

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2016

GILBERT, ARIZONA



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Government Finance Officers Association

**Certificate of
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Presented to

**Town of Gilbert
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is written in a cursive, flowing style.

Executive Director/CEO

**Comprehensive Annual
Financial Report**
Year Ended June 30, 2016



Jenn Daniels, Mayor

Jared Taylor, Vice Mayor

Eddie Cook, Council Member

Victor Petersen, Council Member

Brigette Peterson, Council Member

Jordan Ray, Council Member

Scott Anderson, 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, 2016**

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Introductory Section

Letter of Transmittal

Advisory Organization Chart

Organization Reporting Chart



December 1, 2016

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, 2016. 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, 2016. 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.

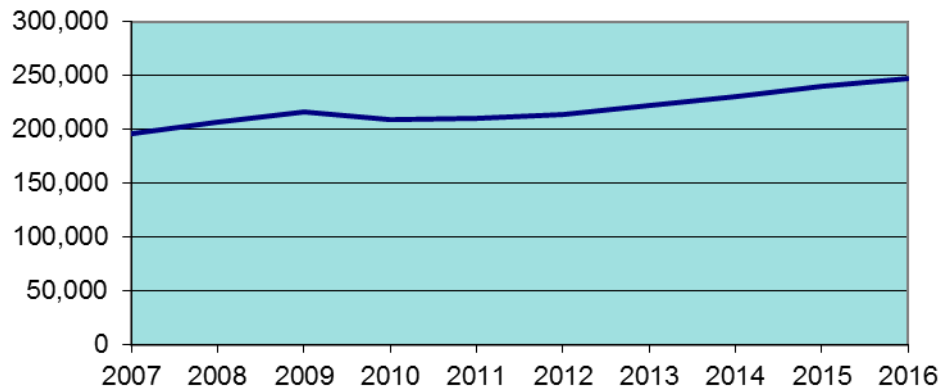
The Mayor is the chief executive officer and chairperson of the Council. The Town Manager (Manager) is appointed by the Council and serves as the chief administrative officer. During fiscal year 2016, the Manager administered Gilbert's operations through a staff of 1,275 budgeted full time equivalent 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. In October 2015, Gilbert undertook a Special Census to account for the rapid growth in population since the 2010 decennial census. A Special Census is an elective process utilized by communities to update their population count and is not produced in conjunction with the Census Annual Estimates that are detailed in the table below. Although the population counts were developed independently of each other, it is expected that the Special Census results will be used to update the figures produced in the Annual Estimates program for fiscal year 2017. The most recent estimate for Gilbert as of July 1, 2016, was 247,542, which represents an increase of 3.4% from the revised fiscal year 2015 population. The following graph depicts the ten-year population trend for Gilbert.

Population



FACTORS AFFECTING FINANCIAL CONDITION

Growth and Construction

There were 1,765 new residential permits and 278 commercial permits issued in fiscal year 2016 which represents an increase of 97 residential permits and a decrease of 10 commercial permits from the prior fiscal year. The total value of all new construction in fiscal year 2016, including commercial, was \$554 million, up from \$496 million in fiscal year 2015.

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 2016, a total of \$45.7 million was collected in SDF's compared to \$40.1 million in fiscal year 2015.

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 bonds rating upgraded to AAA by Moody's Investor Service and Water Resources Municipal Property Corporation revenue bonds upgraded to AAA by Standard and Poors Ratings Group
- 22nd Best Place to Live in the Nation (CNN/Money Magazine, 2014)
- 2nd Safest City in the United States (Law Street Media, 2016)
- Top 5 Safest Cities to Build Your Startup (Tech.Co, 2016)
- Best City for Raising a Family (Move.org, 2016)
- 3rd Best City to Find a Job in the United States (WalletHub, 2015)

Gilbert is a community committed to education, 40.9% of residents age 25 and older 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, the worldwide headquarters of Isagenix, Mapfre Insurance, Unicon, Orbital ATK Space Systems Group, Lockheed Martin, and Heliae, benefit from this commitment to education and have helped keep Gilbert's unemployment near 4.2%, as compared to approximately 5.5% for the state and the nation. Knowledge assets that support the community include 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, more than 30 charter/private schools and four A rated school districts – Gilbert, Higley, Mesa and Chandler – serve more than 100,000 students as well as 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.

