one item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. The governmental funds report unavailable revenues from several sources: special assessments, court fines, sales tax and other. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available.

On the government-wide and proprietary funds Statement of Net Position, deferred inflows of resources are reported on pension-related items for the net difference between projected and actual investment earnings on pension plan investments. These amounts are amortized into pension expense over a closed five-year period.

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P. Pensions

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

Q. Fund Balance Classifications

Fund balance classifications comprise a hierarchy based primarily on the extent to which Gilbert is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. *Nonspendable* and *Restricted* fund balances represent the restricted classifications and *Committed*, *Assigned* and *Unassigned* represent the unrestricted classifications.

Nonspendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form such as inventory or (b) legally or contractually required to be maintained intact. Restricted fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed *externally* by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed *internally* by formal action of the Council. Formal action by Council through resolution is required to establish, modify or rescind committed fund balance. Assigned fund balance includes amounts that are limited to specific purposes by management. Per the Policies of Responsible Financial Management, Council has authorized the Finance & Management Services Director to assign fund balance amounts to a specific purpose. Unassigned fund balance represents the residual net resources in excess of the other classifications. The general fund is the only fund that can report a positive unassigned fund balance and any other governmental fund can report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, as a general rule, restricted resources are considered spent before unrestricted. Within unrestricted, committed amounts would be reduced first, followed by assigned amounts (if available) and then unassigned amounts.

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As of June 30, 2015, the fund balance details by classification are listed below:

Fund balances:	General Fund	Streets		Major Debt Service Funds		Major Capital Projects Funds			Other Gov't	Total
		Special Revenue	Special	General	Special Assmnts	GO Bonds	SXU Rev Oblig	System Dev Fees		
Nonspendable:										
Advances	\$23,891,929	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,891,929
Inventory	-	-	-	-	-	-	-	-	2,328	2,328
Prepaid items	578,161	-	-	-	-	-	-	-	-	578,161
Restricted for:										
Capital projects	-	-	-	-	13,810,764	12,635,183	29,544,109	13,662,548	69,652,604	69,652,604
Court/public safety programs	-	-	-	-	-	-	-	1,707,503	1,707,503	1,707,503
Debt service	-	-	10,165,593	33,734	-	-	-	-	10,199,327	10,199,327
Grants	-	-	-	-	-	-	-	1,450,012	1,450,012	1,450,012
Highways and streets	-	13,431,471	-	-	-	-	-	-	13,431,471	13,431,471
Contract agreements	-	-	-	-	-	-	-	128,804	128,804	128,804
Parks & recreation programs	-	-	-	-	-	-	-	24,622	24,622	24,622
Special districts	-	-	-	-	-	-	-	242,914	242,914	242,914
Assigned to:										
Capital replacement	13,382,516	4,772,582	-	-	-	-	-	-	18,155,098	18,155,098
Capital projects	2,814,762	-	-	-	5,409,080	-	-	7,495,778	15,719,620	15,719,620
Court/public safety programs	116,728	-	-	-	-	-	-	-	116,728	116,728
Debt service	-	-	4,767,195	-	-	-	-	-	4,767,195	4,767,195
Development services	171,040	-	-	-	-	-	-	-	171,040	171,040
Management and policy	137,831	-	-	-	-	-	-	-	137,831	137,831
Parks & recreation programs	423,042	-	-	-	-	-	-	16,974	440,016	440,016
Unassigned:	<u>67,057,329</u>	-	-	-	-	-	<u>(23,967,885)</u>	<u>(13,062)</u>	<u>43,076,382</u>	<u>43,076,382</u>
Total fund balances	<u>\$108,573,338</u>	<u>\$18,204,053</u>	<u>\$14,932,788</u>	<u>\$ 33,734</u>	<u>\$19,219,844</u>	<u>\$ 12,635,183</u>	<u>\$ 5,576,224</u>	<u>\$24,718,421</u>	<u>\$203,893,585</u>	<u>\$203,893,585</u>

R. Statement of Cash Flows

A statement of cash flows classifies cash receipts and payments according to whether they stem from operating, noncapital financing, capital and related financing, or investing activities. For purposes of the statement of cash flows, all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased are considered cash equivalents.

S. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make a number of estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of net position/balance sheet and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Change in Accounting Principle

Net position as of July 1, 2014, has been restated as follows for the implementation of GASB Statements No. 68 and No. 71 for the Governmental and Business-type Activities in the Statement of Activities; for the Water, Wastewater, Environmental Services Enterprise Funds and Internal Service Funds in the Statement of Revenues, Expenses, and Changes in Fund Net Position.

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	Governmental Activities	Business-type Activities	Water Enterprise Fund	Wastewater Enterprise Fund	Environmental Services Enterprise Fund	Internal Service Funds
Net position as previously reported at June 30, 2014	\$853,997,915	\$698,765,343	\$367,408,354	\$302,277,037	\$28,492,451	\$3,899,866
Net pension liability (measurement date as of June 30, 2013)	(83,395,398)	(19,458,243)	(9,743,408)	(3,643,063)	(6,071,772)	(1,964,397)
Deferred outflows – contributions made during fiscal year 2014	<u>8,398,181</u>	<u>1,232,529</u>	<u>617,169</u>	<u>230,760</u>	<u>384,600</u>	<u>124,429</u>
Net position as restated, July 1, 2014	<u>\$779,000,698</u>	<u>\$680,539,629</u>	<u>\$358,282,115</u>	<u>\$298,864,734</u>	<u>\$22,805,279</u>	<u>\$2,059,898</u>

Note 3 - Budgetary Basis of Accounting

Budgetary comparison statements for the general fund and major special revenue funds are presented in the basic financial statements. These statements display original budget, amended budget and actual results. Budgetary comparison schedules are also included as supplementary schedules for the other governmental funds.

The budgets for the proprietary funds are adopted on a basis other than GAAP. For these funds, the budgetary schedules include a reconciliation of the adjustments required to convert budgetary revenues and expenses to GAAP revenues and expenses.

The primary differences between the GAAP and budget basis statements for the proprietary funds are:

1. Obligations for compensated absences, post-employment benefits, net pension liability and rebatable arbitrage are accrued on the GAAP basis but are not recognized on the budget basis.
2. Capital outlays are not recognized as GAAP expenses but are recognized as expenses on the budget basis.
3. Debt service principal payments are not recorded as expenses on the GAAP basis but are recognized as expenses on the budget basis.
4. Depreciation is expensed on the GAAP basis but is not recognized on the budget basis.
5. Capital assets contributed by developers are recognized as revenue on the GAAP basis but are not recognized on the budget basis.

Note 4 - Deposits and Investments

The Arizona Revised Statutes require a pooled collateral program for public deposits and a Statewide Collateral Pool Administrator (Administrator) in the State Treasurer's Office. The purpose of the pooled collateral program is to ensure that governmental entities' public deposits placed in participating depositories are secured with collateral of 102% of the public deposits, less any applicable deposit insurance. An eligible depository may not retain or accept any public deposit unless it has deposited the required collateral with a qualified escrow agent or the Administrator. The Administrator manages the pooled collateral program, including reporting on each depository's compliance with the program.

The investment of public monies is also regulated by the Arizona Revised Statutes Title 35. Gilbert limits its investments to the Local Government Investment Pools 7 and 700 (that only invest in U.S. government securities and managed by the Arizona State Treasurer), U.S. government securities, certificates of deposit, bonds, commercial paper, corporate notes and money market accounts. The State Board of Investment provides oversight for the State Treasurer's pools. The fair value of a participant's position in the pool approximates the value of that participant's pool shares, and the participant's shares are not identified with specific investments.

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At June 30, 2015, Gilbert's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1</u>	<u>1-3</u>
U.S. Government Treasuries	\$129,714,643	\$20,045,459	\$109,669,184
U.S. Government Agencies	81,397,342	-	81,397,342
Municipal Bonds	3,184,664	1,555,000	1,629,664
Corporate Notes	48,945,517	2,500,260	46,445,257
State Treasurer's Investment Pool	89,691,152	50,849,267	38,841,885
Money Market – U.S. Treasuries:			
Wells Fargo	9,279,996	9,279,996	-
Bank of NY Mellon	11,820,423	11,820,423	-
US Bank	14,832,185	14,832,185	-
Total	<u>\$388,865,922</u>	<u>\$110,882,590</u>	<u>\$277,983,332</u>

Interest rate risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, Gilbert's investment policy limits its investment portfolio to maturities of five years or less.

Credit risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Gilbert addresses credit risk through its investment policy by restricting the allowable investment instruments. As of June 30, 2015, the investments in the U.S. Government Agencies were rated AA+, the investments in Municipal Bonds ranged from AA- ratings to AAA ratings, and the investments in Corporate Notes ranged from A- ratings to AAA ratings. Gilbert's investment in the State Treasurer's Investment Pool did not receive a credit quality rating from a national rating agency.

Custodial credit risk - deposits – Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. As of June 30, 2015, Gilbert's bank balance was \$76,560,467 of which \$9,634,603 was with JP Morgan and \$66,925,864 was with Alliance Bank of Arizona. \$9,134,603 of JP Morgan's bank balance was exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trustee. These securities are not in Gilbert's name, but cannot be released without Gilbert's authorization. At the end of each day, a portion of Gilbert's bank balance is transferred to a sweep investment account. The amount of the sweep account at June 30, 2015, was \$5,314,645 and was invested in U.S. Treasuries only. All of the Alliance Bank of Arizona bank balance was FDIC-insured because deposits are placed into multiple banks in increments of less than \$250,000.

Custodial credit risk - investments – The custodial credit risk for investments is the risk that, in the event of the failures of the counterparty (e.g. broker-dealer) to a transaction, Gilbert will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Gilbert's investment policy limits its exposure to custodial credit risk by requiring that all security transactions entered into by Gilbert be conducted on a delivery-versus-payment basis. Securities are to be held by a third party custodian. Gilbert's investment in the State Treasurer's Investment Pool represents a proportionate interest in the Pool's portfolio; however, Gilbert's portion is not identified with specific investments and is not subject to custodial credit risk.

Concentration of credit risk - Gilbert's investment policy limits corporate notes to 20% of total funds and 3% per issuer. As of June 30, 2015, of Gilbert's investments, 34% were in U.S. Government Treasuries, 23% were in the State Treasurer's Investment Pool and 21% were in U.S. Government Agencies.

**TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015**

Reconciliation of pooled cash and investments as reported on the statement of net position:

Primary government:	
Carrying amount of cash/deposits	\$ 73,374,805
Carrying amount of investments	<u>388,865,922</u>
Total cash and investments	<u>\$462,240,727</u>
Pooled cash and investments	\$381,364,318
Restricted cash and investments	<u>80,784,063</u>
Total cash and investments (per Statement of Net Position)	462,148,381
Pension trust fund	<u>92,346</u>
Total cash and investments	<u>\$462,240,727</u>

Note 5 - Taxes Receivable and Due from Other Governments

The general fund taxes receivable amount at June 30, 2015, includes \$1,658,539 in state shared sales tax and \$2,334,951 in local sales tax due from the State of Arizona. Amounts due from other governments recorded in the streets special revenue fund include \$1,205,176 in highway user revenues and \$332,868 in vehicle license tax both due from the State of Arizona. Other governmental funds include \$479,795 in federal grants from the U.S. Department of Housing and Urban Development, \$45,180 from the U.S. Department of Transportation, \$63,084 from the U.S. Department of Homeland Security and \$79,814 from Valley Metro Regional Transportation Authority. The water fund includes \$150,234 in amounts due from the City of Chandler for the joint operation of the SanTan Vista Water Treatment Plant. The balance of these receivables represents various grants from the state and federal governments.

Note 6 – Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2015, is as follows:

Due to/from other funds are short-term loans that cover cash deficits and are recorded in the following funds (cash deficits are temporary, until reimbursements are received):

	<u>Due To</u>	<u>Due From</u>
General fund	\$ -	\$ 501,870
SXU revenue obligations	308,007	
Other governmental funds	151,501	-
Copier services fund	<u>42,362</u>	
Total	<u>\$ 501,870</u>	<u>\$ 501,870</u>

Advances from/to other funds are long-term loans that cover cash deficits for capital expenditures and are recorded in the following funds:

	<u>Advances from</u>	<u>Advances to</u>
General fund	\$ -	\$23,891,929
System development fees capital projects fund	<u>23,891,929</u>	-
Total	<u>\$23,891,929</u>	<u>\$23,891,929</u>

**TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015**

Note 7 – Capital Assets

A summary of changes in capital assets for governmental activities, for the fiscal year ended June 30, 2015, is as follows:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2015</u>
Non-depreciable assets:				
Land	\$ 179,058,053	\$ 2,586,320	-	\$ 181,644,373
Construction-in-progress	28,469,708	54,638,108	(25,914,291)	57,193,525
Total non-depreciable assets	<u>207,527,761</u>	<u>57,224,428</u>	<u>(25,914,291)</u>	<u>238,837,898</u>
Depreciable assets:				
Buildings	216,776,351	8,532,655	-	225,309,006
Improvements other than buildings	71,656,811	383,563	-	72,040,374
Machinery and equipment	56,655,344	1,825,351	(830,996)	57,649,699
Infrastructure	978,811,453	30,307,679	-	1,009,119,132
Total depreciable assets	<u>1,323,899,959</u>	<u>41,049,248</u>	<u>(830,996)</u>	<u>1,364,118,211</u>
Less accumulated depreciation:				
Buildings	(76,668,770)	(8,655,748)	-	(85,324,518)
Improvements other than buildings	(36,143,273)	(3,585,310)	-	(39,728,583)
Machinery and equipment	(42,875,796)	(3,072,605)	826,407	(45,121,994)
Infrastructure	(427,898,372)	(33,507,200)	-	(461,405,572)
Total accumulated depreciation	<u>(583,586,211)</u>	<u>(48,820,863)</u>	<u>826,407</u>	<u>(631,580,667)</u>
Total depreciable assets, net	<u>740,313,748</u>	<u>(7,771,615)</u>	<u>(4,589)</u>	<u>732,537,544</u>
Governmental activities capital assets, net	<u>\$ 947,841,509</u>	<u>\$ 49,452,813</u>	<u>\$ (25,918,880)</u>	<u>\$ 971,375,442</u>

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

Management and policy	\$ 396,255
Finance and management services	295,654
Legal and court	493,062
Development services	890,257
Police	2,639,909
Fire	3,017,946
Highways and streets	34,309,097
Parks and recreation	<u>6,748,568</u>
Total depreciation expense not including internal service funds	48,790,748
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>30,115</u>
Total depreciation expense - governmental activities	<u>\$48,820,863</u>

**TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015**

A summary of changes in capital assets for business-type activities, for the fiscal year ended June 30, 2015, is as follows:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2015</u>
Non-depreciable assets:				
Land	\$ 59,509,511	\$ 5,165,664	\$ -	\$ 64,675,175
Construction-in-progress	7,210,026	10,869,777	(11,575,170)	6,504,633
Total non-depreciable assets	<u>66,719,537</u>	<u>16,035,441</u>	<u>(11,575,170)</u>	<u>71,179,808</u>
Depreciable assets:				
Plant and equipment	132,768,032	3,075,930	(1,661,606)	134,182,356
Water rights	9,146,281	-	-	9,146,281
Infrastructure	435,243,115	14,206,817	-	449,449,932
Total depreciable assets	<u>577,157,428</u>	<u>17,282,747</u>	<u>(1,661,606)</u>	<u>592,778,569</u>
Less accumulated depreciation:				
Plant and equipment	(57,749,286)	(5,635,172)	1,661,606	(61,722,852)
Water rights	(1,790,703)	(98,292)	-	(1,888,995)
Infrastructure	(128,208,654)	(10,614,348)	-	(138,823,002)
Total accumulated depreciation	<u>(187,748,643)</u>	<u>(16,347,812)</u>	<u>1,661,606</u>	<u>(202,434,849)</u>
Total depreciable assets, net	<u>389,408,785</u>	<u>934,935</u>	<u>-</u>	<u>390,343,720</u>
Business-type activities capital assets, net	<u>\$ 456,128,322</u>	<u>\$ 16,970,376</u>	<u>\$ (11,575,170)</u>	<u>\$ 461,523,528</u>

Note 8 – Construction-in-Progress and Commitments

Governmental activities construction-in-progress and related construction commitments at June 30, 2015, were as follows:

	<u>Construction- in-Progress</u>	<u>Commitments</u>
Redevelopment	\$ 27,179,695	\$ 8,928,771
Municipal facilities	6,656,480	1,444,341
Parks	2,761,602	1,347,631
Storm water	43,422	-
Traffic control	1,362,663	549,040
Streets capital projects	19,189,663	4,743,323
Total	<u>\$ 57,193,525</u>	<u>\$ 17,013,106</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

Business-type activities construction-in-progress and related construction commitments at June 30, 2015, were as follows:

Water system	\$ 2,386,463	\$ 5,859,842
Wastewater system	3,883,261	388,492
Municipal facilities	224,309	-
Storm water	10,600	18,550
Total	<u>\$ 6,504,633</u>	<u>\$ 6,266,884</u>

In addition, there were non-construction related commitments at June 30, 2015, as follows:

Governmental funds:		
General		\$ 901,167
Streets special revenue		108,539
Other governmental		<u>26,468</u>
Total		<u>\$ 1,036,174</u>
Proprietary funds:		
Water system		\$ 519,054
Wastewater system		447
Environmental services		<u>806,292</u>
Total		<u>\$ 1,325,793</u>

Note 9 - Risk Management

Traditional Commercial Insurance Programs

Gilbert operates with traditional commercial insurance programs against major losses in property, plant, equipment, and liability. Administrative responsibility for the safety program, education, and loss prevention resides with the Office of Human Resources. Insurance is procured on a competitive quotation basis, using the services of an independent broker as a consultant. Gilbert processes all claims and evaluates their validity to determine if insurance reporting is warranted, or if the claim can be resolved administratively. Claims settled administratively, which are generally less than the deductibles of the appropriate policy, are paid from the funds where the claims occurred. During fiscal year 2015, there was no reduction in insurance coverage from prior years. Additionally, settlements have not exceeded insurance coverage during any of the last three fiscal years.

Self-Insurance

Gilbert has established an employee benefit self-insurance trust to account for and finance its uninsured risks of loss for medical claims. Gilbert purchases commercial stop loss insurance to limit the claims liability to the employee benefit self-insurance fund. The stop loss insurance provides reimbursement to the Plan for medical claims incurred by an individual member in excess of \$250,000 after an additional \$125,000 aggregate Plan risk retention. Premiums are paid into the employee benefit self-insurance trust by all other funds and are available to pay claims and administrative costs of the program and fund claim reserves. As with any risk retention program, Gilbert is contingently liable with respect to claims beyond those actuarially projected.

TOWN OF GILBERT, ARIZONA
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 June 30, 2015

The claims liability of \$1,398,171 reported in the employee benefit self-insurance trust at June 30, 2015, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability be reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The employee benefit self-insurance trust includes medical and dental benefits. For fiscal year 2015, an increase of \$133,766 was recorded for IBNR claims under the medical plan and a decrease of \$2,087 was recorded for IBNR claims under the dental plan. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. Fiscal year 2015 reflected an increase in claims costs of \$147,298 from fiscal year 2014. This was due to an increase of \$140,790 in medical claims and \$6,508 in dental claims.

Changes in the fund's claim liability amount in fiscal years 2014 and 2015 were:

Year Ended, June 30	Claim Liability at Beginning of Fiscal Year	Fiscal Year Claims and Changes in Estimates	Fiscal Year Claim Payments	Claim Liability at End of Fiscal Year
2014	\$ 1,211,404	15,458,122	(15,403,034)	\$1,266,492
2015	\$ 1,266,492	15,605,420	(15,473,741)	\$1,398,171

Note 10 - Long-Term Debt

General Obligation Bonds

Gilbert issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. Currently, there are no outstanding general obligation bonds for business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of Gilbert.

General obligation bonds outstanding at June 30, 2015, were as follows:

	<u>Governmental</u>
2005 General Obligation Refunding Bonds, 3.0% to 5.0%, original amount \$14,115,000, annual retirements due July 1, 2006, through July 1, 2016	\$ 9,715,000
2008 General Obligation Bonds, 3.0% to 5.0%, original amount \$187,990,000, annual retirements due July 1, 2009, through July 1, 2023	<u>113,000,000</u>
Total	<u>\$122,715,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 17,465,000	\$ 5,349,500
2017	13,200,000	4,476,250
2018	14,000,000	3,816,250
2019	14,250,000	3,116,250
2020	14,800,000	2,403,750
2021-2023	<u>49,000,000</u>	<u>3,178,750</u>
Total	<u>\$122,715,000</u>	<u>\$22,340,750</u>

**TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015**

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, wastewater, electric, parks and open space, streets, and public safety purposes may not exceed 20% of Gilbert's net secondary assessed valuation, nor may outstanding general obligation bonded debt for all other purposes exceed 6% of Gilbert's net secondary assessed valuation. The following is a summary of legal borrowing capacity at June 30, 2015:

<u>Water, Wastewater, Electric, Streets, Fire, Police, and Parks and Open Space Purposes Bonds</u>		<u>All Other General Obligation Bonds</u>	
Secondary Assessed Valuation	<u>\$1,845,325,449</u>	Secondary Assessed Valuation	<u>\$1,845,325,449</u>
20% constitutional limit	\$ 369,065,090	6% constitutional limit	\$ 110,719,527
Less general obligation bonds outstanding	<u>(122,715,000)</u>	Less general obligation bonds outstanding	<u> -</u>
Available 20% limitation borrowing capacity	<u>\$ 246,350,090</u>	Available 6% limitation borrowing capacity	<u>\$ 110,719,527</u>

As of June 30, 2015, Gilbert had authorized, but unissued bonds, approved by the voters as follows:

General obligation bonds

6% bond type	\$ 290,000
20% bond type	<u>82,769,000</u>
Total	<u>\$83,059,000</u>

Bond authorization elections on October 18, 1988, November 6, 2001, and November 6, 2007, authorized the 6% bond type and the 20% bond type to be issued as general obligation or revenue debt.

Special Assessment Bonds with Governmental Commitment

As trustee for the improvement districts, Gilbert is responsible for collection of assessments levied against the owners of property within the improvement districts and for disbursement of these amounts for retirement of the respective bonds issued to finance the improvements. At June 30, 2015, the special assessments receivable, together with amounts paid in advance and interest to be received over the life of the assessment period, were adequate for the scheduled maturities of the bonds payable and the related interest. Special assessment bonds are collateralized by properties within the districts. In the event of default by the owner, Gilbert may enforce an auction sale to satisfy the debt service requirements of the improvement bonds. Gilbert is contingently liable on special assessment bonds to the extent that proceeds from auction sales are insufficient to retire outstanding bonds.

**TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015**

Special assessment bonds outstanding at June 30, 2015, were as follows:

	<u>Governmental</u>
2002 Improvement District #19 Bonds, 5.2%, original amount \$6,510,000, annual retirements due January 1, 2005 through January 1, 2027	\$ 1,615,000
2009 Improvement District #20 Bonds, 5.1%, original amount \$8,675,000, annual retirements due January 1, 2012 through January 1, 2029	<u>6,660,000</u>
Total	<u>\$ 8,275,000</u>

Annual debt service requirements to maturity for special assessment bonds are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 440,000	\$ 412,370
2017	470,000	389,063
2018	495,000	364,348
2019	500,000	338,863
2020	530,000	312,478
2021-2025	3,100,000	1,112,824
2026-2029	<u>2,740,000</u>	<u>268,604</u>
Total	<u>\$ 8,275,000</u>	<u>\$3,198,550</u>

Street and Highway User Revenue Bonds

Street and highway user revenue bonds are issued specifically for the purpose of street and highway construction projects. These bonds are payable solely from the revenues derived from highway user taxes, including motor vehicle fuel taxes and all other taxes; fees and charges relating to registration, operation or use of vehicles on public highways or streets; or to fuels or any other energy source used for the vehicles collected by the State and returned to Gilbert.

Street and highway user revenue bonds outstanding at June 30, 2015, were as follows:

	<u>Governmental</u>
2012 Street and Highway User Revenue Refunding Bonds, 3.00% to 5.00% original amount \$16,945,000, annual retirements due July 1, 2014, through July 1, 2019	\$12,165,000

Annual debt service requirements to maturity for street and highway user revenue bonds are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 2,845,000	\$ 550,050
2017	2,975,000	436,250
2018	3,095,000	317,250
2019	<u>3,250,000</u>	<u>162,500</u>
Total	<u>\$12,165,000</u>	<u>\$ 1,466,050</u>

**TOWN OF GILBERT, ARIZONA
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June 30, 2015**

Municipal Property Corporation (MPC) Revenue Bonds

The Public Facilities MPC exists solely for the purpose of financing the service center facility, a police property facility and a sports complex (the 2006 issue); the cost of acquisition of certain interests in real property to locate public safety and parks and recreation facilities and the costs of design, construction and outfitting of parks and recreation facilities and a parking facility (the 2009 issue); and the refunding of certain maturities of outstanding bonds (the 2011 and 2014 issues). The Water MPC exists solely for the purpose of financing the construction of water and wastewater capital improvement projects. (See also Note 18 regarding Pledged Revenues.)

Municipal property corporation revenue bonds outstanding at June 30, 2015, were as follows:

	<u>Governmental</u>	<u>Business-type</u>
2006 Public Facilities Municipal Property Corporation Revenue Bonds, 3.5% to 5.0%, original amount \$73,420,000, retirements due July 1, 2007, through July 1, 2016	\$10,165,000	\$ -
2007 Water Resources Municipal Property Corporation, Water System Development Fee and Subordinate Lien Water Utility Revenue Bonds, 4.0% to 5.0%, original amount \$146,175,000, retirements due October 1, 2008, through October 1, 2030	-	98,225,000
2009 Public Facilities Municipal Property Corporation Revenue Bonds, 4.0% to 5.5%, original amount \$80,585,000, retirements due July 1, 2009 through July 1, 2028	64,795,000	-
2011 Public Facilities Municipal Property Corporation Revenue Refunding Bonds, 3.0% to 4.75%, original amount \$20,980,000, retirements due July 1, 2013 through July 1, 2021	17,050,000	-
2014 Public Facilities Municipal Property Corporation Revenue Refunding Bonds, 2.0% to 5.00%, original amount \$28,080,000, retirements due July 1, 2016 through July 1, 2021	<u>28,080,000</u>	<u>-</u>
Total	<u>\$120,090,000</u>	<u>\$98,225,000</u>

Annual debt service requirements to maturity for municipal property corporation revenue bonds are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 7,515,000	\$ 5,837,717	\$ 4,275,000	\$ 4,715,438
2017	8,000,000	5,456,700	4,500,000	4,696,063
2018	9,005,000	5,057,700	4,750,000	4,264,813
2019	10,540,000	4,592,588	4,975,000	4,021,688
2020	11,040,000	4,082,088	5,225,000	3,766,688
2021-2025	36,200,000	13,583,198	30,350,000	14,638,372
2026-2030	37,790,000	4,435,188	38,725,000	6,264,063
2031	-	-	<u>5,425,000</u>	<u>128,844</u>
Total	<u>\$120,090,000</u>	<u>\$43,045,179</u>	<u>\$98,225,000</u>	<u>\$42,295,969</u>

**TOWN OF GILBERT, ARIZONA
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June 30, 2015**

During the fiscal year ended June 30, 2015, Gilbert paid \$1,820,000 of the 2007 Water Resources Municipal Property Corporation, Water System Development Fee and Subordinate Lien Water Utility Revenue Bonds. Proceeds collected from the water system development fees were deposited in an irrevocable trust with an escrow agent to provide for the future debt service payments of the bonds. Accordingly, the trust account assets and the liability for these bonds are not included in the financial statements. These bonds have been fully defeased.

Subordinate Lien Pledged Revenue Obligations

The Subordinate Lien Pledged Revenue Obligations were issued specifically for the purpose of providing funds to design, acquire and construct a four-story building for use as a satellite campus for Saint Xavier University (“University”). The building will be leased by the University under a lease-purchase contract. These obligations are payable solely from the revenues generated by excise taxes and state shared revenue.

Subordinate lien pledged revenue obligations outstanding at June 30, 2015, were as follows:

	<u>Governmental</u>
Subordinate Lien Pledged Revenue Obligations, Series 2015, 3.00% to 5.00% original amount \$36,980,000, annual retirements due July 1, 2017, through July 1, 2045	\$36,980,000

Annual debt service requirements to maturity for subordinate lien pledged revenue obligations are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ -	\$ 1,815,566
2017	655,000	1,605,906
2018	670,000	1,586,256
2019	700,000	1,559,456
2020	735,000	1,524,456
2021-2025	4,260,000	7,033,281
2026-2030	5,440,000	5,855,781
2031-2035	6,610,000	4,677,319
2036-2040	7,910,000	3,380,695
2041-2045	<u>10,000,000</u>	<u>1,548,750</u>
Total	<u>\$36,980,000</u>	<u>\$ 30,587,466</u>

**TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015**

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$135,065,000	\$ -	\$(12,350,000)	\$122,715,000	\$17,465,000
Special assessment bonds with government commitment	9,410,000	-	(1,135,000)	8,275,000	440,000
Revenue bonds	147,210,000	28,080,000	(43,035,000)	132,255,000	10,360,000
Revenue obligations	-	36,980,000	-	36,980,000	-
Unamortized bond premium	5,537,710	7,123,083	(1,110,790)	11,550,003	-
Total bonds payable	297,222,710	72,183,083	(57,630,790)	311,775,003	28,265,000
Net pension liability ¹	74,997,222	26,916,321	(12,646,822)	89,266,721	-
Compensated absences	12,248,218	9,462,302	(8,402,426)	13,308,094	4,784,520
Post-employment benefits	703,431	1,092,773	(382,161)	1,414,043	-
Total long-term liabilities	\$385,171,581	\$109,654,479	\$(79,062,199)	\$415,763,861	\$33,049,520
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 245,000	\$ -	\$ (245,000)	\$ -	\$ -
Revenue bonds	104,120,000	-	(5,895,000)	98,225,000	4,275,000
Unamortized bond discount	(36,121)	-	2,045	(34,076)	-
Unamortized bond premium	2,585	-	(2,585)	-	-
Total bonds payable	104,331,464	-	(6,140,540)	98,190,924	4,275,000
Net pension liability ¹	18,225,714	3,988,595	(3,306,408)	18,907,901	-
Compensated absences	1,914,534	1,480,840	(1,510,062)	1,885,312	751,025
Post-employment benefits	179,306	275,006	(96,174)	358,138	-
Total long-term liabilities	\$124,651,018	\$5,744,441	\$(11,053,184)	\$119,342,275	\$ 5,026,025

¹ Added due to the implementation of GASB Statement No. 68 (see Notes 1 and 2).

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, \$171,953 of internal service funds compensated absences and \$1,908,838 net pension liability are included in the above amounts.

Long-term compensated absences of governmental activities are expected to be liquidated by the operating funds (primarily the general fund and the streets special revenue fund) as they come due.

Conduit Debt Obligations

The Industrial Development Authority, a discretely presented component unit of the Town of Gilbert, has issued Industrial Revenue Bonds and Master Lease and Sublease Agreements to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. Neither Gilbert, Maricopa County nor the State of Arizona shall in any event be liable for payment of principal, premium or interest on these bonds and leases, and accordingly they have not been reported in the accompanying combined financial statements. At June 30, 2015, Industrial Development Authority Revenue Bonds and Master Lease and Sublease Agreements outstanding were \$29,243,433 and \$30,274,787 respectively.

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Note 11 – Refunding Bonds

On December 23, 2014, Gilbert Public Facilities MPC issued \$28,080,000 of revenue refunding bonds with a net premium of \$4,417,395 to advance refund \$30,205,000 of outstanding Series 2006 Public Facilities MPC revenue bonds. The Series 2014 Public Facilities MPC revenue refunding bonds were issued with an average interest rate of 5.0 percent. Gilbert realized net proceeds of \$32,392,504 after payment of \$78,624 for underwriting fees. These proceeds were provided to an escrow trustee to pay issuance costs of approximately \$181,893 with remaining \$32,210,611 used to provide cash and purchase United States government securities. The cash and government securities were deposited in an irrevocable trust to provide for all future debt service payments of the Series 2006 refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed. The purpose of the refunding was to take advantage of lower interest rates thereby reducing future debt service payments. The refunding will reduce debt service payments by \$2,330,015 over the next 7 years producing an economic gain (difference between present value of old and new debt service payments) of \$2,170,730.

Note 12 - Pension and Other Postemployment Benefits

Gilbert contributes to the pension plans described below. Gilbert also contributes to the Elected Officials Retirement Plan; however, the plan is not described below because of its relative insignificance to the financial statements. The plans are component units of the State of Arizona.

Gilbert reported \$8,993,500 of pension expenditures in the governmental funds related to all pension plans to which it contributes for fiscal year 2015.

A. Arizona State Retirement System

Plan Description – Gilbert employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium supplement (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes financial statements and required supplementary information. This report is available on their web site at www.azasrs.gov.

Benefits Provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* Any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* Any years age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits

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Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, statute required active ASRS members to contribute at the actuarially determined rate of 11.6% (11.48% for retirement and 0.12% for long term disability) of the members' annual covered payroll, and statute required Gilbert to contribute at the actuarially determined rate of 11.6% (10.89% for retirement, 0.59% for health insurance premium benefit, and 0.12% for long-term disability) of the members' annual covered payroll.

Gilbert's contributions for the current and two preceding years for the Arizona State Retirement System OPEB, all of which were equal to the required contributions, were as follows:

Year Ending	Health Benefit Supplement Fund	Long-Term Disability Fund
2015	\$264,076	\$ 53,539
2014	253,593	100,955
2013	248,933	91,364

During fiscal year 2015, Gilbert paid for ASRS pension and OPEB contributions as follows: 62% from the general fund, 33% from major funds, and 5% from other funds.

Pension Liability – At June 30, 2015, Gilbert reported a liability of \$69,412,268 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using updated procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014.

Gilbert's reported liability at June 30, 2015, decreased by \$2,020,345 from the prior year liability of \$71,432,613 because of changes in the ASRS' net pension liability and Gilbert's proportionate share of that liability. The ASRS' publicly available financial report provides details on the change in the net pension liability.

Gilbert's proportion of the net pension liability was based on a projection of Gilbert's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. Gilbert's proportion measured as of June 30, 2014, was 0.469110%, which was an increase of 0.039423% from its proportion measured as of June 30, 2013.

The allocation of pension liability to the funds will be based on employer contributions for the fiscal year.

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Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2015, Gilbert recognized pension expense for ASRS of \$6,551,629. At June 30, 2015, Gilbert reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,527,735	-
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	\$12,138,063
Changes in proportion and differences between Gilbert contributions and proportionate share of contributions	4,563,056	-
Gilbert contributions subsequent to the measurement date	<u>5,137,457</u>	<u>-</u>
Total	<u>\$13,228,248</u>	<u>\$12,138,063</u>

The \$5,137,457 reported as deferred outflows of resources related to ASRS pensions resulting from Gilbert's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year Ending June 30	
2016	\$ 483,219
2017	483,219
2018	(1,979,195)
2019	(3,034,515)
2020	-
Thereafter	-

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3.0% - 6.75%
Inflation	3.0%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2013, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	63%	7.03%
Fixed income	25%	3.20%
Real estate	8%	4.50%
Commodities	4%	4.75%
Total	100%	

Discount Rate – The discount rate used to measure the ASRS total pension liability was 8%, which is less than the long-term expected rate of return of 8.79%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Gilbert’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following presents Gilbert’s proportionate share of the net pension liability calculated using the discount rate of 8%, as well as what Gilbert’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7%) or 1 percentage point higher (9%) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Gilbert’s proportionate share of the net pension liability	\$87,733,547	\$69,412,268	\$59,472,055

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report. The report is available on the ASRS website at www.azasrs.gov.

B. Public Safety Personnel Retirement System

Plan Description – Gilbert public safety employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan. A seven-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. This report is available on their web site at www.psprs.com.

Benefits Provided – The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms. Certain retirement and disability benefits are calculated on the basis of age, average monthly compensation, and service credit as follows. See the publicly available PSPRS financial report for additional benefits information.

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	Retirement Initial Membership Date:	
	Before January 1, 2012	On or After January 1, 2012
Retirement and Disability:		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years and age 52.5
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years
Normal retirement	50% less 2.0% for each year of credited service less than 20 years or plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement, whichever is greater	
Survivor benefit:		
Retired members	80% of retired member's pension benefit	
Active members	80% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earnings. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Employees Covered by Benefit Terms – At June 30, 2015, the following employees were covered by the agent pension plan's benefit terms:

	<u>Police</u>	<u>Fire</u>
Inactive employees or beneficiaries currently receiving benefits	40	5
Inactive employees entitled to but not yet receiving benefits	33	10
Active employees	<u>220</u>	<u>174</u>
Total	<u>293</u>	<u>189</u>

Contributions and Annual OPEB Cost – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2015, are indicated below. Rates are a percentage of active members' annual covered payroll.

	<u>Police</u>	<u>Fire</u>
Active members – pension	11.05%	11.05%
Gilbert:		
Pension	17.72%	12.41%
Health insurance	0.94%	0.82%

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For the agent plans, the contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2015, were as follows (actual contributions made were equal to the annual pension/OPEB cost) (100% from the general fund):

	<u>Police</u>	<u>Fire</u>
Pension:		
Contributions made	\$3,366,022	\$1,946,787
Health insurance premium benefit:		
Contributions made	\$ 48,585	\$ 35,372

Pension Liability – At June 30, 2015, Gilbert reported \$37,235,775 in net pension liability. The net pension liabilities were measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2014, reflects changes of benefit terms and actuarial assumptions for a court ruling for funding permanent benefit increases and a decrease in the wage growth assumption from 4.5% to 4.0%.

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	7.85%
Projected salary increases	4.0% – 8.0%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table, adjusted by 105% for both males and females

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Short term investments	2%	3.25%
Absolute return	4%	6.75%
Risk parity	4%	6.04%
Fixed income	7%	4.75%
Real assets	8%	5.96%
Global Technical		
Asset Allocation	10%	5.73%
Private equity	11%	9.50%
Real estate	11%	6.50%
Credit opportunities	13%	8.00%
Non-U.S. equity	14%	8.63%
U.S. equity	16%	7.60%
Total	100%	

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Pension Discount Rates – A single discount rate of 7.85% was used to measure the total pension liability.

The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Agent Plans Net Pension Liability

Police:

	Increase/Decrease		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2014	\$68,370,995	\$44,567,146	\$23,803,849
Changes for the year:			
Service cost	3,293,404		3,293,404
Interest on the total pension liability	5,414,469		5,414,469
Changes of benefit terms	605,849		605,849
Difference between expected and actual experience in the measurement of the total pension liability	2,479,128		2,479,128
Changes of assumptions or other inputs	5,473,070		5,473,070
Contributions – employer		3,103,356	(3,103,356)
Contributions – employee		2,088,159	(2,088,159)
Net investment income		6,306,779	(6,306,779)
Benefit payments, including refunds of employee contributions	(2,087,138)	(2,087,138)	
Administrative expenses		(50,793)	50,793
Other changes		49,298	(49,298)
Net changes	15,178,782	9,409,661	5,769,121
Balances at June 30, 2015	\$83,549,777	\$53,976,807	\$29,572,970

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Fire:

	Increase/Decrease		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2014	\$42,232,338	\$35,346,851	\$6,885,487
Changes for the year:			
Service cost	2,545,607		2,545,607
Interest on the total pension liability	3,408,433		3,408,433
Changes of benefit terms	(131,651)		(131,651)
Difference between expected and actual experience in the measurement of the total pension liability	2,247,902		2,247,902
Changes of assumptions or other inputs	1,333,403		1,333,403
Contributions – employer		1,954,145	(1,954,145)
Contributions – employee		1,667,772	(1,667,772)
Net investment income		5,045,090	(5,045,090)
Benefit payments, including refunds of employee contributions	(171,217)	(171,217)	
Administrative expenses		(40,631)	40,631
Net changes	9,232,477	8,455,159	777,318
Balances at June 30, 2015	\$51,464,815	\$43,802,010	\$7,662,805

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents Gilbert’s net pension liability calculated using the discount rates noted above, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

Police:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Rate	6.85%	7.85%	8.85%
Net pension liability	\$41,813,033	\$29,572,970	\$19,546,041

Fire:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Rate	6.85%	7.85%	8.85%
Net pension liability	\$15,916,461	\$ 7,662,805	\$ 909,060

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued PSPRS financial report. The report is available on the PSPRS website at www.psprs.com.

Pension Expense – For the year ended June 30, 2015, Gilbert recognized \$5,548,488 as pension expense for police and \$1,946,374 as pension expense for fire.

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Pension Deferred Outflows/Inflows of Resources – At June 30, 2015, Gilbert reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Police:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,116,847	-
Changes of assumptions or other inputs	4,673,276	-
Net difference between projected and actual earnings on pension plan investments	-	\$2,103,521
Changes in proportion and differences between Gilbert contributions and proportionate share of contributions	-	-
Gilbert contributions subsequent to the measurement date	<u>3,414,607</u>	<u>-</u>
Total	<u>\$10,204,730</u>	<u>\$2,103,521</u>

Fire:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$2,032,989	-
Changes of assumptions or other inputs	1,205,922	-
Net difference between projected and actual earnings on pension plan investments	-	\$1,682,703
Changes in proportion and differences between Gilbert contributions and proportionate share of contributions	-	-
Gilbert contributions subsequent to the measurement date	<u>1,982,159</u>	<u>-</u>
Total	<u>\$5,221,070</u>	<u>\$1,682,703</u>

The \$3,414,607 for Police and the \$1,982,159 for Fire reported as deferred outflows of resources related to PSPRS pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Police</u>	<u>Fire</u>
2016	\$ 636,195	\$ (78,282)
2017	636,195	(78,282)
2018	636,195	(78,282)
2019	636,195	(78,282)
2020	1,162,075	342,394
Thereafter	979,747	1,526,942

Agent Plan OPEB Trend Information – The table below presents the annual OPEB cost information for the health insurance premium benefit for the current and two preceding years:

Police:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$48,585	100.0%	\$-0-
June 30, 2014	59,333	100.0%	-0-
June 30, 2013	65,793	100.0%	-0-

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Fire:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$35,372	100.0%	\$-0-
June 30, 2014	38,139	100.0%	-0-
June 30, 2013	40,245	100.0%	-0-

Agent Plan OPEB Actuarial Assumptions – Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plan's assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on (1) the plan as understood by Gilbert and plan's members and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between Gilbert and plan's members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The actuarial methods and assumptions used to establish the fiscal year 2015 contribution requirements, are as follows:

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value (80%/120% market)
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5%-8.5%
Wage growth	4.5%

Agent Plan OPEB Funded Status – The following table presents the funded status of the health insurance premium benefit plan as of the most recent valuation date, June 30, 2015.