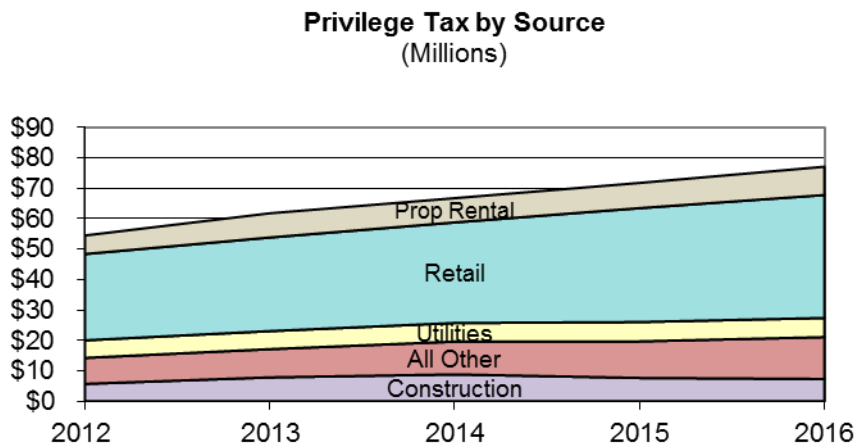
The Gilbert OED is one of approximately 54 Accredited Economic Development Organizations in the nation. Gilbert achieved this accreditation through the International Economic Development Council in 2013 and was the first Arizona economic development organization, and the second municipality in the nation, to do so. In fiscal year 2016 the Gilbert business development team facilitated 39 projects and these projects developed more than \$205 million in capital investment and more than 2,000 new and retained jobs. Fiscal year 2016 also represented the fourth year of a five year Strategic Plan for the OED. The cumulative efforts from the past four years have resulted in more than \$888 million in new capital invested in the community and more than 7,000 new or retained jobs.

The transformation of Gilbert’s Heritage District continued in fiscal year 2016 with the development of six additional restaurants, 170 new multi-family units and the construction of the Heritage Marketplace Phase II which complement existing food favorites like Zinburger, Lo Lo’s Chicken and Waffles, Pomo Pizzeria, Barrio Queen Gilbert, Nico Heirloom Kitchen and Petersen’s Ice Cream. The Gilbert OED also continued to enhance Gilbert’s position as a tourism destination, completing a tourism five year strategic plan and enhancing the “Discover Gilbert” brand with a new Visitor’s Guide along with digital 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 2016, totaling approximately \$77.1 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.

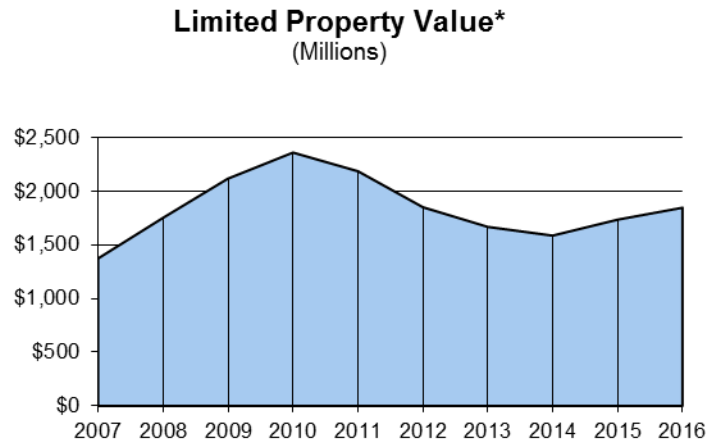


Property Taxes

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 2016, 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.

Limited Property Value

The limited property 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 limited property valuation. Taking the market value of a property and applying the statutory assessment rate derives the limited property 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 limited property valuation increased by 6.4% in fiscal year 2016 from \$1.734 billion to \$1.845 billion. The following graph depicts the changes in the limited property valuation in Gilbert for the past ten years:



*In accordance with Proposition 117, *The Arizona Property Tax Assessed Valuation Amendment*, property taxes are calculated based on the limited property value beginning with tax year 2015 (fiscal year 2016).

State Shared Revenues

State shared revenues totaled \$45.0 million for the General Fund and \$22.5 million for the Streets Special Revenue Fund in fiscal year 2016, representing approximately 30% 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.