	<u>Police</u>	<u>Fire</u>
Actuarial value of assets (a)	\$ 1,995,251	\$ 1,209,449
Actuarial accrued liability (b)	2,191,760	1,465,883
Unfunded actuarial accrued liability (funding excess) (b) - (a)	196,509	256,434
Funded ratio (a) / (b)	91.03%	82.51%
Annual covered payroll (c)	\$17,676,371	\$14,561,683
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) – (a) / (c)	1.11%	1.76%

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The funded status of the PSPRS health insurance premium benefit plan in the June 30, 2014, actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2014
Actuarial cost method	Individual entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value (80%/120% market)
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4%-8%
Wage growth	4%

Volunteer Firemen’s Relief and Pension Fund

The Volunteer Firemen’s Relief and Pension Fund covers retired volunteer firemen and survivors and was established solely upon the provision for such pension and relief funds in the Arizona Revised Statutes. The Statutes grant discretionary powers to Boards of Trustees of such plans related to payment/nonpayment of benefits to qualified retired or disabled volunteer firemen out of the assets of the Fund. These discretionary powers do not extend, however, to the volunteer firemen’s right to their own contributions to the Fund. Gilbert has no actuarial liability for pension benefits as individual retirement benefits are not defined in the plan. Reserves for pensions, therefore, have not been established as the amounts are not vested and payment of benefits (if any) are at the discretion of the Board of Trustees of the plan.

Gilbert no longer operates a Volunteer Fire Department. Accordingly, there were no contributions required or made to this plan nor refunds paid for fiscal year 2015. Administrative costs are financed through investment earnings. There is only one remaining pensioner receiving retirement benefits from the Fund.

Note 13 - Post-Employment Healthcare Benefits

Other post-employment healthcare benefits, like the cost of pension benefits, constitute an exchange of compensation for employee services rendered. Similar to pension benefits, the cost of OPEB generally should be associated with the periods in which the exchange occurs rather than in future periods in which the benefits are provided. GASB Statement No. 45 required Gilbert to measure and recognize the OPEB cost while employee services are rendered and provide information about the potential demands on Gilbert’s future cash flows.

Plan Description

Gilbert provides post-employment medical care, prescription drug, and dental care for retired employees through a single-employer defined benefit medical and dental plan. The plan provides medical and dental benefits for eligible retirees, their spouses and dependents through Gilbert’s group health and dental insurance plans, which cover active and retired members. To be eligible for benefits, the retired employee must retire under one of the state retirement plans for public employees, must have a minimum of ten years of service with Gilbert, and be covered under Gilbert’s medical plan during their active status. Plan benefits and coverage levels are reviewed annually by Town staff and the Board of Trustees for recommendation to and approval from Town Council. The Board of Trustees makes corresponding premium recommendations to the Town Council based on revenues needed to cover the projected cost to operate the plan which are

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subject to approval by the Town Council. As of June 30, 2015, there are 34 retirees that are currently receiving medical and/or dental benefits.

The plan is not accounted for as a trust fund because an irrevocable trust has not been established to account for the plan. The plan does not issue a separate financial report.

Funding Policy

Gilbert requires retirees to pay 100% of the full blended contribution rate. Gilbert makes no contributions for retirees other than allowing them to participate through Gilbert’s pooled benefits. By providing retirees access to Gilbert’s healthcare plans, Gilbert is in effect providing a subsidy to retirees. This implied subsidy exists because on average, retiree healthcare costs are higher than active employee healthcare costs. Gilbert pays for and reports retiree benefits on a pay-as-you-go basis, which is the practice of paying for these benefits as they become due each year. As of June 30, 2015, retirees contributed \$257,278 and Gilbert contributed \$478,335 (implied subsidy).

Annual OPEB Cost and Net OPEB Obligation

Gilbert’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 Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. Gilbert’s annual OPEB costs for the current year and related information for the plan are as follows at June 30, 2015:

Annual Required Contribution (ARC)	\$1,383,256
ARC Adjustment	(46,373)
Interest on the Net OPEB Obligation	<u>30,896</u>
Annual OPEB Cost	\$1,367,779
Contributions Made	<u>(478,335)</u>
Increase in Net OPEB Obligation	\$ 889,444
Net OPEB Obligation – Beginning of year	<u>882,737</u>
Net OPEB Obligation – End of year	<u>\$1,772,181</u>

Gilbert’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2015 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2015	\$1,367,779	\$478,335	34.97%	\$1,772,181
2014	523,273	70,896	13.55%	882,737
2013	525,797	95,437	18.15%	430,360

Schedule of Funded Status and Funding Progress—Following is the schedule of funded status and funding progress of the plan as of the most recent actuarial valuation date:

Actuarial Valuation Date July 1	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (1)-(2)	(4) Funded Ratio (1)/(2)	(5) Annual Covered Payroll	(6) Unfunded AAL As Percentage of Covered Payroll (3)/(5)
2014	\$ -0-	\$10,619,282	\$(10,619,282)	0.0%	\$68,126,846	(15.59)%
2012	\$ -0-	4,151,069	(4,151,069)	0.0%	58,114,323	(7.14)%

**TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective.

The actuarial methods and significant assumptions used to determine the ARC for the current fiscal year are as follows:

1. The actuarial cost method used is the projected unit credit actuarial cost method.
2. As of the valuation date, there are no assets, hence no need for an actuarial value of assets.
3. The amortization method is level dollar. The amortization period is 30 years. The period is open.

For the most recent actuarial valuation, the projected unit credit actuarial cost method was used along with a discount rate of 3.5%. In addition, the actuarial assumptions included: an annual medical healthcare cost trend rate of 8.5% initially, reduced by decrements to an ultimate rate of 5.0% after 7 years; an annual dental healthcare cost trend rate of 4.5% initially, reduced to 3.0% after 7 years; an annual salary increase of 2%; and an inflation rate of 3%.

Note 14 - Capital Contributions

During the year ended June 30, 2015, the Enterprise funds external capital contributions consisted of the following:

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Contributions from developers	\$ 4,971,099	\$ 2,826,212	\$ 7,797,311
Development fees	13,118,358	8,100,833	21,219,191
Total	<u>\$18,089,457</u>	<u>\$10,927,045</u>	<u>\$29,016,502</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

Note 15 – Interfund Transfers

As of June 30, 2015, interfund transfers were as follows:

	<u>Transfers-In</u>	<u>Transfers-Out</u>
Governmental funds:		
General fund	\$ 3,045,025	\$ 5,856,982
Streets special revenue	50,000	4,069,280
General debt service	20,217,016	-
Special assessments	-	21,866
SXU revenue obligations	-	1,902,542
System development fees	-	11,160,456
Other governmental funds	<u>88,724</u>	<u>205,326</u>
Total governmental funds	<u>23,400,765</u>	<u>23,216,452</u>
Enterprise funds:		
Water	-	750,233
Wastewater	<u>590,920</u>	<u>25,000</u>
Total enterprise funds	<u>590,920</u>	<u>775,233</u>
 Total transfers	 <u>\$23,991,685</u>	 <u>\$23,991,685</u>

The interfund transfers generally fall within one of the following categories: 1) subsidy transfers; 2) transfers to cover debt service payments; 3) transfers for the town match for grants; or 4) transfers to fund capital replacement. There were no significant transfers during fiscal year 2015 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

Note 16 - Individual Fund Disclosures

Individual funds with deficiencies in fund balance/net position at June 30, 2015, were as follows:

<u>Special revenue funds</u>	
CDBG/HOME	\$ 717
 <u>Internal service funds</u>	
Equipment maintenance	\$1,076,162

The deficiency in the CDBG/HOME fund of the special revenue funds will be eliminated through reimbursement from the U.S. Department of Housing and Urban Development.

The deficiency in the equipment maintenance fund of the internal service funds occurred due to the implementation of GASB Statement No. 68. See also Note 2.

Note 17 – Contingent Liabilities

Gilbert is contingently liable with respect to several lawsuits and other claims incidental to its normal operations. Management, with concurrence of the Town's Attorney, is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on Gilbert's financial condition, results of operations or liquidity.

**TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015**

Note 18 – Pledged Revenues

Gilbert has pledged future water system development fees revenue and future water and wastewater revenues, net of specified operating expenses, to repay \$146,175,000 in utility revenue bonds issued since 2007. Proceeds from the bonds provided financing for the construction of a joint use water treatment plant and for the acquisition of additional water production and distribution capacity for the water system. The bonds are payable from water system development fees revenue and water and wastewater net revenues and are payable through 2030. Annual principal and interest payments on the bonds are expected to require less than 27 percent of revenue. The total principal and interest remaining to be paid on the bonds is \$140,520,969. Principal and interest paid for the current year was \$10,789,864 (of which \$1,820,000 in principal was an advance defeasance). Total water system development fees revenue was \$10,461,708 and water and wastewater net revenues were \$23,021,777.

Gilbert has pledged future street and highway revenues to repay \$16,945,000 in highway user revenue refunding bonds issued in 2012. Proceeds from the 2012 refunding bonds were used to advance refund \$17,950,000 of outstanding 2003 highway user revenue bonds (proceeds from the 2003 bonds provided financing for the purpose of street and highway construction projects). The refunding bonds are payable solely from street and highway revenues (see note 10 for the detail of the sources of these revenues) and are payable through 2019. Annual principal and interest payments on the bonds are expected to require less than 27 percent of revenues. The total principal and interest remaining to be paid on the bonds is \$13,631,050. Principal and interest paid for the current year was \$3,382,550, and the total street and highway revenues were \$12,900,529.

Gilbert has pledged future excise taxes and state-shared revenues to repay \$154,005,000 in public facilities municipal property corporation (MPC) revenue bonds issued since 2006, \$20,980,000 in public facilities MPC revenue refunding bonds issued in 2011 and \$28,080,000 in public facilities MPC revenue refunding bonds issued on 2014. Proceeds from the bonds provided financing of the multipurpose public safety complex, the service center facility, a police property facility, a sports complex, various other parks and recreation facilities, and a parking facility. Proceeds from the 2011 refunding bonds were used to advance refund \$21,670,000 of outstanding 2001 public facilities MPC revenue bonds. Proceeds from the 2014 refunding bonds were used to advance refund \$30,205,000 of outstanding 2006 public facilities MPC revenue bonds. The bonds are payable through 2028. Annual principal and interest payments on the bonds are expected to require less than 11 percent of excise taxes and state-shared revenues. The total principal and interest remaining to be paid on the bonds is \$165,419,367. Principal and interest paid for the current year was \$13,545,998, and the total excise taxes and state-shared revenues were \$125,743,087.

Note 19 - Investment in Joint Venture

Construction of a joint water reclamation plant with the City of Mesa and the Town of Queen Creek was completed during fiscal year 2007. Mesa is the lead agent and is responsible for the operation and maintenance of the plant. Mesa, Gilbert and Queen Creek participate in ownership of the plant and are charged for operating expenses based on gallons of flow. Gilbert’s investment in joint venture is reflected as a separate line item in the proprietary funds financial statements. Separate financial statements for the joint venture are not prepared.

Total investment (net of depreciation) as of June 30, 2015, was:

Mesa’s Share	\$ 59,224,954
Gilbert’s Share	62,405,023
Queen Creek’s Share	<u>25,038,641</u>
Total	<u>\$146,668,618</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

Construction began in fiscal year 2007 for a joint water treatment plant with the City of Chandler. Gilbert is the lead agent on this project. Construction was completed during fiscal year 2009 and the plant treats 12 million gallons per day each for Gilbert and Chandler. Gilbert's investment in joint venture is reflected as a separate line item in the proprietary funds financial statements. Separate financial statements for the joint venture are not prepared.

Total investment (net of depreciation) as of June 30, 2015, was:

Gilbert's Share	\$ 68,904,567
Chandler's Share	<u>62,611,174</u>
Total	<u>\$131,515,741</u>

In August 2008, Gilbert entered into an Intergovernmental Agreement with the Cities of Mesa and Apache Junction, Superstition Fire & Medical (F&M), and the Town of Queen Creek (the Parties) 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). On May 1, 2012, Rio Verde Fire District Joined TOPAZ. The City of Mesa acts as the lead agency and is responsible for the planning, budgeting, construction, operation and maintenance of the network, in addition to providing all management personnel and financing arrangements. The Parties participate in ownership of the network and are charged for operating and capital expenses based on six month rolling average of airtime. Gilbert's investment in joint venture is reflected within the governmental activities in the government-wide statement of net position. Separate financial statements are not prepared.

Total investment (net of depreciation) as of June 30, 2015, was:

Mesa's Share	\$2,457,466
Gilbert's Share	281,928
Apache Junction's Share	196,457
Superstition F&M's Share	35,852
Queen Creek's Share	21,231
Rio Verde FD's Share	<u>6,307</u>
Total	<u>\$2,999,241</u>

Note 20 - Subsequent Events

Gilbert advance defeased \$1,365,000 of the \$98,225,000 in outstanding Water Resources MPC Water System Development Fee and Subordinate Lien Water Utility Revenue Bonds on October 1, 2015.



REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015**

Schedule of the Proportionate Share of the Net Pension Liability:

Arizona State Retirement System

	Fiscal Year	
	2015	2014 through 2006
Proportion of the net pension liability	0.47%	Information not available
Proportionate share of the net pension liability	\$69,412,268	Information not available
Covered-employee payroll (1)	\$42,295,765	
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	164%	
Plan fiduciary net position as a percentage of the total pension liability	69.49%	

(1) The covered-employee payroll amount will be as of the measurement date of the net pension liability. For fiscal year 2015, the measurement date of the net pension liability is June 30, 2014. See also Note 12.

**TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015**

Schedule of Changes in the Net Pension Liability and Related Ratios:

Public Safety Personnel Retirement System - Police

	Fiscal Year	
	2015	2014 through 2006
Total pension liability:		
Service cost	\$ 3,293,404	Information not available
Interest on the total pension liability	5,414,469	
Changes of benefit terms	605,849	
Differences between expected and actual experience in the measurement of the total pension liability	2,479,128	
Changes of assumptions or other inputs	5,473,070	
Benefit payments, including refunds of employee contributions	<u>(2,087,138)</u>	
Net change in total pension liability	15,178,782	
Total pension liability - beginning	<u>68,370,995</u>	
Total pension liability – ending (a)	<u>\$83,549,777</u>	
Plan fiduciary net position:		
Contributions – employer	\$ 3,103,356	
Contributions – employee	2,088,159	
Net investment income	6,306,779	
Benefit payments, including refunds of employee contributions	(2,087,138)	
Administrative expense	(50,793)	
Other changes	<u>49,298</u>	
Net change in plan fiduciary net position	9,409,661	
Plan fiduciary net position – beginning	<u>44,567,146</u>	
Plan fiduciary net position – ending (b)	<u>\$53,976,807</u>	
Net pension liability – ending (a) – (b)	<u>\$29,572,970</u>	
Plan fiduciary net position as a percentage of the total pension liability	64.60%	
Covered-employee payroll	\$19,071,843	
Gilbert’s net pension liability as a percentage of covered-employee payroll	155.06%	

**TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015**

Schedule of Changes in the Net Pension Liability and Related Ratios:

Public Safety Personnel Retirement System - Fire

	<u>Fiscal Year</u>	
	<u>2015</u>	<u>2014 through 2006</u>
Total pension liability:		
Service cost	\$ 2,545,607	Information not available
Interest on the total pension liability	3,408,433	
Changes of benefit terms	(131,651)	
Differences between expected and actual experience in the measurement of the total pension liability	2,247,902	
Changes of assumptions or other inputs	1,333,403	
Benefit payments, including refunds of employee contributions	<u>(171,217)</u>	
Net change in total pension liability	9,232,477	
Total pension liability - beginning	<u>42,232,338</u>	
Total pension liability – ending (a)	<u>\$51,464,815</u>	
Plan fiduciary net position:		
Contributions – employer	\$ 1,954,145	
Contributions – employee	1,667,772	
Net investment income	5,045,090	
Benefit payments, including refunds of employee contributions	(171,217)	
Administrative expense	<u>(40,631)</u>	
Net change in plan fiduciary net position	8,455,159	
Plan fiduciary net position – beginning	<u>35,346,851</u>	
Plan fiduciary net position – ending (b)	<u>\$43,802,010</u>	
Net pension liability – ending (a) – (b)	<u>\$ 7,662,805</u>	
Plan fiduciary net position as a percentage of the total pension liability	85.11%	
Covered-employee payroll	\$15,274,115	
Gilbert’s net pension liability as a percentage of covered-employee payroll	50.17%	

**TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015**

Schedule of Pension Contributions:

Arizona State Retirement System

	Fiscal Year				
	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 5,137,457	\$ 4,763,978	\$ 4,162,425	\$ 3,880,631	\$ 3,448,898
Contributions in relation to the actuarially determined contributions	<u>5,137,457</u>	<u>4,763,978</u>	<u>4,162,425</u>	<u>3,880,631</u>	<u>3,448,898</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$43,765,044	\$42,295,765	\$38,356,312	\$36,582,049	\$37,474,457
Contributions as a percentage of covered-employee payroll	11.74%	11.26%	10.85%	10.61%	9.20%

	Fiscal Year				
	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 3,329,705	\$ 3,407,288	\$ 3,546,148	\$ 2,933,481	\$ 2,101,170
Contributions in relation to the actuarially determined contributions	<u>3,329,705</u>	<u>3,407,288</u>	<u>3,546,148</u>	<u>2,933,481</u>	<u>2,101,170</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$37,007,042	\$38,106,015	\$38,803,852	\$33,803,833	\$29,963,291
Contributions as a percentage of covered-employee payroll	9.0%	8.94%	9.14%	8.68%	7.01%

**TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015**

Schedule of Pension Contributions:

Public Safety Personnel Retirement System - Police

	Fiscal Year				
	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 3,414,607	\$ 3,231,755	\$ 2,930,117	\$ 2,384,390	\$ 2,239,987
Contributions in relation to the actuarially determined contributions	<u>3,414,607</u>	<u>3,231,755</u>	<u>2,930,117</u>	<u>2,384,390</u>	<u>2,239,987</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$19,071,843	\$18,990,156	\$17,477,557	\$16,492,849	\$16,550,117
Contributions as a percentage of covered-employee payroll	17.90%	17.02%	16.77%	14.46%	13.54%

	Fiscal Year				
	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 2,330,954	\$ 2,540,087	\$ 1,626,604	\$ 1,245,928	\$ 1,239,381
Contributions in relation to the actuarially determined contributions	<u>2,330,954</u>	<u>2,540,087</u>	<u>1,626,604</u>	<u>1,245,928</u>	<u>1,239,381</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$16,686,272	\$17,138,480	\$16,159,092	\$14,272,140	\$12,543,554
Contributions as a percentage of covered-employee payroll	13.97%	14.82%	10.07%	8.73%	9.88%

Public Safety Personnel Retirement System - Fire

	Fiscal Year				
	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 1,982,159	\$ 2,037,266	\$ 1,793,907	\$ 1,479,746	\$ 1,422,964
Contributions in relation to the actuarially determined contributions	<u>1,982,159</u>	<u>2,037,266</u>	<u>1,793,907</u>	<u>1,479,746</u>	<u>1,422,964</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$15,274,115	\$15,508,151	\$13,954,822	\$13,335,971	\$13,220,688
Contributions as a percentage of covered-employee payroll	12.98%	13.14%	12.86%	11.10%	10.76%

	Fiscal Year				
	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 1,446,837	\$ 1,528,199	\$ 1,099,558	\$ 664,443	\$ 619,730
Contributions in relation to the actuarially determined contributions	<u>1,446,837</u>	<u>1,528,199</u>	<u>1,099,558</u>	<u>664,443</u>	<u>619,730</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$12,186,063	\$12,476,282	\$12,766,878	\$10,737,465	\$8,412,156
Contributions as a percentage of covered-employee payroll	11.87%	12.25%	8.61%	6.19%	7.37%

**TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015**

Note to Pension Plan Schedules – Actuarially Determined Contribution Rates

Actuarial determined contribution rates for the Public Safety Personnel Retirement System are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Individual entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period as of the 2013 actuarial valuation	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value, 20% corridor
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%
Wage growth	In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 – June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females).

**TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015**

Schedule of Agent OPEB Plans' Funding Progress:

**Arizona Public Safety Personnel Retirement System – Police
Schedule of Funding Progress – Health Insurance Premium Benefit**

Actuarial Valuation Date June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (1)-(2)	Funded Ratio (1)/(2)	Annual Covered Payroll	Unfunded AAL As Percentage of Covered Payroll (3)/(5)
2015	\$1,995,251	\$2,191,760	\$ (196,509)	91.03%	\$17,676,371	(1.11)%
2014	1,764,456	1,993,264	(228,808)	88.52%	18,650,590	(1.23)%
2013	-0-	1,808,786	(1,808,786)	0.00%	17,167,856	(10.54)%

**Arizona Public Safety Personnel Retirement System –Fire
Schedule of Funding Progress – Health Insurance Premium Benefit**

Actuarial Valuation Date June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (1)-(2)	Funded Ratio (1)/(2)	Annual Covered Payroll	Unfunded AAL As Percentage of Covered Payroll (3)/(5)
2015	\$1,209,449	\$1,465,883	\$ (256,434)	82.51%	\$14,561,683	(1.76)%
2014	1,039,413	1,335,632	(296,219)	77.82%	14,685,147	(2.02)%
2013	-0-	1,251,900	(1,251,900)	0.00%	13,278,222	(9.43)%

Note: Beginning in fiscal year 2014, the Arizona Public Safety Personnel Retirement System established separate funds for pension benefits and health insurance premium benefits. Previously, the plans recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's Pension Fund to the new Health Insurance Fund.

NONMAJOR FUNDS

OTHER GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for revenues and expenditures from specific taxes or other earmarked sources. Such funds are usually required by statute or ordinance to finance particular functions or activities.

Grants - accounts for miscellaneous grants received from Federal, State and local governments that require segregation of revenues and expenditures.

Other Special Revenue - accounts for revenues received from various agencies and sources, including seized funds from law enforcement agencies that are required to be used for specific purposes.

Community Development Block Grants (CDBG) – accounts for a series of ongoing entitlements received directly from the U.S. Department of Housing and Urban Development (HUD) and used for affordable housing and redevelopment activities. **HOME Program** accounts for HUD monies received from Maricopa County for affordable housing activities including housing rehabilitation.

Street Light Improvement District - accounts for taxes received from and expenditures of the street light maintenance improvement districts.

Parkway Maintenance District - accounts for taxes received from and expenditures of the parkway maintenance improvement districts.

Capital Projects Funds

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

Outside Sources - accounts for the purchase or construction of capital assets with funds from outside sources, i.e., developers or other governments.

Prop 400 - accounts for the receipt of state funds in accordance with the MAG Regional Transportation Plan approved by voters as Proposition 400 in 2004. The expenditure of those funds are for various street improvement projects.

Municipal Property Corporation – accounts for the construction or purchase of capital assets to be funded through the use of Public Facilities Municipal Property Corporation revenue bonds.

TOWN OF GILBERT, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Special Revenue				
	Grants	Other Special Revenue	CDBG/HOME	Street Light Improvement District	Parkway Maintenance District
ASSETS					
Pooled cash and investments	\$ 1,274,391	\$ 1,346,788	\$ 12,325	\$ 21,732	\$ 236,009
Receivables, net:					
Taxes	-	-	-	11,281	7,711
Accrued interest	1,861	2,684	20	-	211
Accounts	-	57,562	-	-	-
Due from other governments	204,462	581,165	479,795	-	-
Inventories	-	-	-	-	2,328
Restricted assets:					
Cash and investments	-	-	-	-	-
Total assets	\$ 1,480,714	\$ 1,988,199	\$ 492,140	\$ 33,013	\$ 246,259
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 37,607	\$ 66,775	\$ 358,934	\$ -	\$ 25,775
Accrued liabilities	4,360	43,521	8,300	-	8,255
Deposits held for others	-	-	-	-	-
Due to other funds	-	-	125,623	-	-
Unearned revenue	1,080	-	-	-	-
Total liabilities	43,047	110,296	492,857	-	34,030
Fund Balances:					
Nonspendable	-	-	-	-	2,328
Restricted	1,437,667	1,860,929	12,345	33,013	209,901
Assigned	-	16,974	-	-	-
Unassigned	-	-	(13,062)	-	-
Total fund balances	1,437,667	1,877,903	(717)	33,013	212,229
Total liabilities and fund balances	\$ 1,480,714	\$ 1,988,199	\$ 492,140	\$ 33,013	\$ 246,259

Capital Projects

Outside Sources	Prop 400	Municipal Property Corporation	Total Nonmajor Governmental Funds
\$ 7,897,495	\$ 14,038,785	\$ -	\$ 24,827,525
-	-	-	18,992
12,915	23,662	-	41,353
-	-	-	57,562
-	-	-	1,265,422
-	-	-	2,328
-	-	465,819	465,819
<u>\$ 7,910,410</u>	<u>\$ 14,062,447</u>	<u>\$ 465,819</u>	<u>\$ 26,679,001</u>
\$ 131,040	\$ 839,840	\$ -	\$ 1,459,971
-	-	-	64,436
283,592	-	-	283,592
-	-	25,878	151,501
-	-	-	1,080
<u>414,632</u>	<u>839,840</u>	<u>25,878</u>	<u>1,960,580</u>
-	-	-	2,328
-	13,222,607	439,941	17,216,403
7,495,778	-	-	7,512,752
-	-	-	(13,062)
<u>7,495,778</u>	<u>13,222,607</u>	<u>439,941</u>	<u>24,718,421</u>
<u>\$ 7,910,410</u>	<u>\$ 14,062,447</u>	<u>\$ 465,819</u>	<u>\$ 26,679,001</u>

TOWN OF GILBERT, ARIZONA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue				
	Grants	Other Special Revenue	CDBG/HOME	Street Light Improvement District	Parkway Maintenance District
Revenues					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ 1,628,379	\$ 901,742
Intergovernmental	1,132,018	1,588	826,134	-	-
Charges for services	-	1,100,391	-	-	-
Other entities' participation	-	-	-	-	-
Gifts and donations	-	123,555	-	-	-
Fines and forfeitures	-	619,586	-	-	-
Investment earnings	8,150	15,328	79	-	1,201
Total revenues	<u>1,140,168</u>	<u>1,860,448</u>	<u>826,213</u>	<u>1,628,379</u>	<u>902,943</u>
Expenditures					
Current:					
General government:					
Management and policy	65,150	40,601	835,867	-	-
Court	-	362,937	-	-	-
Public safety:					
Police	320,327	1,486,125	-	-	-
Fire	107,548	20,367	-	-	-
Highways and streets	-	-	-	1,682,203	-
Parks and recreation	-	-	-	-	843,221
Transportation	423,936	-	-	-	-
Non departmental	-	49,884	-	-	-
Debt service:					
Fiscal and other charges	-	-	-	-	-
Capital outlay	391,501	-	-	-	20,797
Total expenditures	<u>1,308,462</u>	<u>1,959,914</u>	<u>835,867</u>	<u>1,682,203</u>	<u>864,018</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(168,294)</u>	<u>(99,466)</u>	<u>(9,654)</u>	<u>(53,824)</u>	<u>38,925</u>
Other financing sources (uses)					
Transfers in	85	969	83,944	-	-
Transfers out	-	(205,326)	-	-	-
Total other financing sources and uses	<u>85</u>	<u>(204,357)</u>	<u>83,944</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(168,209)	(303,823)	74,290	(53,824)	38,925
Fund balances at beginning of year	1,605,876	2,181,726	(75,007)	86,837	173,304
Fund balances at end of year	<u>\$ 1,437,667</u>	<u>\$ 1,877,903</u>	<u>\$ (717)</u>	<u>\$ 33,013</u>	<u>\$ 212,229</u>

Capital Projects			
Outside Sources	Prop 400	Municipal Property Corporation	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 2,530,121
441,205	5,964,974	-	8,365,919
-	-	-	1,100,391
371,320	-	-	371,320
-	-	-	123,555
-	-	-	619,586
53,441	105,867	130	184,196
<u>865,966</u>	<u>6,070,841</u>	<u>130</u>	<u>13,295,088</u>
-	-	-	941,618
-	-	-	362,937
-	-	-	1,806,452
-	-	-	127,915
-	-	-	1,682,203
585,018	-	-	1,428,239
-	-	-	423,936
-	-	-	49,884
-	-	35,421	35,421
295,950	10,886,393	2,080,712	13,675,353
<u>880,968</u>	<u>10,886,393</u>	<u>2,116,133</u>	<u>20,533,958</u>
<u>(15,002)</u>	<u>(4,815,552)</u>	<u>(2,116,003)</u>	<u>(7,238,870)</u>
-	-	3,726	88,724
-	-	-	(205,326)
-	-	3,726	(116,602)
(15,002)	(4,815,552)	(2,112,277)	(7,355,472)
7,510,780	18,038,159	2,552,218	32,073,893
<u>\$ 7,495,778</u>	<u>\$ 13,222,607</u>	<u>\$ 439,941</u>	<u>\$ 24,718,421</u>



BUDGETARY COMPARISON SCHEDULES

TOWN OF GILBERT, ARIZONA
Grants Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 6,548,048	\$ 6,548,048	\$ 1,132,018	\$ (5,416,030)
Investment earnings	-	-	8,150	8,150
Total revenues	6,548,048	6,548,048	1,140,168	(5,407,880)
Expenditures				
Current:				
General government:				
Management and policy	-	-	65,150	(65,150)
Public safety:				
Police	19,606	418,351	320,327	98,024
Fire	67,239	181,329	107,548	73,781
Transportation	574,171	574,171	423,936	150,235
Capital outlay	1,391,326	1,551,173	391,501	1,159,672
Contingency	5,000,000	4,498,118	-	4,498,118
Total expenditures	7,052,342	7,223,142	1,308,462	5,914,680
Deficiency of revenues under expenditures	(504,294)	(675,094)	(168,294)	506,800
Other financing sources				
Transfers in	-	-	85	85
Total other financing sources	-	-	85	85
Net change in fund balances	\$ (504,294)	\$ (675,094)	(168,209)	\$ 506,885
Fund balance at beginning of year			1,605,876	
Fund balance at end of year			\$ 1,437,667	

TOWN OF GILBERT, ARIZONA
Other Special Revenue Funds
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 1,588	\$ 1,588
Charges for services	1,517,067	1,517,067	1,100,391	(416,676)
Gifts and donations	135,190	135,190	123,555	(11,635)
Fines and forfeitures	541,000	541,000	619,586	78,586
Investment earnings	-	-	15,328	15,328
Total revenues	<u>2,193,257</u>	<u>2,193,257</u>	<u>1,860,448</u>	<u>(332,809)</u>
Expenditures				
Current:				
General government:				
Management and policy	157,500	166,820	40,601	126,219
Court	592,686	592,686	362,937	229,749
Public safety:				
Police	1,842,299	1,842,299	1,486,125	356,174
Fire	70,960	70,960	20,367	50,593
Non departmental	49,890	49,890	49,884	6
Contingency	1,000,000	912,259	-	912,259
Total expenditures	<u>3,713,335</u>	<u>3,634,914</u>	<u>1,959,914</u>	<u>1,675,000</u>
Deficiency of revenues under expenditures	<u>(1,520,078)</u>	<u>(1,441,657)</u>	<u>(99,466)</u>	<u>1,342,191</u>
Other financing sources (uses)				
Transfers in	-	-	969	969
Transfers out	(185,920)	(185,920)	(205,326)	(19,406)
Total other financing sources and uses	<u>(185,920)</u>	<u>(185,920)</u>	<u>(204,357)</u>	<u>(18,437)</u>
Net change in fund balances	<u>\$ (1,705,998)</u>	<u>\$ (1,627,577)</u>	(303,823)	<u>\$ 1,323,754</u>
Fund balance at beginning of year			2,181,726	
Fund balance at end of year			<u>\$ 1,877,903</u>	

TOWN OF GILBERT, ARIZONA
CDBG/HOME Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 834,624	\$ 834,624	\$ 826,134	\$ (8,490)
Investment earnings	-	-	79	79
Total revenues	<u>834,624</u>	<u>834,624</u>	<u>826,213</u>	<u>(8,411)</u>
Expenditures				
Current:				
General government:				
Management and policy	991,732	1,367,366	835,867	531,499
Total expenditures	<u>991,732</u>	<u>1,367,366</u>	<u>835,867</u>	<u>531,499</u>
Deficiency of revenues under expenditures	<u>(157,108)</u>	<u>(532,742)</u>	<u>(9,654)</u>	<u>523,088</u>
Other financing sources				
Transfers in	-	74,320	83,944	9,624
Total other financing sources	<u>-</u>	<u>74,320</u>	<u>83,944</u>	<u>9,624</u>
Net change in fund balances	<u>\$ (157,108)</u>	<u>\$ (458,422)</u>	74,290	<u>\$ 532,712</u>
Fund deficit at beginning of year			<u>(75,007)</u>	
Fund deficit at end of year			<u>\$ (717)</u>	

**TOWN OF GILBERT, ARIZONA
 Street Light Improvement District Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balances - Budget and Actual - Budgetary Basis
 For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,634,020	\$ 1,634,020	\$ 1,628,379	\$ (5,641)
Total revenues	<u>1,634,020</u>	<u>1,634,020</u>	<u>1,628,379</u>	<u>(5,641)</u>
Expenditures				
Current:				
Highways and streets	<u>1,731,670</u>	<u>1,731,670</u>	<u>1,682,203</u>	<u>49,467</u>
Total expenditures	<u>1,731,670</u>	<u>1,731,670</u>	<u>1,682,203</u>	<u>49,467</u>
Deficiency of revenues under expenditures	<u>(97,650)</u>	<u>(97,650)</u>	<u>(53,824)</u>	<u>43,826</u>
Net change in fund balances	<u>\$ (97,650)</u>	<u>\$ (97,650)</u>	<u>(53,824)</u>	<u>\$ 43,826</u>
Fund balance at beginning of year			<u>86,837</u>	
Fund balance at end of year			<u>\$ 33,013</u>	

**TOWN OF GILBERT, ARIZONA
 Parkway Maintenance District Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balances - Budget and Actual - Budgetary Basis
 For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 902,140	\$ 902,140	\$ 901,742	\$ (398)
Investment earnings	-	-	1,201	1,201
Total revenues	<u>902,140</u>	<u>902,140</u>	<u>902,943</u>	<u>803</u>
Expenditures				
Current:				
Parks and recreation	982,100	982,100	843,221	138,879
Capital outlay	19,500	19,500	20,797	(1,297)
Total expenditures	<u>1,001,600</u>	<u>1,001,600</u>	<u>864,018</u>	<u>137,582</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(99,460)</u>	<u>(99,460)</u>	<u>38,925</u>	<u>138,385</u>
Net change in fund balances	<u>\$ (99,460)</u>	<u>\$ (99,460)</u>	<u>38,925</u>	<u>\$ 138,385</u>
Fund balance at beginning of year			<u>173,304</u>	
Fund balance at end of year			<u>\$ 212,229</u>	

TOWN OF GILBERT, ARIZONA
General Debt Obligations Debt Service Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 18,576,000	\$ 18,576,000	\$ 19,422,848	\$ 846,848
Investment earnings	100,000	100,000	139,220	39,220
Total revenues	<u>18,676,000</u>	<u>18,676,000</u>	<u>19,562,068</u>	<u>886,068</u>
Expenditures				
Debt service:				
Principal	22,860,000	22,860,000	22,615,000	245,000
Interest	12,642,440	14,105,070	12,637,592	1,467,478
Bond issuance costs	-	260,520	260,516	4
Fiscal and other charges	2,740	3,060	3,060	-
Total expenditures	<u>35,505,180</u>	<u>37,228,650</u>	<u>35,516,168</u>	<u>1,712,482</u>
Deficiency of revenues under expenditures	<u>(16,829,180)</u>	<u>(18,552,650)</u>	<u>(15,954,100)</u>	<u>2,598,550</u>
Other financing sources (uses)				
Transfers in	20,213,560	20,213,560	20,217,016	3,456
Refunding bonds issued	-	-	28,080,000	28,080,000
Premium on refunding bonds	-	-	4,417,395	4,417,395
Payment to refunded bond escrow agent	-	(32,210,620)	(32,210,612)	8
Total other financing sources and uses	<u>20,213,560</u>	<u>(11,997,060)</u>	<u>20,503,799</u>	<u>32,500,859</u>
Net change in fund balances	<u>\$ 3,384,380</u>	<u>\$ (30,549,710)</u>	4,549,699	<u>\$ 35,099,409</u>
Fund balance at beginning of year			10,383,089	
Fund balance at end of year			<u>\$ 14,932,788</u>	

TOWN OF GILBERT, ARIZONA
Special Assessments Debt Service Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 7,085,577	\$ 7,085,577	\$ 1,184,368	\$ (5,901,209)
Investment earnings	-	-	5,345	5,345
Total revenues	<u>7,085,577</u>	<u>7,085,577</u>	<u>1,189,713</u>	<u>(5,895,864)</u>
Expenditures				
Debt service:				
Principal	6,060,000	6,055,000	1,135,000	4,920,000
Interest	515,900	515,900	470,225	45,675
Fiscal and other charges	8,150	13,150	8,302	4,848
Total expenditures	<u>6,584,050</u>	<u>6,584,050</u>	<u>1,613,527</u>	<u>4,970,523</u>
Excess (deficiency) of revenues over (under) expenditures	<u>501,527</u>	<u>501,527</u>	<u>(423,814)</u>	<u>(925,341)</u>
Other financing uses				
Transfers out	<u>(205,000)</u>	<u>(205,000)</u>	<u>(21,866)</u>	<u>183,134</u>
Total other financing uses	<u>(205,000)</u>	<u>(205,000)</u>	<u>(21,866)</u>	<u>183,134</u>
Net change in fund balances	<u>\$ 296,527</u>	<u>\$ 296,527</u>	(445,680)	<u>\$ (742,207)</u>
Fund balance at beginning of year			479,414	
Fund balance at end of year			<u>\$ 33,734</u>	

TOWN OF GILBERT, ARIZONA
Outside Sources Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 1,190,050	\$ 1,190,050	\$ 441,205	\$ (748,845)
Other entities' participation	128,662	128,662	371,320	242,658
Investment earnings	-	-	53,441	53,441
Total revenues	1,318,712	1,318,712	865,966	(452,746)
Expenditures				
Current:				
Parks and recreation	601,000	664,245	585,018	79,227
Capital outlay	717,712	717,001	295,950	421,051
Contingency	-	75,112	-	75,112
Total expenditures	1,318,712	1,456,358	880,968	575,390
Deficiency of revenues under expenditures	-	(137,646)	(15,002)	122,644
Net change in fund balances	\$ -	\$ (137,646)	(15,002)	\$ 122,644
Fund balance at beginning of year			7,510,780	
Fund balance at end of year			\$ 7,495,778	

TOWN OF GILBERT, ARIZONA
Prop 400 Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 23,028,982	\$ 23,028,982	\$ 5,964,974	\$ (17,064,008)
Investment earnings	-	-	105,867	105,867
Total revenues	23,028,982	23,028,982	6,070,841	(16,958,141)
Expenditures				
Capital outlay	23,028,982	22,071,094	10,886,393	11,184,701
Contingency	-	957,888	-	957,888
Total expenditures	23,028,982	23,028,982	10,886,393	12,142,589
Deficiency of revenues under expenditures	-	-	(4,815,552)	(4,815,552)
Net change in fund balances	\$ -	\$ -	(4,815,552)	\$ (4,815,552)
Fund balance at beginning of year			18,038,159	
Fund balance at end of year			\$ 13,222,607	

TOWN OF GILBERT, ARIZONA
GO Bonds Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ -	\$ -	\$ 75,403	\$ 75,403
Total revenues	<u>-</u>	<u>-</u>	<u>75,403</u>	<u>75,403</u>
Expenditures				
Capital outlay	19,709,762	17,598,217	3,849,262	13,748,955
Contingency	-	2,411,545	-	2,411,545
Total expenditures	<u>19,709,762</u>	<u>20,009,762</u>	<u>3,849,262</u>	<u>16,160,500</u>
Deficiency of revenues under expenditures	<u>(19,709,762)</u>	<u>(20,009,762)</u>	<u>(3,773,859)</u>	<u>16,235,903</u>
Net change in fund balances	<u>\$ (19,709,762)</u>	<u>\$ (20,009,762)</u>	<u>(3,773,859)</u>	<u>\$ 16,235,903</u>
Fund balance at beginning of year			<u>22,993,703</u>	
Fund balance at end of year			<u>\$ 19,219,844</u>	

TOWN OF GILBERT, ARIZONA
Municipal Property Corporation Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ -	\$ -	\$ 130	\$ 130
Total revenues	<u>-</u>	<u>-</u>	<u>130</u>	<u>130</u>
Expenditures				
Debt service:				
Fiscal and other charges	3,850	4,450	35,421	(30,971)
Capital outlay	5,599,962	2,234,153	2,080,712	153,441
Contingency	-	3,365,809	-	3,365,809
Total expenditures	<u>5,603,812</u>	<u>5,604,412</u>	<u>2,116,133</u>	<u>3,488,279</u>
Deficiency of revenues under expenditures	<u>(5,603,812)</u>	<u>(5,604,412)</u>	<u>(2,116,003)</u>	<u>3,488,409</u>
Other financing sources				
Transfers in	3,830	3,830	3,726	(104)
Total other financing sources	<u>3,830</u>	<u>3,830</u>	<u>3,726</u>	<u>(104)</u>
Net change in fund balances	<u>\$ (5,599,982)</u>	<u>\$ (5,600,582)</u>	<u>(2,112,277)</u>	<u>\$ 3,488,305</u>
Fund balance at beginning of year			<u>2,552,218</u>	
Fund balance at end of year			<u>\$ 439,941</u>	

TOWN OF GILBERT, ARIZONA
System Development Fees Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
System development fees	\$ 15,650,000	\$ 15,650,000	\$ 18,836,030	\$ 3,186,030
Investment earnings	65,000	65,000	187,869	122,869
Total revenues	<u>15,715,000</u>	<u>15,715,000</u>	<u>19,023,899</u>	<u>3,308,899</u>
Expenditures				
Capital outlay	4,646,969	4,433,085	2,295,938	2,137,147
Contingency	-	213,884	-	213,884
Total expenditures	<u>4,646,969</u>	<u>4,646,969</u>	<u>2,295,938</u>	<u>2,351,031</u>
Excess of revenues over expenditures	<u>11,068,031</u>	<u>11,068,031</u>	<u>16,727,961</u>	<u>5,659,930</u>
Other financing uses				
Transfers out	(11,088,800)	(11,088,800)	(11,160,456)	(71,656)
Total other financing uses	<u>(11,088,800)</u>	<u>(11,088,800)</u>	<u>(11,160,456)</u>	<u>(71,656)</u>
Net change in fund balances	<u>\$ (20,769)</u>	<u>\$ (20,769)</u>	5,567,505	<u>\$ 5,588,274</u>
Fund balance at beginning of year			8,719	
Fund balance at end of year			<u>\$ 5,576,224</u>	

TOWN OF GILBERT, ARIZONA
Saint Xavier University Revenue Obligations
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ -	\$ 800	\$ 767	\$ (33)
Total revenues	<u>-</u>	<u>800</u>	<u>767</u>	<u>(33)</u>
Expenditures				
Debt service:				
Bond issuance costs	-	209,000	208,601	399
Capital outlay	39,750,283	38,402,458	24,940,129	13,462,329
Contingency	-	1,138,825	-	1,138,825
Total expenditures	<u>39,750,283</u>	<u>39,750,283</u>	<u>25,148,730</u>	<u>14,601,553</u>
Deficiency of revenues under expenditures	<u>(39,750,283)</u>	<u>(39,749,483)</u>	<u>(25,147,963)</u>	<u>14,601,520</u>
Other financing sources (uses)				
Transfers out	-	(1,902,550)	(1,902,542)	8
Revenue obligations issued	40,304,493	37,597,993	36,980,000	(617,993)
Premium on revenue obligations	-	2,705,700	2,705,688	(12)
Total other financing sources and uses	<u>40,304,493</u>	<u>38,401,143</u>	<u>37,783,146</u>	<u>(617,997)</u>
Net change in fund balances	<u>\$ 554,210</u>	<u>\$ (1,348,340)</u>	12,635,183	<u>\$ 13,983,523</u>
Fund balance at beginning of year			-	
Fund balance at end of year			<u>\$ 12,635,183</u>	

TOWN OF GILBERT, ARIZONA
Water Enterprise Fund
Schedule of Revenues, Expenses and Changes
in Net Position - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues				
Charges for services	\$ 38,069,621	\$ 38,069,621	\$ 37,500,541	\$ (569,080)
Other	900,000	900,000	1,207,776	307,776
Total operating revenues	<u>38,969,621</u>	<u>38,969,621</u>	<u>38,708,317</u>	<u>(261,304)</u>
Operating expenses				
General and administrative	1,993,734	1,995,500	1,096,405	899,095
Personal services	7,686,696	7,686,696	7,633,732	52,964
Operation and maintenance	16,258,174	16,384,697	14,036,453	2,348,244
Capital outlay	37,310,713	35,662,106	8,933,932	26,728,174
Allocation of indirect expenses	1,963,590	1,963,590	1,963,590	-
Debt service:				
Principal	9,124,050	9,124,050	6,140,000	2,984,050
Contingency	1,760,830	4,183,224	-	4,183,224
Total operating expenses	<u>76,097,787</u>	<u>76,999,863</u>	<u>39,804,112</u>	<u>37,195,751</u>
Operating loss	<u>(37,128,166)</u>	<u>(38,030,242)</u>	<u>(1,095,795)</u>	<u>36,934,447</u>
Nonoperating revenues (expenses)				
Interest expense	(5,433,190)	(5,433,190)	(4,905,368)	527,822
Investment earnings	466,218	466,218	788,031	321,813
Gain on sale of capital assets	-	-	9,037	9,037
Total nonoperating revenues (expenses)	<u>(4,966,972)</u>	<u>(4,966,972)</u>	<u>(4,108,300)</u>	<u>858,672</u>
Loss before capital contributions and transfers	(42,095,138)	(42,997,214)	(5,204,095)	37,793,119
Capital contributions	14,000,000	14,000,000	13,118,358	(881,642)
Transfers out	(905,000)	(979,320)	(750,233)	229,087
Change in net position	<u>\$ (29,000,138)</u>	<u>\$ (29,976,534)</u>	7,164,030	<u>\$ 37,140,564</u>

Explanation of difference between budgetary change in net position at June 30, 2015,
and GAAP change in net position:

Obligations for compensated absences and post-employment benefits are accrued on the GAAP basis but
are not recognized on the budget basis:

Add compensated absences at June 30, 2014	904,498
Less compensated absences at June 30, 2015	(938,490)
Add post-employment benefits at June 30, 2014	87,292
Less post-employment benefits at June 30, 2015	(172,002)

Capital outlays are not recognized as GAAP expenses but are recognized
as expenses on the budget basis. 8,933,932

Debt service principal payments are not recognized as expenses on the GAAP
basis but are recognized as expenses on the budget basis. 6,140,000

Capital assets contributed by developers are recognized as revenue for
GAAP purposes but are not recognized as revenue on the budget basis. 4,971,099

Depreciation is recognized as an expense for GAAP purposes but
is not recognized for budgetary purposes. (11,918,035)

Change in net position as reported on the statement of revenues, expenses
and changes in fund net position \$ 15,172,324

TOWN OF GILBERT, ARIZONA
Wastewater Enterprise Fund
Schedule of Revenues, Expenses and Changes
in Net Position - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 24,350,729	\$ 24,350,729	\$ 24,625,084	\$ 274,355
Other	-	-	5,021	5,021
Total operating revenues	24,350,729	24,350,729	24,630,105	279,376
Operating expenses				
General and administrative	452,604	550,940	765,693	(214,753)
Personal services	4,091,376	4,091,376	3,928,822	162,554
Operation and maintenance	11,116,213	11,080,431	9,838,681	1,241,750
Capital outlay	10,317,196	11,066,378	2,002,865	9,063,513
Allocation of indirect expenses	944,870	944,870	944,870	-
Debt service:				
Principal	535,960	535,960	-	535,960
Contingency	4,189,559	3,378,123	-	3,378,123
Total operating expenses	31,647,778	31,648,078	17,480,931	14,167,147
Operating income (loss)	(7,297,049)	(7,297,349)	7,149,174	14,446,523
Nonoperating revenues (expenses)				
Interest expense	(120,620)	(120,620)	-	120,620
Investment earnings	197,933	197,933	498,944	301,011
Gain on sale of capital assets	-	-	2,757	2,757
Total nonoperating revenues (expenses)	77,313	77,313	501,701	424,388
Income (loss) before capital contributions and transfers	(7,219,736)	(7,220,036)	7,650,875	14,870,911
Capital contributions	12,000,000	12,000,000	8,100,833	(3,899,167)
Transfers in	820,000	820,000	590,920	(229,080)
Transfers out	(25,000)	(25,000)	(25,000)	-
Change in net position	\$ 5,575,264	\$ 5,574,964	16,317,628	\$ 10,742,664

Explanation of difference between budgetary change in net position at June 30, 2015, and GAAP change in net position:

Obligations for compensated absences and post-employment benefits are accrued on the GAAP basis but are not recognized on the budget basis:

Add compensated absences at June 30, 2014	519,304
Less compensated absences at June 30, 2015	(475,983)
Add post-employment benefits at June 30, 2014	31,942
Less post-employment benefits at June 30, 2015	(64,960)

Capital outlays are not recognized as GAAP expenses but are recognized as expenses on the budget basis.

2,002,865

Capital assets contributed by developers are recognized as revenue for GAAP purposes but are not recognized as revenue on the budget basis.

2,826,212

Depreciation is recognized as an expense for GAAP purposes but is not recognized for budgetary purposes.

(10,173,643)

Change in net position as reported on the statement of revenues, expenses and changes in fund net position

\$ 10,983,365

TOWN OF GILBERT, ARIZONA
Environmental Services Enterprise Fund
Schedule of Revenues, Expenses and Changes
in Net Position - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 17,121,575	\$ 17,121,575	\$ 18,007,494	\$ 885,919
Other	59,113	59,113	96,899	37,786
Total operating revenues	17,180,688	17,180,688	18,104,393	923,705
Operating expenses				
General and administrative	467,528	528,279	792,883	(264,604)
Personal services	6,459,430	6,559,430	6,099,519	459,911
Operation and maintenance	7,125,950	7,164,365	7,533,697	(369,332)
Capital outlay	6,700,202	6,740,137	3,008,911	3,731,226
Allocation of indirect expenses	893,630	893,630	893,630	-
Contingency	2,620,785	2,381,684	-	2,381,684
Total operating expenses	24,267,525	24,267,525	18,328,640	5,938,885
Operating loss	(7,086,837)	(7,086,837)	(224,247)	6,862,590
Nonoperating revenues				
Investment earnings	191,472	191,472	170,311	(21,161)
Gain on sale of capital assets	-	-	160,315	160,315
Total nonoperating revenues	191,472	191,472	330,626	139,154
Income (loss) before transfers	(6,895,365)	(6,895,365)	106,379	7,001,744
Transfers in	55,000	55,000	-	(55,000)
Change in net position	\$ (6,840,365)	\$ (6,840,365)	106,379	\$ 6,946,744

Explanation of difference between budgetary change in net position at June 30, 2015, and GAAP change in net position:

Obligations for compensated absences are accrued on the GAAP basis but are not recognized on the budget basis:

Add compensated absences at June 30, 2014	490,732
Less compensated absences at June 30, 2015	(470,840)
Add post-employment benefits at June 30, 2014	60,072
Less post-employment benefits at June 30, 2015	(121,176)

Capital outlays are not recognized as GAAP expenses but are recognized as expenses on a budget basis.

3,008,911

Depreciation is recognized as an expense for GAAP purposes but is not recognized for budgetary purposes.

(1,353,842)

Change in net position as reported on the statement of revenues, expenses and changes in fund net position

\$ 1,720,236



INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments of the government, on a cost reimbursement basis.

Equipment Maintenance - to account for the revenues and expenses from the maintenance of Gilbert's motorized equipment.

Copy Services - to account for the revenues and expenses from the operation of centrally located copiers within Gilbert.

Employee Benefit Self-Insurance - to account for and finance Gilbert's uninsured risks of loss for medical and dental claims.

TOWN OF GILBERT, ARIZONA
Internal Service Funds
Combining Statement of Net Position
June 30, 2015

	<u>Equipment Maintenance</u>	<u>Copier Services</u>	<u>Employee Benefit Self- Insurance</u>	<u>Total</u>
ASSETS				
Current assets:				
Pooled cash and investments	\$ 724,019	\$ -	\$ 4,594,441	\$ 5,318,460
Receivables (net):				
Accrued interest	1,017	-	1,812	2,829
Accounts	6,558	-	110,409	116,967
Inventories	553,222	-	-	553,222
Total current assets	<u>1,284,816</u>	<u>-</u>	<u>4,706,662</u>	<u>5,991,478</u>
Noncurrent assets:				
Capital assets:				
Property, plant and equipment	236,422	296,976	-	533,398
Less accumulated depreciation	(226,433)	(109,836)	-	(336,269)
Total capital assets (net)	<u>9,989</u>	<u>187,140</u>	<u>-</u>	<u>197,129</u>
Total assets	<u>1,294,805</u>	<u>187,140</u>	<u>4,706,662</u>	<u>6,188,607</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension-related items	363,777	-	-	363,777
Total deferred outflows of resources	<u>363,777</u>	<u>-</u>	<u>-</u>	<u>363,777</u>
LIABILITIES				
Current liabilities:				
Accounts payable	246,506	35,328	2,316	284,150
Accrued liabilities	73,650	-	-	73,650
Current portion of compensated absences	76,146	-	-	76,146
Claims payable	-	-	1,398,171	1,398,171
Due to other funds	-	42,362	-	42,362
Total current liabilities	<u>396,302</u>	<u>77,690</u>	<u>1,400,487</u>	<u>1,874,479</u>
Noncurrent liabilities:				
Long-term portion of compensated absences	95,807	-	-	95,807
Net pension liability	1,908,838	-	-	1,908,838
Total noncurrent liabilities	<u>2,004,645</u>	<u>-</u>	<u>-</u>	<u>2,004,645</u>
Total liabilities	<u>2,400,947</u>	<u>77,690</u>	<u>1,400,487</u>	<u>3,879,124</u>
DEFERRED INFLOWS OF RESOURCES				
Pension-related items	333,797	-	-	333,797
Total deferred inflows of resources	<u>333,797</u>	<u>-</u>	<u>-</u>	<u>333,797</u>
NET POSITION				
Net investment in capital assets	9,989	187,140	-	197,129
Unrestricted	(1,086,151)	(77,690)	3,306,175	2,142,334
Total net position	<u>\$ (1,076,162)</u>	<u>\$ 109,450</u>	<u>\$ 3,306,175</u>	<u>\$ 2,339,463</u>

TOWN OF GILBERT, ARIZONA
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2015

	<u>Equipment Maintenance</u>	<u>Copier Services</u>	<u>Employee Benefit Self- Insurance</u>	<u>Total</u>
Operating revenues				
Charges for services	\$ 7,470,375	\$ 956	\$ 14,841,610	\$ 22,312,941
Other	2,275	-	2,341,071	2,343,346
Total operating revenues	<u>7,472,650</u>	<u>956</u>	<u>17,182,681</u>	<u>24,656,287</u>
Operating expenses				
General and administrative	65,821	-	967,199	1,033,020
Personal services	1,788,540	-	-	1,788,540
Operation and maintenance	5,673,153	260,489	-	5,933,642
Claims Incurred	-	-	15,605,420	15,605,420
Depreciation	3,804	26,311	-	30,115
Total operating expenses	<u>7,531,318</u>	<u>286,800</u>	<u>16,572,619</u>	<u>24,390,737</u>
Operating income (loss)	<u>(58,668)</u>	<u>(285,844)</u>	<u>610,062</u>	<u>265,550</u>
Nonoperating revenues				
Investment earnings	3,892	326	9,797	14,015
Total nonoperating revenues	<u>3,892</u>	<u>326</u>	<u>9,797</u>	<u>14,015</u>
Change in net position	(54,776)	(285,518)	619,859	279,565
Total net position, beginning of year, as restated (see note 2)	<u>(1,021,386)</u>	<u>394,968</u>	<u>2,686,316</u>	<u>2,059,898</u>
Total net position, end of year	<u>\$ (1,076,162)</u>	<u>\$ 109,450</u>	<u>\$ 3,306,175</u>	<u>\$ 2,339,463</u>

TOWN OF GILBERT, ARIZONA
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2015

	Equipment Maintenance	Copier Services	Employee Benefit Self- Insurance	Total
Cash flows from operating activities:				
Other operating cash receipts	\$ 2,275	\$ -	\$ 2,230,736	\$ 2,233,011
Cash receipts from other funds for services	7,465,328	956	14,841,610	22,307,894
Cash payments to suppliers for goods and services	(5,781,308)	(272,026)	(16,439,044)	(22,492,378)
Cash payments to employees for services	<u>(1,718,867)</u>	<u>-</u>	<u>-</u>	<u>(1,718,867)</u>
Net cash provided by (used in) operating activities	<u>(32,572)</u>	<u>(271,070)</u>	<u>633,302</u>	<u>329,660</u>
Cash flows from noncapital financing activities:				
Changes in due to other funds	<u>-</u>	<u>42,362</u>	<u>-</u>	<u>42,362</u>
Net cash provided by noncapital financing activities	<u>-</u>	<u>42,362</u>	<u>-</u>	<u>42,362</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	<u>-</u>	<u>(25,202)</u>	<u>-</u>	<u>(25,202)</u>
Net cash used in capital and related financing activities	<u>-</u>	<u>(25,202)</u>	<u>-</u>	<u>(25,202)</u>
Cash flows from investing activities:				
Interest received on investments	<u>3,348</u>	<u>326</u>	<u>10,190</u>	<u>13,864</u>
Net cash provided by investing activities	<u>3,348</u>	<u>326</u>	<u>10,190</u>	<u>13,864</u>
Net increase (decrease) in cash and cash equivalents	(29,224)	(253,584)	643,492	360,684
Cash and cash equivalents at beginning of year	753,243	253,584	3,950,949	4,957,776
Cash and cash equivalents at end of year	<u>\$ 724,019</u>	<u>\$ -</u>	<u>\$ 4,594,441</u>	<u>\$ 5,318,460</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operations:				
Operating income (loss)	<u>\$ (58,668)</u>	<u>\$ (285,844)</u>	<u>\$ 610,062</u>	<u>\$ 265,550</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	3,804	26,311	-	30,115
Pension expense	180,170	-	-	180,170
Employer pension contributions	(141,280)	-	-	(141,280)
Changes in assets and liabilities:				
Increase in accounts receivable	(5,047)	-	(110,335)	(115,382)
Increase in inventories	(14,755)	-	-	(14,755)
Increase (decrease) in accounts payable	(27,578)	(11,537)	1,896	(37,219)
Increase in claims payable	-	-	131,679	131,679
Increase in accrued expenses	<u>30,782</u>	<u>-</u>	<u>-</u>	<u>30,782</u>
Total adjustments	<u>26,096</u>	<u>14,774</u>	<u>23,240</u>	<u>64,110</u>
Net cash provided by (used in) operating activities	<u>\$ (32,572)</u>	<u>\$ (271,070)</u>	<u>\$ 633,302</u>	<u>\$ 329,660</u>

TOWN OF GILBERT, ARIZONA
Equipment Maintenance Internal Service Fund
Schedule of Revenues, Expenses and Changes
in Net Position - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues				
Charges for services	\$ 8,208,000	\$ 8,208,000	\$ 7,470,375	\$ (737,625)
Other	2,000	2,000	2,275	275
Total operating revenues	<u>8,210,000</u>	<u>8,210,000</u>	<u>7,472,650</u>	<u>(737,350)</u>
Operating expenses				
General and administrative	94,232	97,835	65,821	32,014
Personal services	1,851,192	1,851,192	1,793,831	57,361
Operation and maintenance	6,147,420	6,145,120	5,673,153	471,967
Capital outlay	84,030	84,030	-	84,030
Contingency	500,000	498,697	-	498,697
Total operating expenses	<u>8,676,874</u>	<u>8,676,874</u>	<u>7,532,805</u>	<u>1,144,069</u>
Operating loss	<u>(466,874)</u>	<u>(466,874)</u>	<u>(60,155)</u>	<u>406,719</u>
Nonoperating revenues				
Investment earnings	-	-	3,892	3,892
Total nonoperating revenues	<u>-</u>	<u>-</u>	<u>3,892</u>	<u>3,892</u>
Change in net position	<u>\$ (466,874)</u>	<u>\$ (466,874)</u>	<u>(56,263)</u>	<u>\$ 410,611</u>

Explanation of difference between budgetary change in net position at June 30, 2015,
and GAAP change in net position:

Obligations for compensated absences are accrued on the GAAP basis but
are not recognized on the budget basis:

Add compensated absences at June 30, 2014

177,244

Less compensated absences at June 30, 2015

(171,953)

Depreciation is recognized as an expense for GAAP purposes but
is not recognized for budgetary purposes.

(3,804)

Change in net position as reported on the statement of revenues, expenses
and changes in fund net position

\$ (54,776)

TOWN OF GILBERT, ARIZONA
Copier Services Internal Service Fund
Schedule of Revenues, Expenses and Changes
in Net Position - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues				
Charges for services	\$ 585,000	\$ 585,000	\$ 956	\$ (584,044)
Total operating revenues	<u>585,000</u>	<u>585,000</u>	<u>956</u>	<u>(584,044)</u>
Operating expenses				
Operation and maintenance	552,974	552,974	260,489	292,485
Capital outlay	250,000	250,000	-	250,000
Total operating expenses	<u>802,974</u>	<u>802,974</u>	<u>260,489</u>	<u>542,485</u>
Operating loss	<u>(217,974)</u>	<u>(217,974)</u>	<u>(259,533)</u>	<u>(41,559)</u>
Nonoperating revenues				
Investment earnings	3,000	3,000	326	(2,674)
Total nonoperating revenues	<u>3,000</u>	<u>3,000</u>	<u>326</u>	<u>(2,674)</u>
Change in net position	<u>\$ (214,974)</u>	<u>\$ (214,974)</u>	<u>(259,207)</u>	<u>\$ (44,233)</u>
Explanation of difference between budgetary change in net assets at June 30, 2015, and GAAP change in net assets:				
Depreciation is recognized as an expense for GAAP purposes but is not recognized for budgetary purposes.				
			<u>(26,311)</u>	
Change in net assets as reported on the statement of revenues, expenses and changes in fund net assets			<u>\$ (285,518)</u>	

TOWN OF GILBERT, ARIZONA
Employee Benefit Self-Insurance Internal Service Fund
Schedule of Revenues, Expenses and Changes
in Net Position - Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues				
Charges for services	\$ 14,390,000	\$ 14,390,000	\$ 14,841,610	\$ 451,610
Other	65,000	65,000	2,341,071	2,276,071
Total operating revenues	<u>14,455,000</u>	<u>14,455,000</u>	<u>17,182,681</u>	<u>2,727,681</u>
Operating expenses				
General and administrative	1,078,020	1,078,020	967,199	110,821
Claims Incurred	14,255,000	16,255,000	15,605,420	649,580
Total operating expenses	<u>15,333,020</u>	<u>17,333,020</u>	<u>16,572,619</u>	<u>760,401</u>
Operating (loss) income	<u>(878,020)</u>	<u>(2,878,020)</u>	<u>610,062</u>	<u>3,488,082</u>
Nonoperating revenues				
Investment earnings	11,000	11,000	9,797	(1,203)
Total nonoperating revenues	<u>11,000</u>	<u>11,000</u>	<u>9,797</u>	<u>(1,203)</u>
Change in net position	<u>\$ (867,020)</u>	<u>\$ (2,867,020)</u>	<u>\$ 619,859</u>	<u>\$ 3,486,879</u>



AGENCY FUNDS

Agency Funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

Flexible Spending - accounts for monies received from employees for medical and dependent care expenses under Internal Revenue Code Section 125.

Fire Retirement Health - accounts for monies received from sworn fire employees for providing a monthly stipend for retirees to apply to the cost of their medical and/or dental insurance, medical and dental co-pays, and prescriptions and other benefits.

Payback Agreement – accounts for monies received from developers to payback other developers for sanitary wastewater system development.

TOWN OF GILBERT, ARIZONA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2015

Flexible Spending	Beginning Balance	Additions	Deductions	Ending Balance
<u>Assets</u>				
Restricted cash and investments	\$ 11,298	\$ 316,652	\$ 327,950	\$ -
Prepaid items	<u>10,685</u>	<u>255,653</u>	<u>243,983</u>	<u>22,355</u>
Total assets	<u>\$ 21,983</u>	<u>\$ 572,305</u>	<u>\$ 571,933</u>	<u>\$ 22,355</u>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 3,513	\$ -	\$ 3,513
Dependent care benefits payable	<u>21,983</u>	<u>69,157</u>	<u>72,298</u>	<u>18,842</u>
Total liabilities	<u>\$ 21,983</u>	<u>\$ 72,670</u>	<u>\$ 72,298</u>	<u>\$ 22,355</u>
Fire Retirement Health Fund				
<u>Assets</u>				
Restricted cash and investments	\$ 229,117	\$ 41,485	\$ 270,602	\$ -
Restricted accrued interest	<u>-</u>	<u>435</u>	<u>435</u>	<u>-</u>
Total assets	<u>\$ 229,117</u>	<u>\$ 41,920</u>	<u>\$ 271,037</u>	<u>\$ -</u>
<u>Liabilities</u>				
Other deposits	<u>\$ 229,117</u>	<u>\$ 41,920</u>	<u>\$ 271,037</u>	<u>\$ -</u>
Total liabilities	<u>\$ 229,117</u>	<u>\$ 41,920</u>	<u>\$ 271,037</u>	<u>\$ -</u>
Payback Agreement				
<u>Assets</u>				
Restricted cash and investments	\$ -	\$ 46,522	\$ 46,522	\$ -
Total assets	<u>\$ -</u>	<u>\$ 46,522</u>	<u>\$ 46,522</u>	<u>\$ -</u>
<u>Liabilities</u>				
Due to developers	\$ -	\$ 46,522	\$ 46,522	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 46,522</u>	<u>\$ 46,522</u>	<u>\$ -</u>

TOWN OF GILBERT, ARIZONA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2015

Total-All Agency Funds	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Assets</u>				
Restricted cash and investments	\$ 240,415	\$ 404,659	\$ 645,074	\$ -
Prepaid items	10,685	255,653	243,983	22,355
Restricted accrued interest	-	435	435	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>251,100</u>	\$ <u>660,747</u>	\$ <u>889,492</u>	\$ <u>22,355</u>
 <u>Liabilities</u>				
Accounts payable	\$ -	\$ 3,513	\$ -	\$ 3,513
Other deposits	229,117	41,920	271,037	-
Due to developers	-	46,522	46,522	-
Dependent care benefits payable	21,983	69,157	72,298	18,842
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	\$ <u>251,100</u>	\$ <u>161,112</u>	\$ <u>389,857</u>	\$ <u>22,355</u>



Statistical Section

Financial Trends

Revenue Capacity

Debt Capacity

Demographic and Economic Information

Operating Information

Other Information

STATISTICAL SECTION

This part of Gilbert's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the Town's overall financial health.

Contents	Page
Financial Trends	123
<i>These schedules contain trend information to help the reader understand how Gilbert's financial performance and well-being have changed over time.</i>	
Revenue Capacity	129
<i>These schedules contain information to help the reader assess Gilbert's most significant local revenue source, sales tax.</i>	
Debt Capacity	131
<i>These schedules present information to help the reader assess the affordability of Gilbert's current levels of outstanding debt and Gilbert's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	136
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which Gilbert's financial activities take place.</i>	
Operating Information	138
<i>These schedules contain service and infrastructure data to help the reader understand how the information in Gilbert's financial report relates to the services Gilbert provides and the activities it performs.</i>	
Other Information	141

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.



Town of Gilbert, Arizona
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(1,000's)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental activities										
Net investment in capital assets	\$ 513,996	\$ 596,974	\$ 688,393	\$ 704,908	\$ 707,100	\$ 705,986	\$ 695,983	\$ 687,910	\$ 680,717	\$ 688,900
Restricted	47,716	42,681	34,926	24,036	43,766	38,404	52,219	60,525	80,924	82,546
Unrestricted	48,971	67,610	48,022	63,994	66,030	77,284	83,273	107,172	92,357	30,276
Total governmental activities net position	<u>\$ 610,683</u>	<u>\$ 707,265</u>	<u>\$ 771,341</u>	<u>\$ 792,938</u>	<u>\$ 816,896</u>	<u>\$ 821,674</u>	<u>\$ 831,475</u>	<u>\$ 855,607</u>	<u>\$ 853,998</u>	<u>\$ 801,722</u>
Business-type activities										
Net investment in capital assets	\$ 347,213	\$ 386,130	\$ 273,513	\$ 261,028	\$ 276,059	\$ 294,516	\$ 316,268	\$ 325,357	\$ 351,797	\$ 363,333
Restricted	62,356	103,425	106,871	91,738	86,943	76,504	71,376	70,879	65,577	54,084
Unrestricted	17,927	9,480	136,635	182,090	195,803	209,680	236,097	263,978	281,391	290,870
Total business-type activities net position	<u>\$ 427,496</u>	<u>\$ 499,035</u>	<u>\$ 517,019</u>	<u>\$ 534,856</u>	<u>\$ 558,805</u>	<u>\$ 580,700</u>	<u>\$ 623,741</u>	<u>\$ 660,214</u>	<u>\$ 698,765</u>	<u>\$ 708,287</u>
Primary government										
Net investment in capital assets	\$ 861,209	\$ 983,104	\$ 961,906	\$ 965,936	\$ 983,159	\$ 1,000,502	\$ 1,012,251	\$ 1,013,267	\$ 1,032,514	\$ 1,052,233
Restricted	110,072	146,106	141,797	115,774	130,709	114,908	123,595	131,404	146,501	136,630
Unrestricted	66,898	77,090	184,657	246,084	261,833	286,964	319,370	371,150	373,748	321,146
Total primary government net position	<u>\$ 1,038,179</u>	<u>\$ 1,206,300</u>	<u>\$ 1,288,360</u>	<u>\$ 1,327,794</u>	<u>\$ 1,375,701</u>	<u>\$ 1,402,374</u>	<u>\$ 1,455,216</u>	<u>\$ 1,515,821</u>	<u>\$ 1,552,763</u>	<u>\$ 1,510,009</u>

Town of Gilbert, Arizona
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(1,000's)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Expenses										
Governmental activities:										
General government:										
Management and policy	\$ 2,900	\$ 3,070	\$ 3,167	\$ 3,068	\$ 2,831	\$ 3,110	\$ 2,983	\$ 10,461	\$ 13,378	\$ 19,090
Support services	8,854	9,828	10,351	10,137	9,297	8,503	8,632	-	-	-
Finance and management services	-	-	-	-	-	1,287	1,216	4,150	4,347	1,814
Court	4,352	5,316	5,848	5,838	5,937	5,126	5,410	5,474	5,975	4,053
Development services	11,232	13,394	14,501	12,243	10,085	8,201	8,551	6,850	9,062	7,082
Public works	4,281	914	978	1,451	2,782	-	-	-	-	-
Public safety:										
Police	29,765	34,022	39,641	42,109	41,328	38,869	40,467	42,759	45,931	47,541
Fire	15,378	18,872	22,564	24,255	22,871	24,473	24,906	25,867	28,853	28,071
Highways and streets	24,852	31,052	36,385	38,541	36,906	40,440	43,438	44,048	45,781	46,932
Parks and recreation	11,239	15,926	16,176	19,350	19,826	19,764	19,932	20,858	22,493	28,429
Transportation	1,622	1,439	1,563	1,682	1,170	1,010	1,269	461	842	778
Non departmental	-	-	-	-	-	2,194	2,910	3,114	4,104	4,423
Interest and fiscal charges on long-term debt	7,944	9,532	8,893	17,096	18,418	17,675	15,785	15,142	15,216	12,780
Total governmental activities expenses	<u>122,419</u>	<u>143,365</u>	<u>160,067</u>	<u>175,770</u>	<u>171,451</u>	<u>170,652</u>	<u>175,499</u>	<u>179,184</u>	<u>195,982</u>	<u>200,993</u>
Business-type activities:										
Water	25,234	24,030	34,277	35,451	36,163	36,863	37,695	38,339	39,927	41,817
Wastewater	19,061	19,873	23,507	22,398	23,002	23,039	22,662	22,170	23,615	25,620
Environmental services	11,359	12,978	14,783	13,843	13,852	14,255	14,918	15,588	16,113	16,720
Irrigation	39	30	67	158	54	-	-	-	-	-
Total business-type activities expenses	<u>55,693</u>	<u>56,911</u>	<u>72,634</u>	<u>71,850</u>	<u>73,071</u>	<u>74,157</u>	<u>75,275</u>	<u>76,097</u>	<u>79,655</u>	<u>84,157</u>
Total primary government expenses	<u>\$ 178,112</u>	<u>\$ 200,276</u>	<u>\$ 232,701</u>	<u>\$ 247,620</u>	<u>\$ 244,522</u>	<u>\$ 244,809</u>	<u>\$ 250,773</u>	<u>\$ 255,281</u>	<u>\$ 275,637</u>	<u>\$ 285,150</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Development services	\$ 11,432	\$ 10,227	\$ 7,385	\$ 3,773	\$ 4,027	\$ 3,178	\$ 5,347	\$ 7,240	\$ 6,783	\$ 6,608
Police	3,750	6,015	6,358	6,594	6,374	2,891	5,584	5,512	5,477	4,526
Fire	795	100	72	100	79	136	129	185	254	224
Highways and streets	1,258	1,396	1,265	1,454	1,659	1,739	1,497	1,516	1,440	1,643
Parks and recreation	2,464	2,955	3,130	3,193	3,735	3,740	3,595	3,706	3,765	4,146
Other activities	543	503	707	703	789	853	861	1,017	1,066	829
Operating grants and contributions	17,079	22,466	22,631	21,183	19,206	21,168	21,045	21,270	22,326	24,171
Capital grants and contributions	43,856	70,076	45,821	31,494	39,632	28,002	26,060	36,089	19,186	37,214
Total governmental activities program revenues	<u>81,177</u>	<u>113,738</u>	<u>87,369</u>	<u>68,494</u>	<u>75,501</u>	<u>61,707</u>	<u>64,117</u>	<u>76,535</u>	<u>60,297</u>	<u>79,361</u>

Business-type activities:										
Charges for services:										
Water	24,126	28,244	32,321	33,416	34,601	35,966	36,692	36,455	37,867	37,501
Wastewater	13,989	16,173	18,440	19,722	21,024	21,678	22,740	23,083	23,852	24,625
Environmental services	11,307	13,886	15,642	16,592	16,567	17,194	17,924	16,760	17,308	18,007
Irrigation	17	18	18	18	25	-	-	-	-	-
Capital grants and contributions	59,183	64,674	34,556	19,228	22,026	18,324	37,222	34,153	36,252	29,017
Total business-type activities program revenues	<u>108,622</u>	<u>122,995</u>	<u>100,977</u>	<u>88,976</u>	<u>94,243</u>	<u>93,162</u>	<u>114,578</u>	<u>110,451</u>	<u>115,279</u>	<u>109,150</u>
Total primary government program revenues	<u>\$ 189,799</u>	<u>\$ 236,733</u>	<u>\$ 188,346</u>	<u>\$ 157,470</u>	<u>\$ 169,744</u>	<u>\$ 154,869</u>	<u>\$ 178,696</u>	<u>\$ 186,986</u>	<u>\$ 175,576</u>	<u>\$ 188,511</u>

Net (Expense)/Revenue										
Governmental activities ^a	\$ (41,242)	\$ (29,627)	\$ (72,698)	\$ (107,276)	\$ (95,950)	\$ (108,945)	\$ (111,381)	\$ (102,649)	\$ (135,685)	\$ (121,632)
Business-type activities	52,929	66,084	28,343	17,126	21,172	19,005	39,303	34,354	35,624	24,993
Total primary government net revenue (expense)	<u>\$ 11,687</u>	<u>\$ 36,457</u>	<u>\$ (44,355)</u>	<u>\$ (90,150)</u>	<u>\$ (74,778)</u>	<u>\$ (89,940)</u>	<u>\$ (72,078)</u>	<u>\$ (68,295)</u>	<u>\$ (100,061)</u>	<u>\$ (96,639)</u>

General Revenues and Other Changes in Net Position

Governmental activities:										
Taxes:										
Sales taxes	\$ 49,198	\$ 57,697	\$ 56,980	\$ 49,060	\$ 47,119	\$ 49,249	\$ 54,513	\$ 61,813	\$ 66,757	\$ 71,773
Property taxes, levied for debt service	14,054	16,500	26,345	30,836	30,117	25,796	21,502	19,184	18,315	19,423
In-Lieu property taxes	373	376	831	948	1,328	1,351	1,331	1,377	1,287	1,201
Franchise taxes	2,011	2,361	2,595	2,544	2,448	2,401	2,463	3,083	2,616	2,737
Unrestricted state shared sales taxes	12,088	16,595	16,317	14,126	13,029	13,787	16,288	17,062	18,119	19,041
Unrestricted state shared income taxes	11,485	19,761	24,986	26,435	22,923	17,281	17,594	21,293	23,205	25,222
Unrestricted grants and contributions	3,157	3,157	2,195	939	1,235	864	1,349	1,193	904	2,595
Unrestricted investment earnings	7,019	8,508	4,463	2,003	1,301	2,137	1,910	722	1,508	1,224
Gain on sale of capital assets	216	24	260	152	74	-	178	-	29	106
Miscellaneous	615	620	544	669	680	355	4,744	932	1,226	847
Transfers	54	610	1,257	1,161	(346)	537	(690)	121	110	184
Total governmental activities	<u>100,270</u>	<u>126,209</u>	<u>136,773</u>	<u>128,873</u>	<u>119,908</u>	<u>113,758</u>	<u>121,182</u>	<u>126,780</u>	<u>134,076</u>	<u>144,353</u>
Business-type activities:										
Investment earnings	5,144	5,288	7,509	1,066	739	1,012	1,244	1,061	1,742	1,457
(Loss)/Gain on sale of capital assets	131	(377)	56	52	148	164	39	-	30	172
Miscellaneous	801	406	400	754	1,544	2,216	1,765	1,179	1,266	1,310
Transfers	(54)	(610)	(1,257)	(1,161)	346	(537)	690	(121)	(110)	(184)
Total business-type activities	<u>6,022</u>	<u>4,707</u>	<u>6,708</u>	<u>711</u>	<u>2,777</u>	<u>2,855</u>	<u>3,738</u>	<u>2,119</u>	<u>2,928</u>	<u>2,755</u>
Total primary government	<u>\$ 106,292</u>	<u>\$ 130,916</u>	<u>\$ 143,481</u>	<u>\$ 129,584</u>	<u>\$ 122,685</u>	<u>\$ 116,613</u>	<u>\$ 124,920</u>	<u>\$ 128,899</u>	<u>\$ 137,004</u>	<u>\$ 147,108</u>
Change in Net Position										
Governmental activities	\$ 59,028	\$ 96,582	\$ 64,075	\$ 21,597	\$ 23,958	\$ 4,813	\$ 9,801	\$ 24,131	\$ (1,609)	\$ 22,721
Business-type activities	58,951	70,791	35,051	17,837	23,949	21,860	43,041	36,473	38,552	27,748
Total primary government	<u>\$ 117,979</u>	<u>\$ 167,373</u>	<u>\$ 99,126</u>	<u>\$ 39,434</u>	<u>\$ 47,907</u>	<u>\$ 26,673</u>	<u>\$ 52,842</u>	<u>\$ 60,604</u>	<u>\$ 36,943</u>	<u>\$ 50,469</u>

^a The increase in Net Expense for Governmental activities in fiscal year 2006 is due to a 32% increase in public safety expenses (hiring more police and fire personnel - see Schedule 16 for details) and a 28% decrease in capital grants and contributions (developer contributions).

The increase in Net Expense for Governmental activities in fiscal year 2008 is due to a 18% increase in public safety expenses (hiring more police and fire personnel - see Schedule 16 for details) and a 35% decrease in capital grants and contributions (developer contributions).

The increase in Net Expense for Governmental activities in fiscal year 2009 is due to a 92% increase in interest and fiscal charges on long-term debt (interest and principal payments on general obligation bonds issued at the end of 2008) and a 31% decrease in capital grants and contributions (developer contributions).

The increase in Net Expense for Governmental activities for fiscal years 2011 and 2014 is due to a decrease in capital grants and contributions (developer contributions) of 29% and 47%, respectively.

The decrease in Net Expense for Governmental activities for fiscal year 2015 is due to an increase in capital grants and contributions (developer contributions) of \$12M.

Town of Gilbert, Arizona
Program Revenues by Function
Last Ten Fiscal Years
(accrual basis of accounting)
(1,000's)

Function/Program	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental activities:										
General government:										
Management and policy	\$ 66	\$ 70	\$ 47	\$ 11	\$ 10	\$ 15	\$ 16	\$ 36	\$ 59	\$ 962
Support services	237	1,133	1,184	128	215	649	242	-	-	-
Finance and management services	-	-	-	-	-	9	11	251	262	27
Court	344	412	675	586	597	597	670	792	823	824
Development services	12,326	11,662	8,101	4,571	4,576	4,273	6,891	7,240	6,807	6,608
Public works	1,976	5,837	1,948	901	1,005	-	-	-	-	-
Public Safety:										
Police	7,140	9,629	8,491	7,838	8,495	3,989	7,689	7,669	7,207	8,975
Fire	5,196	5,286	4,223	4,386	3,447	3,163	6,892	4,079	3,697	3,766
Highways and streets ^a	40,428	65,949	52,536	39,126	45,193	39,324	25,634	41,280	28,218	44,497
Parks and recreation	13,313	13,249	9,861	10,539	11,649	9,422	15,314	14,475	12,461	13,012
Transportation	150	511	303	408	314	215	624	662	712	639
Non departmental	-	-	-	-	-	51	135	51	51	51
Subtotal governmental activities	<u>81,176</u>	<u>113,738</u>	<u>87,369</u>	<u>68,494</u>	<u>75,501</u>	<u>61,707</u>	<u>64,118</u>	<u>76,535</u>	<u>60,297</u>	<u>79,361</u>
Business-type activities:										
Water	55,933	64,313	52,172	43,997	47,232	46,133	56,904	55,662	57,750	55,590
Wastewater	41,365	44,778	33,145	28,369	30,419	29,835	39,735	38,029	40,220	35,552
Environmental services	11,307	13,886	15,642	16,592	16,567	17,194	17,938	16,760	17,308	18,008
Irrigation	17	18	18	18	25	-	-	-	-	-
Subtotal business-type activities	<u>108,622</u>	<u>122,995</u>	<u>100,977</u>	<u>88,976</u>	<u>94,243</u>	<u>93,162</u>	<u>114,577</u>	<u>110,451</u>	<u>115,278</u>	<u>109,150</u>
Total primary government	<u>\$ 189,798</u>	<u>\$ 236,733</u>	<u>\$ 188,346</u>	<u>\$ 157,470</u>	<u>\$ 169,744</u>	<u>\$ 154,869</u>	<u>\$ 178,695</u>	<u>\$ 186,986</u>	<u>\$ 175,575</u>	<u>\$ 188,511</u>

^a The decrease in governmental activities revenue in fiscal years 2008, 2009, 2011, and 2014 is mainly due to decreased developer contributions. The increase in fiscal year 2015 is mainly due to increased developer contributions.

Town of Gilbert, Arizona
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(1,000's)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011^c</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General fund										
Reserved	\$ 441	\$ 16,082	\$ 16,015	\$ 17,630	\$ 21,383	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	37,671	33,431	38,375	36,245	33,168	-	-	-	-	-
Nonspendable	-	-	-	-	-	22,317	23,213	23,527	25,380	24,470
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	10,729	10,797	10,092	12,081	17,046
Unassigned	-	-	-	-	-	33,521	44,250	59,555	61,764	67,057
Total general fund	<u>\$ 38,112</u>	<u>\$ 49,513</u>	<u>\$ 54,390</u>	<u>\$ 53,875</u>	<u>\$ 54,551</u>	<u>\$ 66,568</u>	<u>\$ 78,260</u>	<u>\$ 93,174</u>	<u>\$ 99,225</u>	<u>\$ 108,573</u>
All other governmental funds										
Reserved ^a	\$ 108,785	\$ 69,736	\$ 42,863	\$ 67,626	\$ 45,147	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	28,239	28,546	29,348	25,886	27,635	-	-	-	-	-
Debt service funds	(4,501)	-	-	-	-	-	-	-	-	-
Capital projects funds ^b	(3,627)	(17,762)	(36,581)	99,570	86,482	-	-	-	-	-
Total Unreserved	<u>20,111</u>	<u>10,784</u>	<u>(7,233)</u>	<u>125,456</u>	<u>114,117</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonspendable	-	-	-	-	-	4	2	1	83	2
Restricted	-	-	-	-	-	108,051	100,572	89,654	92,337	96,837
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	28,261	26,159	36,258	18,764	22,462
Unassigned	-	-	-	-	-	(20,781)	(23,199)	(23,609)	(25,466)	(23,981)
Total all other governmental funds	<u>\$ 128,896</u>	<u>\$ 80,520</u>	<u>\$ 35,630</u>	<u>\$ 193,082</u>	<u>\$ 159,264</u>	<u>\$ 115,535</u>	<u>\$ 103,534</u>	<u>\$ 102,304</u>	<u>\$ 85,718</u>	<u>\$ 95,320</u>

^a In fiscal year 2006, the increase in reserved fund balance was due to unspent bond proceeds that were encumbered for the South Area Service Center municipal facilities capital project and the Elliot Road District Park capital project.

^b The increase in fund balance in fiscal year 2009 was due to Public Facilities Municipal Property Corporation bonds that were issued during the year.

^c GASB Statement No. 54 was implemented in fiscal year 2011. This statement established new fund balance classifications for governmental funds.

Town of Gilbert, Arizona
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(1,000's)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues										
Taxes:										
Sales	\$ 49,198	\$ 57,698	\$ 56,980	\$ 48,736	\$ 46,873	\$ 49,315	\$ 54,503	\$ 61,890	\$ 66,772	\$ 71,794
Property	15,672	18,529	28,303	33,131	33,073	28,732	24,045	21,548	20,681	21,953
Franchise	2,011	2,361	2,595	2,544	2,448	2,401	2,463	2,374	2,700	2,737
Licenses and permits	8,539	6,818	4,734	2,459	2,614	2,365	3,995	5,434	4,748	4,791
Intergovernmental	46,259	65,759	73,255	67,053	72,535	55,362	61,468	72,904	68,046	76,284
Special assessments	1,426	355	2,121	422	437	559	879	1,299	2,090	1,184
Charges for services	9,536	9,391	9,594	8,596	8,795	7,288	8,164	9,573	10,027	10,440
Other entities' participation	2,326	6,082	1,620	1,055	1,234	2,313	1,300	2,252	1,977	382
System development fees	22,959	23,015	15,566	8,395	11,608	8,736	17,957	17,836	13,435	18,836
Gifts and donations	342	502	177	114	124	176	186	119	155	192
Fines and forfeitures	2,833	4,094	4,564	4,223	4,445	4,351	4,442	4,710	4,469	4,476
Investment earnings	6,934	8,386	4,345	1,978	1,286	2,106	1,889	706	1,494	1,210
Miscellaneous	799	670	800	819	754	355	4,947	933	1,255	953
Total revenues	<u>168,834</u>	<u>203,660</u>	<u>204,654</u>	<u>179,525</u>	<u>186,226</u>	<u>164,059</u>	<u>186,238</u>	<u>201,578</u>	<u>197,849</u>	<u>215,232</u>
Expenditures										
Current:										
General government:										
Management and policy	3,230	3,822	3,919	3,642	3,458	3,845	3,676	12,584	15,336	20,485
Support services	8,722	9,771	10,814	10,386	10,257	9,239	9,160	-	-	-
Finance and management services	-	-	-	-	-	1,416	1,722	4,235	4,413	1,943
Court	3,714	4,682	5,222	5,203	5,261	4,403	4,617	4,753	5,089	3,493
Development services	10,967	12,693	14,024	11,321	9,204	7,160	7,514	5,999	6,078	6,069
Public works	1,412	1,255	1,329	1,798	1,225	-	-	-	-	-
Public safety:										
Police	27,835	31,534	36,126	37,851	37,669	35,007	36,384	38,817	41,947	43,084
Fire	13,983	17,224	20,521	21,171	20,115	20,200	21,552	22,543	24,993	25,631
Highways and streets	7,505	9,424	10,631	10,378	10,097	9,736	10,815	10,637	11,969	12,478
Parks and recreation	8,514	12,725	12,568	13,151	12,684	12,591	12,688	13,895	15,614	21,836
Transportation	1,622	1,439	1,563	1,682	1,170	1,010	1,269	461	841	774
Non departmental	-	-	-	-	-	2,194	2,910	3,114	4,104	4,423
Debt service:										
Principal	15,100	20,305	36,350	29,805	31,855	29,215	23,055	24,705	25,630	23,750
Interest	7,906	9,578	8,961	16,501	18,553	18,451	15,992	15,411	14,252	13,108
Bond issuance costs	425	-	98	670	-	-	402	-	-	209
Fiscal and other charges	49	45	29	12	9	20	9	13	13	307
Capital outlay	83,798	106,748	87,528	134,013	58,785	41,935	34,500	30,849	38,804	58,849
Total expenditures	<u>194,782</u>	<u>241,244</u>	<u>249,683</u>	<u>297,584</u>	<u>220,342</u>	<u>196,422</u>	<u>186,265</u>	<u>188,016</u>	<u>209,083</u>	<u>236,439</u>
Excess (deficiency) of revenues over (under) expenditures	(25,948)	(37,584)	(45,029)	(118,059)	(34,116)	(32,363)	(27)	13,562	(11,234)	(21,207)
Other financing sources (uses)										
Transfers in	45,392	77,502	45,661	90,680	26,608	25,272	25,195	25,774	45,891	23,401
Transfers out	(45,338)	(76,892)	(44,404)	(89,519)	(25,634)	(24,586)	(25,885)	(25,653)	(45,781)	(23,216)
Sale of capital assets	-	-	-	-	-	-	-	-	590	-
Revenue obligations issued	-	-	-	-	-	-	-	-	-	36,980
Premium on revenue obligations	-	-	-	-	-	-	-	-	-	2,706
Bonds issued	103,230	-	3,760	273,490	-	-	37,925	-	-	28,080
Premium on bonds	3,078	-	-	344	-	-	4,111	-	-	4,417
Payment to refunded bond escrow agent	(14,872)	-	-	-	-	-	(41,627)	-	-	(32,211)
Total other financing sources and uses	<u>91,490</u>	<u>610</u>	<u>5,017</u>	<u>274,995</u>	<u>974</u>	<u>686</u>	<u>(281)</u>	<u>121</u>	<u>700</u>	<u>40,157</u>
Net change in fund balances	\$ <u>65,542</u>	\$ <u>(36,974)</u>	\$ <u>(40,012)</u>	\$ <u>156,936</u>	\$ <u>(33,142)</u>	\$ <u>(31,677)</u>	\$ <u>(308)</u>	\$ <u>13,683</u>	\$ <u>(10,534)</u>	\$ <u>18,950</u>
Debt service as a percentage of noncapital expenditures	20.7%	22.2%	27.9%	28.3%	31.2%	30.9%	25.7%	25.5%	23.4%	20.8%

**Town of Gilbert, Arizona
Sales Tax Collections by Category
Last Ten Fiscal Years**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Construction	\$ 15,457,650	\$ 19,373,957	\$ 15,416,006	\$ 7,804,840	\$ 5,193,872	\$ 4,389,279	\$ 5,718,727	\$ 7,867,067	\$ 8,837,079	\$ 7,663,801
Manufacturing	734,423	684,148	789,804	650,179	635,188	706,514	727,755	763,152	939,861	882,509
Communications & Utilities	4,028,971	4,548,528	5,269,633	5,303,338	5,724,639	5,562,364	5,774,403	5,931,935	6,120,225	6,342,578
Wholesale	446,597	483,943	577,086	527,933	610,065	854,466	965,523	1,100,749	1,207,006	1,320,977
Retail	19,598,312	21,385,004	23,550,094	23,305,081	23,775,975	25,540,515	28,390,526	30,784,509	33,078,748	37,463,617
Restaurant & Bar	2,501,237	2,972,678	3,228,910	3,509,671	3,566,427	3,820,368	4,072,187	4,402,299	4,867,638	5,526,275
Real Estate, Rental & Leasing	4,299,410	5,276,563	5,538,416	5,751,120	5,249,645	5,874,288	6,078,364	7,944,973	7,952,365	8,286,878
Accommodation ^a	-	-	-	-	-	252,974	299,270	377,228	487,680	533,870
Services	945,003	973,552	1,729,464	1,039,678	1,002,691	1,069,661	1,211,864	1,369,608	1,676,438	2,018,647
Other ^a	711,618	1,491,268	319,810	243,510	481,122	652,043	520,302	487,279	505,146	629,740
Transportation & Warehousing ^b	9,906	17,264	13,347	12,575	16,464	21,161	25,830	25,667	22,721	30,529
Finance & Insurance ^b	63,851	73,410	93,008	100,490	100,293	89,990	112,496	154,772	398,169	438,257
Public Administration ^b	9,819	11,416	8,272	4,748	9,503	-	4,586	2,271	4,311	3,020
Arts & Entertainment ^b	391,459	405,765	446,057	483,123	506,855	481,592	600,794	594,043	674,274	652,973
Total	\$ 49,198,256	\$ 57,697,496	\$ 56,979,907	\$ 48,736,286	\$ 46,872,739	\$ 49,315,215	\$ 54,502,627	\$ 61,805,552	\$ 66,771,661	\$ 71,793,671
Gilbert's local sales tax rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%

Source: Arizona Department of Revenue

^a Prior to fiscal year 2011, Accommodations was included in the "Other" category due to confidentiality requirements. Beginning in fiscal year 2011, it was broken out into its own category.

^b Beginning in January 2004, the Arizona Department of Revenue began using a new reporting software system for classifying business establishments called the North American Industry Classification System (NAICS). Under the new system, the category may be defined a little differently. In addition, more categories were established. When NAICS reporting began, many businesses checked the "Other" category due to uncertainty. This problem is being remedied and therefore, the "Other" category will decrease as more businesses will be classified under their property category. In addition, due to confidentiality requirements, categories that contain ten or less taxpayers will be included in the "Other" category.

Note: State and local laws prohibit the disclosure of individual taxpayer information.

**Town of Gilbert, Arizona
Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013^a</u>	<u>2014</u>	<u>2015</u>
Town Direct Rates:										
Hotel/Transient Lodging	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
All Others	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
County Rates:										
Hotel/Transient Lodging	1.77%	1.77%	1.77%	1.77%	1.77%	1.77%	1.77%	1.77%	1.77%	1.77%
All Others	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%
State Rates:										
Hotel/Transient Lodging	5.50%	5.50%	5.50%	5.50%	6.50%	6.50%	6.50%	6.50%	5.50%	5.50%
All Others	5.60%	5.60%	5.60%	5.60%	6.60%	6.60%	6.60%	6.60%	5.60%	5.60%

Source: Gilbert Finance & Management Services Department

Note: Gilbert sales tax rate may be changed with the approval of Council.

^a The Temporary State sales tax increase passed by voters in 2010 expired on May 31, 2013. The State sales tax for hotel/transient lodging decreased to 5.50% and for all others to 5.60% on June 1, 2013.

**Town of Gilbert, Arizona
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities					Business-type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Street and Highway User Revenue Bonds	Municipal Property Corporation Revenue Bonds	Revenue Obligations	General Obligation Bonds	Special Assessment Bonds	Water and Wastewater Revenue Bonds	Municipal Property Corporation Revenue Bonds				
2006	\$ 90,735,405	\$ 4,519,554	\$ 34,593,516	\$ 107,370,000	\$ -	\$ 13,103,265	\$ -	\$ 22,858,573	\$ 60,491,428	\$ 333,671,741	6.39 %	\$ 1,874	
2007	79,470,332	4,394,150	32,782,853	105,845,000	-	11,745,680	-	21,644,644	194,555,369	450,438,029	7.87	2,356	
2008	57,390,066	2,999,660	31,753,147	100,635,000	-	10,353,095	-	20,414,733	182,839,461	406,385,162	6.65	2,029	
2009	226,030,524	11,633,524	29,796,281	175,810,000	-	8,900,510	-	19,155,224	167,031,835	638,357,898	10.25	3,117	
2010	204,147,283	11,548,249	27,712,795	169,750,000	-	7,127,925	-	17,861,117	160,388,430	598,535,799	9.40	2,871	
2011	178,722,625	11,457,958	25,502,688	161,045,000	-	5,540,340	-	16,527,813	143,200,304	541,996,729	8.56	2,546	
2012	159,547,197	11,056,456	20,836,060	152,243,537	-	3,877,755	-	15,164,911	118,853,753	481,579,670	7.72	2,193	
2013	147,640,933	10,469,338	18,130,241	142,828,198	-	2,115,170	-	13,757,813	111,081,450	446,023,143	6.31	1,960	
2014	135,775,830	9,445,797	16,864,197	133,835,907	-	247,585	-	-	104,083,879	400,253,194	6.09	1,718	
2015	123,420,395	8,306,402	13,754,807	126,607,711	39,685,688	-	-	-	98,190,924	409,965,927	5.51	1,687	

Notes:

See Schedule 13 for personal income and population data.

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

Includes unamortized bond discounts/premiums.

**Town of Gilbert, Arizona
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>General Bonded Debt Outstanding^b</u>	<u>Less Amount Available in Debt Service Fund</u>	<u>Net General Bonded Debt Outstanding</u>	<u>Secondary Assessed Property Value^a</u>	<u>Percentage of Secondary Assessed Property Value</u>	<u>Per Capita</u>
2006	\$ 103,838,670	\$ 10,224,408	\$ 93,614,262	\$ 1,466,841,566	6.38 %	\$ 525.88
2007	91,216,012	11,087,607	80,128,405	2,370,134,999	3.38	419.07
2008	67,743,161	7,279,915	60,463,246	2,768,391,194	2.18	301.84
2009	234,931,034	6,655,504	228,275,530	2,672,949,852	8.54	1114.51
2010	211,275,208	6,720,588	204,554,620	2,297,228,317	8.90	981.30
2011	184,262,965	6,366,097	177,896,868	1,861,193,961	9.56	835.71
2012	163,424,952	9,335,818	154,089,134	1,675,360,422	9.20	701.63
2013	149,756,103	9,599,968	140,156,135	1,594,806,737	8.79	615.81
2014	136,023,415	8,942,949	127,080,466	1,829,471,839	6.95	545.34
2015	123,420,395	10,165,593	113,254,802	1,845,325,449	6.14	466.16

^a Maricopa County Assessor's Office

^b Includes unamortized bond discounts/premiums.

Notes:

See Schedule 13 for population data.

General Obligations bonds principal and interest payments are paid for with secondary property taxes.

Town of Gilbert, Arizona
Direct and Overlapping Governmental Activities Debt
As of June 30, 2015

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes			
Maricopa County ^b	\$ None	5.33%	\$ None
Maricopa County Community College District ^c	654,190,000	5.33%	34,868,327
Maricopa County Hospital District No. 1	None	5.33%	None
Gilbert Unified School District No. 41	116,780,000	70.11%	81,874,458
Higley Elementary School District No. 60	103,590,000	88.57%	91,749,663
Chandler Unified School District No. 80	196,270,000	11.78%	23,120,606
Mesa Unified School District No. 4	637,462,699	0.30%	1,912,388
East Valley Institute of Technology District No. 401 ^d	None	12.12%	None
Subtotal, overlapping debt			233,525,442
Town of Gilbert direct debt ^e	311,775,003	100.00%	311,775,003
Total direct and overlapping debt			<u>\$ 545,300,445</u>

Source: The various jurisdictions

^a Proportion applicable to Town of Gilbert, Arizona is computed on the ratio of secondary assessed valuation for fiscal year 2014/15.

^b Excludes various other non-property tax supported debt such as Public Finance Corporation lease revenue bonds, Stadium District revenue bonds, Stadium District loans, Housing Authority loans and capital leases.

^c Excludes non-property tax supported debt such as revenue bonds.

^d Based on the East Valley Institute of Technology's secondary assessed valuation and does not include amount of secondary assessed valuation in Pinal County.

^e Includes: General Obligation bonds, Special Assessments bonds, Revenue obligations, Revenue bonds and unamortized bond premiums.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of Gilbert. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Gilbert. This process recognizes that, when considering Gilbert's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

**Town of Gilbert, Arizona
Legal Debt Margin Information
Last Ten Fiscal Years**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>20% Limitation</u>										
Debt limit equal to 20% of assessed valuation	\$ 293,368,313	\$ 474,027,000	\$ 553,678,000	\$ 534,590,000	\$ 459,446,000	\$ 372,239,000	\$ 335,072,084	\$ 318,961,347	\$ 365,894,367	\$ 369,065,090
Total net debt applicable to 20% limit	<u>31,215,000</u>	<u>78,050,000</u>	<u>51,705,000</u>	<u>217,730,000</u>	<u>195,320,000</u>	<u>175,915,000</u>	<u>163,335,000</u>	<u>149,675,000</u>	<u>135,310,000</u>	<u>122,715,000</u>
Legal 20% debt margin (available borrowing capacity)	<u>\$ 262,153,313</u>	<u>\$ 395,977,000</u>	<u>\$ 501,973,000</u>	<u>\$ 316,860,000</u>	<u>\$ 264,126,000</u>	<u>\$ 196,324,000</u>	<u>\$ 171,737,084</u>	<u>\$ 169,286,347</u>	<u>\$ 230,584,367</u>	<u>\$ 246,350,090</u>
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	10.64%	16.47%	9.34%	40.73%	42.51%	47.26%	48.75%	46.93%	36.98%	33.25%
<u>6% Limitation</u>										
Debt limit equal to 6% of assessed valuation	\$ 88,010,494	\$ 142,208,100	\$ 166,103,000	\$ 160,377,000	\$ 137,834,000	\$ 111,672,000	\$ 100,521,625	\$ 95,688,404	\$ 109,768,310	\$ 110,719,527
Total net debt applicable to 6% limit	<u>64,870,000</u>	<u>3,550,000</u>	<u>855,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal 6% debt margin (available borrowing capacity)	<u>\$ 23,140,494</u>	<u>\$ 138,658,100</u>	<u>\$ 165,248,000</u>	<u>\$ 160,377,000</u>	<u>\$ 137,834,000</u>	<u>\$ 111,672,000</u>	<u>\$ 100,521,625</u>	<u>\$ 95,688,404</u>	<u>\$ 109,768,310</u>	<u>\$ 110,719,527</u>
Total net debt applicable to the 6% limit as a percentage of 6% debt limit	73.71%	2.50%	0.51%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2015

Net secondary assessed valuation as of June 30, 2015	\$ 1,845,325,449
<u>20% Limitation</u>	
Debt limit equal to 20% of assessed valuation	369,065,090
Debt applicable to limit:	
General obligation bonds	<u>122,715,000</u>
Legal 20% debt margin (available borrowing capacity)	<u>\$ 246,350,090</u>
<u>6% Limitation</u>	
Debt limit equal to 6% of assessed valuation	110,719,527
Debt applicable to limit:	
General obligation bonds	<u>-</u>
Legal 6% debt margin (available borrowing capacity)	<u>\$ 110,719,527</u>

Note: The Constitution of the State of Arizona establishes two levels of bonded indebtedness limits based upon the type of improvement constructed with the debt. The twenty percent bond type is restricted to water, wastewater, electric, parks and open space improvements, streets, public safety, and fire and emergency facilities. The six percent bond type is all other general purpose improvements. In November 2006, voters amended the constitution to move streets, public safety and fire and emergency facilities from the six percent bond type to the twenty percent bond type.

**Town of Gilbert, Arizona
Pledged-Revenue Coverage
Last Ten Fiscal Years**

Fiscal Year	Special Assessment Bonds				Highway User Revenue Bonds				Public Facilities Municipal Property Corp. Revenue Bonds			
	Special Assessment Collections	Debt Service		Coverage	Highway User Tax Revenue	Debt Service		Coverage	Excise Taxes & State-Shared Revenue	Debt Service		Coverage
		Principal	Interest			Principal	Interest			Principal	Interest	
2006	\$ 1,425,857	\$ 765,000	\$ 262,458	1.39	\$ 8,782,895	\$ 1,750,000	\$ 1,522,950	2.68	\$ 79,497,344	\$ 1,525,000	\$ 3,155,681	16.98
2007	355,124	125,000	231,010	1.00	12,355,280	1,845,000	1,437,450	3.76	102,525,938	5,210,000	4,753,688	10.29
2008	2,121,038	1,390,000	191,620	1.34	12,333,576	1,925,000	1,347,313	3.77	107,273,375	5,410,000	4,567,400	10.75
2009	421,894	75,000	153,530	1.85	10,651,366	2,050,000	1,251,063	3.23	97,901,565	6,060,000	5,404,460	8.54
2010	437,493	85,000	149,370	1.87	10,090,894	2,175,000	1,148,563	3.04	91,609,318	8,705,000	8,014,525	5.48
2011	559,284	90,000	587,245	0.83	10,356,131	2,275,000	1,039,813	3.12	89,202,148	9,030,000	7,705,188	5.33
2012	878,981	400,000	574,655	0.90	10,437,844	2,400,000	570,375	3.51	97,342,250	9,335,000	7,149,316	5.91
2013	1,298,984	585,000	553,258	1.14	11,414,425	2,525,000	807,400	3.43	109,637,647	9,695,000	6,873,353	6.62
2014	2,089,887	1,020,000	507,965	1.37	11,747,325	2,030,000	693,450	4.31	117,627,904	10,080,000	6,458,288	7.11
2015	1,184,368	1,135,000	470,225	0.74	12,900,529	2,750,000	632,550	3.81	125,743,087	7,515,000	6,030,998	9.28

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Fiscal Year	Water and Wastewater Revenue Bonds ^c						Water Resources Municipal Property Corp. Revenue Bonds					
	Operating Revenues ^a	Less:	Net	Debt Service		Coverage	Net Available Revenue ^b	Water System Dev't Fee	Wastewater System Dev't Fee	Debt Service		Coverage
		Operating Expenses ^a	Available Revenue	Principal	Interest					Principal	Interest	
2006	\$ 38,518,047	\$ 28,439,547	\$ 10,078,500	\$ 1,180,000	\$ 927,263	4.78	\$ 7,971,237	\$ -	\$ 20,491,288	\$ -	\$ 4,332,600	6.57
2007	44,698,632	28,173,011	16,525,621	1,230,000	897,913	7.77	14,397,708	-	17,033,202	2,130,000	2,629,122	6.60
2008	51,061,203	32,100,716	18,960,487	1,250,000	866,563	8.96	16,843,924	11,697,125	10,923,733	-	9,130,452	4.32
2009	53,633,557	32,618,247	21,015,310	1,280,000	835,313	9.93	18,899,997	6,329,797	6,190,815	3,200,000	7,808,650	2.85
2010	57,096,936	32,034,177	25,062,759	1,315,000	803,313	11.83	22,944,446	8,491,638	8,715,622	3,300,000	7,910,188	3.58
2011	59,780,559	33,231,244	26,549,315	1,355,000	763,863	12.53	24,430,452	6,485,383	6,878,502	3,400,000	7,198,049	3.57
2012	61,087,190	34,505,518	26,581,672	1,385,000	723,213	12.61	24,473,459	13,590,998	15,154,154	3,550,000	6,096,337	5.52
2013	60,627,063	36,124,117	24,502,946	1,430,000	681,663	11.60	22,391,283	12,466,409	-	3,700,000	5,542,403	3.77
2014	62,873,206	37,514,942	25,358,264	1,500,000	610,163	12.02	23,248,101	10,567,046	-	3,875,000	5,198,059	3.73
2015	63,338,422	40,316,645	23,021,777	-	-	N/A	23,021,777	10,461,708	-	4,075,000	4,894,864	3.73

^a Combined operating revenues and expenses for the Water and Wastewater Funds, as applicable.

^b Combined operating revenues and expenses for the Water and Wastewater Funds less debt service payments for the Water and Wastewater Revenue Bonds.

^c These bonds were paid off in fiscal year 2014.

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

**Town of Gilbert, Arizona
Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	Population^a	Personal Income^b <i>(in thousands)</i> <i>(estimate)</i>	Per Capita Income^c <i>(estimate)</i>	Median Age^c	School Enrollment^d	Unemployment Rate^e
2006	178,015	5,222,000	29,334	30.1	37,662	2.2%
2007	191,206	5,721,000	29,920	31.3	37,979	2.0%
2008	200,314	6,113,000	30,518	31.3	38,662	2.4%
2009	204,821	6,230,000	30,416	30.4	39,142	4.6%
2010	208,453	6,370,000	30,559	30.7	39,089	5.1%
2011	212,869	6,329,000	29,731	32.7	38,660	5.1%
2012	219,617	6,240,000	28,413	31.5	38,696	5.4%
2013	227,598	7,064,000	31,035	33.1	38,573	5.7%
2014	233,028	6,568,000	28,184	37.5	38,573	5.2%
2015	242,955	7,444,000	30,639	32.7	37,240	4.3%

Sources:

^a Maricopa Association of Governments

^b Estimated based on population and per capita income

^c American Community Survey

^d Arizona Department of Education

^e laborstats.az.gov (formerly azstats.gov)

The 2006 through 2010 per capita income figures are estimates.

The 2006 through 2010 median age, school enrollment, and unemployment rates were obtained from Gilbert's Development Services Department.

The 2011-2014 school enrollment was obtained from the Gilbert Public Schools website.

**Town of Gilbert, Arizona
Principal Employers
Current Fiscal Year and Nine Years Ago**

<u>Employer</u>	<u>Fiscal Year 2015</u>			<u>Fiscal Year 2006</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>
Gilbert Unified School District	3,657	1	4.23%	5,000	1	7.24%
Banner Health	2,811	2	3.25%	---		---
Wal-Mart Stores, Inc.	1,398	3	1.62%	470	10	0.68%
Go Daddy Software, Inc.	1,346	4	1.56%	700	4	1.01%
Town of Gilbert	1,126	5	1.30%	1,107	2	1.60%
Dignity Health	1,093	6	1.26%	---		---
B H Drywall	997	7	1.15%	1,100	3	1.60%
Fry's Food and Drug	988	8	1.14%	---		---
Higley Unified School District	848	9	0.98%	---		---
Hunter Contracting	650	10	0.75%	500	8	0.72%
Target	---		---	660	5	0.96%
General Dynamics C4 Systems	---		---	607	6	0.88%
Costco Wholesale	---		---	550	7	0.80%
Earnhardt Auto Center	---		---	480	9	0.70%
Total	<u>14,914</u>		<u>17.24%</u>	<u>11,174</u>		<u>16.19%</u>

Source: Maricopa Association of Governments

Town of Gilbert, Arizona
Full-time Equivalent Employees by Function
Last Ten Fiscal Years

<u>Function</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>Governmental Funds</u>										
General government:										
Management and policy	100.5	30.8	32.0	32.2	29.2	21.2	22.2	88.5	95.8	120.0
Support services	N/A	91.00	92.75	91.3	88.3	62.0	62.0	N/A	N/A	N/A
Finance and management services	N/A	N/A	N/A	N/A	N/A	18.25	19.3	29.0	19.0	19.0
Court	35.1	51.3	53.3	52.3	52.9	52.9	51.9	49.9	51.9	32.9
Development services	98.4	115.6	99.1	70.5	70.5	72.5	72.5	69.6	68.8	73.3
Public works	28.0	17.3	18.0	17.5	17.5	0.0	-	-	-	-
Public safety:										
Police	309.0	330.0	352.5	347.0	346.0	346.0	346.0	346.0	349.0	354.0
Fire	139.0	173.8	193.0	199.5	197.0	197.0	197.0	197.0	201.0	201.0
Highways and streets	47.5	54.5	55.3	55.3	49.3	49.3	49.3	51.0	58.0	58.0
Parks and recreation	113.2	114.4	120.0	117.1	106.8	101.7	102.0	106.8	121.8	118.7
<u>Enterprise Funds</u>										
Water	63.5	69.0	72.0	79.0	83.0	118.1	120.0	118.2	118.0	116.5
Wastewater	30.0	33.0	35.0	40.7	40.7	40.7	41.7	41.7	44.7	45.4
Environmental services	63.1	71.3	77.1	79.0	79.0	79.0	78.5	79.0	83.5	84.0
Irrigation	0.5	0.5	0.7	0.7	0.7	0.0	-	-	-	-
<u>Internal Service Funds</u>										
Equipment maintenance	21.0	24.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0
Total	1,048.8	1,176.5	1,226.8	1,208.1	1,186.9	1,184.8	1,188.4	1,202.7	1,237.5	1,248.8

Source: Gilbert Office of Management & Budget

Note: During fiscal year 2007, the organization structure was changed to reflect a new support services function to include areas previously reported under management and policy and public works. During fiscal year 2011, financial services was moved from support services to its own function. During fiscal year 2013, the support services function was eliminated and financial services was renamed finance and management services. Areas previously reported under the support services function were moved to management and policy and finance and management services. Economic development and budget were moved from development services and finance and management services, respectively, to management and policy. Community services was renamed parks and recreation and CDBG/HOME was moved from development services to parks and recreation. Solid waste was renamed environmental services. During fiscal year 2015, CDBG/HOME was moved from parks and recreation to management and policy. Facilities was moved to parks and recreation. Legal was moved from legal and court to management and policy. Legal and court was renamed court.

Town of Gilbert, Arizona
Operating Indicators by Function
Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government:										
Management and policy										
% of population satisfied with value received from tax dollar	88%	90%	87%	89%	86%	90%	N/A ^c	77%	75%	N/A ^c
Number of recruitments	171	246	107	87	90	86	79	110	155	148
Employee turnover	13.1%	9.5%	9.2%	8.1%	4.9%	6.6%	6.8%	8.0%	7.5%	8.3%
Legal and court										
Case filings	29,175	38,315	37,821	36,890	32,299	25,888	26,271	31,794	28,896	29,499
% of cases charged after review	61%	66%	61%	61%	64%	64%	72%	72%	72%	71%
Development services										
Building permits issued	6,750	5,322	3,663	2,054	2,506	2,219	3,474	3,418	3,254	3,364
Value of permits issued (in millions)	\$ 983.3	\$ 825.5	\$ 539.6	\$ 266.3	\$ 324.3	\$ 238.7	\$ 474.9	\$ 534.4	\$ 472.5	\$ 496.0
Public Safety:										
Police										
Number of arrests	8,845	13,324	10,528	12,487	11,411	8,330	9,003	8,734	8,400	8,900
Crimes per 1,000 population	28.3	26.6	25.4	23.3	20.4	19.3	18.3	16.5	15.5	16.2
Fire										
Number of emergency calls	11,718	12,260	13,259	12,972	13,566	13,946	14,133	15,509	16,185	17,777
Response time average from time of alert at station to on-scene	5 min 17 sec	5 min 2 sec	5 min 8 sec	4 min 11 sec	3 min 43 sec	3 min 37 sec	3 min 49 sec	3 min 47 sec	3 min 50 sec	3 min 57 sec
Highways and streets										
Average pavement condition index	89	90	91	91	91	91	91	80	75	75
Parks and recreation										
Facility reservation requests	15,505	17,434	18,691	19,222	15,681	16,637	16,880	16,277	16,440	N/A ^d
Facility reservations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	11,747
Participants in recreation programs	57,122	45,516	54,815	48,892	50,038	47,493	48,725	52,714	52,616	62,815
Transportation										
Average daily ridership	523	388	421	1,039	835	845	560	635	685	687
Water										
Daily average water production (mg)	40	44	42	44	42	42	43	43	44	43
Average # of meters read per month	60,190	64,320	68,447	70,630	71,814	71,910	73,469	75,718	75,908	73,199
Number of utility locates	35,265	26,616	16,451	12,000	12,373	10,576	15,190	23,277	20,235	20,100
Wastewater										
Daily average wastewater influent (mg)	10.71	11.71	12.32	12.37	12.91	12.67	12.18	12.90	12.89	13.21
Annual effluent produced/reused (mg)	2,599	3,417	4,174	4,160	4,420	4,840	4,651	4,545	4,550	4,822
Environmental services										
Solid waste tonnage	101,168	112,880	113,777	110,144	110,403	111,943	109,472	110,905	113,965	112,778
Recycle tonnage	17,084	18,388	19,055	18,810	19,191	19,242	18,653	19,036	19,607	19,418
Irrigation										
Cost per house irrigated	\$ 309	\$ 309	\$ 384	\$ 1,532 ^a	\$ 542	N/A ^b	N/A ^b	N/A ^b	N/A ^b	N/A ^b

Source: The various departments

^a Increase compared to prior years due to a one-time expense in 2009 for mapping and as-built condition reports on the Heritage Flood District Irrigation System in anticipation of the Town transferring this operation to another entity.

^b Service is no longer available.

^c Survey completed every other year.

^d Indicator no longer being tracked. Beginning in 2015, tracking actual facility reservations.

**Town of Gilbert, Arizona
Capital Asset Statistics by Function
Last Ten Fiscal Years**

<u>Function</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Public safety:										
Police										
Number of police cars	142	150	151	162	156	166	164	164	180	185
Fire										
Fire stations	9	9	9	9	9	9	10	10	10	10
Highways and streets										
Street centerline miles (estimate) ^a	986	1,013	1,017	872	903	923	979	989	905	1,032
Traffic control signals	111	137	159	169	168	173	175	177	180	185
Parks and recreation										
Total acres of park land, trails, open space, municipal areas and support facilities, operated and maintained	676	676	676	676	690	690	652	653	605	605
Water										
Miles of water main	825	900	1,067	1,137	1,175	1,189	1,216	1,219	1,261	1,304
Wastewater										
Miles of wastewater main	487	770	809	843	860	868	970	976	1,006	1,019
Environmental services										
Garbage trucks	51	52	52	54	57	61	61	61	66	67

Source: The various departments

Note: No capital asset statistics are available for the general government or transportation functions.

^a The street centerline miles were previously estimated using different methods, such as end of warranty and beginning of Town ownership. Beginning in FY15, the estimate is based on acceptance letter date.

**Town of Gilbert, Arizona
Property Value, Construction and Bank Deposits
Last Ten Fiscal Years**

Fiscal Year	Residential Construction ^a		Commercial Construction ^a		Other Construction ^a		Secondary Assessed Property Value ^b	Maricopa County Bank Deposits
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value		
2006	3,638	\$ 589,698,508	500	\$ 304,955,513	2,612	\$ 88,679,208	\$ 1,466,841,566	\$ 54,925,528,000 ^c
2007	2,896	474,991,497	430	252,353,478	1,997	98,134,107	2,370,134,999	55,663,285,000 ^c
2008	1,536	268,197,375	349	180,776,005	1,778	90,605,562	2,768,391,194	55,054,948,000 ^d
2009	1,038	161,128,906	151	60,768,344	865	44,414,870	2,672,949,852	55,358,822,000 ^d
2010	1,427	213,032,031	147	67,488,230	932	43,754,466	2,297,228,317	61,925,568,000 ^d
2011	1,130	182,201,825	180	25,831,880	909	30,710,863	1,861,193,961	60,408,631,000 ^d
2012	2,331	408,322,951	182	31,550,416	961	35,017,191	1,675,360,422	61,673,751,000 ^d
2013	2,015	385,182,885	224	102,447,825	1,179	46,773,456	1,594,806,737	65,485,982,000 ^d
2014	1,613	315,632,904	284	99,959,286	1,357	56,890,360	1,829,471,839	70,253,713,000 ^d
2015	1,668	350,707,421	268	81,934,987	1,428	63,344,257	1,845,325,449	76,889,448,000 ^d

Sources:

^a Development Services Department

^b Maricopa County Assessor's Office

^c Arizona Banker's Association

^d Federal Deposit Insurance Corporation

**Town of Gilbert, Arizona
System Development Fees
Fiscal Year 2015**

	<u>Beginning Balance</u>	<u>System Development Fees Collected</u>	<u>Other Revenue</u>	<u>Expenditures</u>	<u>Ending Balance</u>
Traffic signal system development fee	\$ 6,140,922	1,644,045	45,415	(955,275)	\$ 6,875,107
Police system development fee	(3,029,461)	3,914,269	-	(2,681,137)	(1,796,329) ^a
Fire system development fee	(14,668,744)	2,063,007	-	(2,099,271)	(14,705,008) ^a
General government system development fee	(7,680,223)	2,595,244	-	(2,381,569)	(7,466,548) ^a
Parks and recreation system development fee	19,246,226	8,619,465	142,453	(5,339,142)	22,669,002
Water system development fee	19,518,818	10,461,708	121,322	(11,317,124)	18,784,724
Water resources system development fee	10,205,754	2,656,650	53,615	(4,248,228)	8,667,791
Wastewater system development fee	1,084,620	8,100,833	54,393	(16,657)	9,223,189
Totals	<u>\$ 30,817,912</u>	<u>40,055,221</u>	<u>417,198</u>	<u>(29,038,403)</u>	<u>\$ 42,251,928</u>

Equivalent Residential Unit

Water system development fee	4,927
Wastewater system development fee - Greenfield	4,015
Wastewater system development fee - Neely	3,176

Source: Gilbert Finance & Management Services Department

^a The negative ending balances for the police, fire, and general government system development fees are funded by the general fund. The general fund had a cash balance of \$86,539,451 at June 30, 2015.

**Town of Gilbert, Arizona
Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year	Adopted Tax Levy	Initial Year Collections				Cumulative Collections				
		County Resolutions	Net Tax Levy	Current Collections	Percent Of Levy	County Resolutions	Net Tax Levy	Delinquent Collections	Total Collections	Percent of Levy
2006	\$ 14,395,693	\$ (79,702)	\$ 14,315,991	\$ 13,928,035	97.29%	\$ (185,897)	\$ 14,209,796	\$ 280,050	\$ 14,208,085	99.99%
2007	16,913,578	(199,706)	16,713,872	16,226,531	97.08%	(293,895)	16,619,683	391,241	16,617,772	99.99%
2008	27,315,101	(402,220)	26,912,881	25,797,060	95.85%	(497,142)	26,817,959	1,018,331	26,815,391	99.99%
2009	31,332,659	(134,438)	31,198,221	29,744,757	95.34%	(299,819)	31,032,840	1,253,523	30,998,280	99.89%
2010	30,389,882	(153,319)	30,236,563	28,984,405	95.86%	(388,745)	30,001,137	992,332	29,976,737	99.92%
2011	26,198,053	(107,618)	26,090,435	25,253,466	96.79%	(275,214)	25,922,839	656,433	25,909,899	99.95%
2012	21,380,254	(96,162)	21,284,092	20,772,494	97.60%	(209,082)	21,171,172	388,685	21,161,179	99.95%
2013	19,253,745	(99,396)	19,154,349	18,962,640	99.00%	(132,710)	19,121,035	143,919	19,106,559	99.92%
2014	18,327,289	(57,876)	18,269,413	18,056,441	98.83%	(68,379)	18,258,910	125,089	18,181,530	99.58%
2015	19,487,085	(72,483)	19,414,602	19,230,809	99.05%	(72,483)	19,414,602	-	19,230,809	99.05%

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Source: Maricopa County Treasurer's Office

**Town of Gilbert, Arizona
Principal Property Taxpayers
Fiscal Year 2015**

<u>Principal Taxpayer</u>	<u>Type of Business</u>	<u>Secondary Assessed Valuation</u>	<u>As % of Town's Total Secondary Assessed Valuation</u>
Westcor Santan Village LLC	Shopping Center	\$ 20,482,223	1.11%
Verizon Wireless	Communications	7,241,586	0.39%
Southwest Gas Corporation (T&D)	Utility	6,391,519	0.35%
American Furniture Warehouse Co.	Retail	6,284,522	0.34%
Target Corporation	Retail	5,934,060	0.32%
Power & Ray LLC	Commercial	5,297,815	0.29%
Vestar CTC Phase 1 LLC	Real Estate Development / Holdings	5,175,170	0.28%
BRE DDR BR SAN TAN II AZ LLC	Real Estate Development / Holdings	5,108,665	0.28%
ATPD LLC	Real Estate Development / Holdings	4,815,196	0.26%
Redstone at Santan Village Apartments LLC	Real Estate Development / Holdings	4,567,420	0.25%
Earnhardt Arizona Properties LLC	Real Estate Development / Holdings	3,969,580	0.22%
Pillar at Santan LLC	Real Estate Development / Holdings	3,937,500	0.21%
Lowe's HIW Inc.	Retail	3,798,592	0.21%
Azul at Spectrum AZ LLC	Real Estate Development / Holdings	3,750,680	0.20%
Branch Brook Gardens	Real Estate Development / Holdings	3,696,000	0.20%
Gilbert Center Holdings Inc.	Real Estate Development / Holdings	3,627,369	0.20%
Echostar Holding Corporation	Commercial	3,484,425	0.19%
FRI San Tan LLC	Real Estate Development / Holdings	3,355,860	0.18%
CTC Gilbert LLC	Real Estate Development / Holdings	3,337,273	0.18%
Qwest Corporation	Utility	3,295,962	0.18%
Whitewing 5 LLC	Real Estate Development / Holdings	3,227,392	0.17%
		<u>\$ 110,778,809</u>	<u>6.01%</u>

Source: Maricopa County. Top taxpayers based on Secondary Net Assessed Value of Real and Secured Personal Property for tax year 2015.

Note: Information included for current fiscal year only as this is what is required for continuing disclosure requirements for Gilbert's bond issues.



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