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 completed 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 CAFR for the fiscal year ended June 30, 2015. This was the 25th 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 17 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, Assistant Accounting Manager, 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.

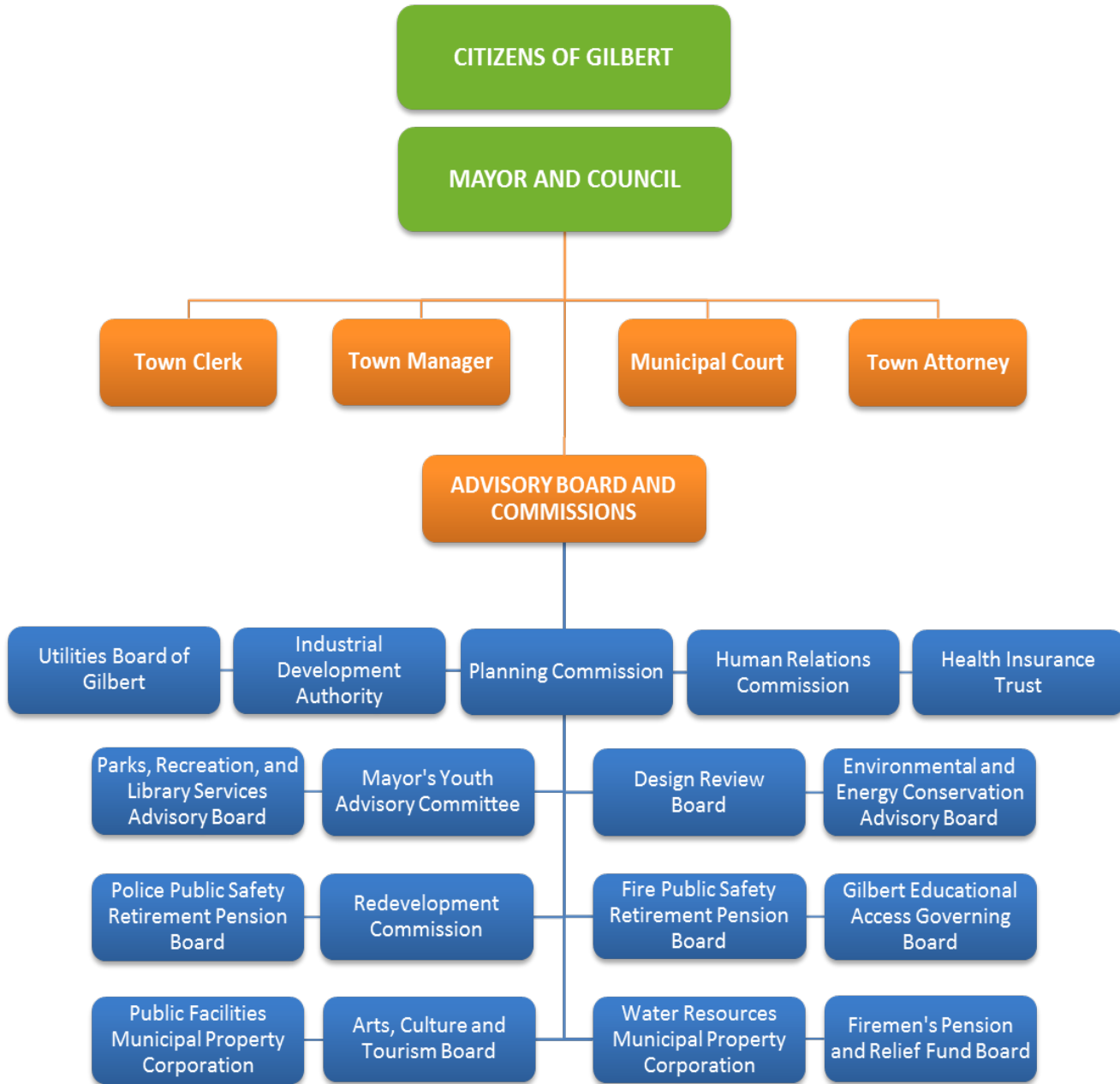
Finally, I wish to acknowledge the continued support of the Council and the Manager in providing the leadership necessary for sound financial management.

Respectfully submitted,

A handwritten signature in blue ink that reads "Cindi Mattheisen". The signature is fluid and cursive, with a long horizontal stroke at the end.

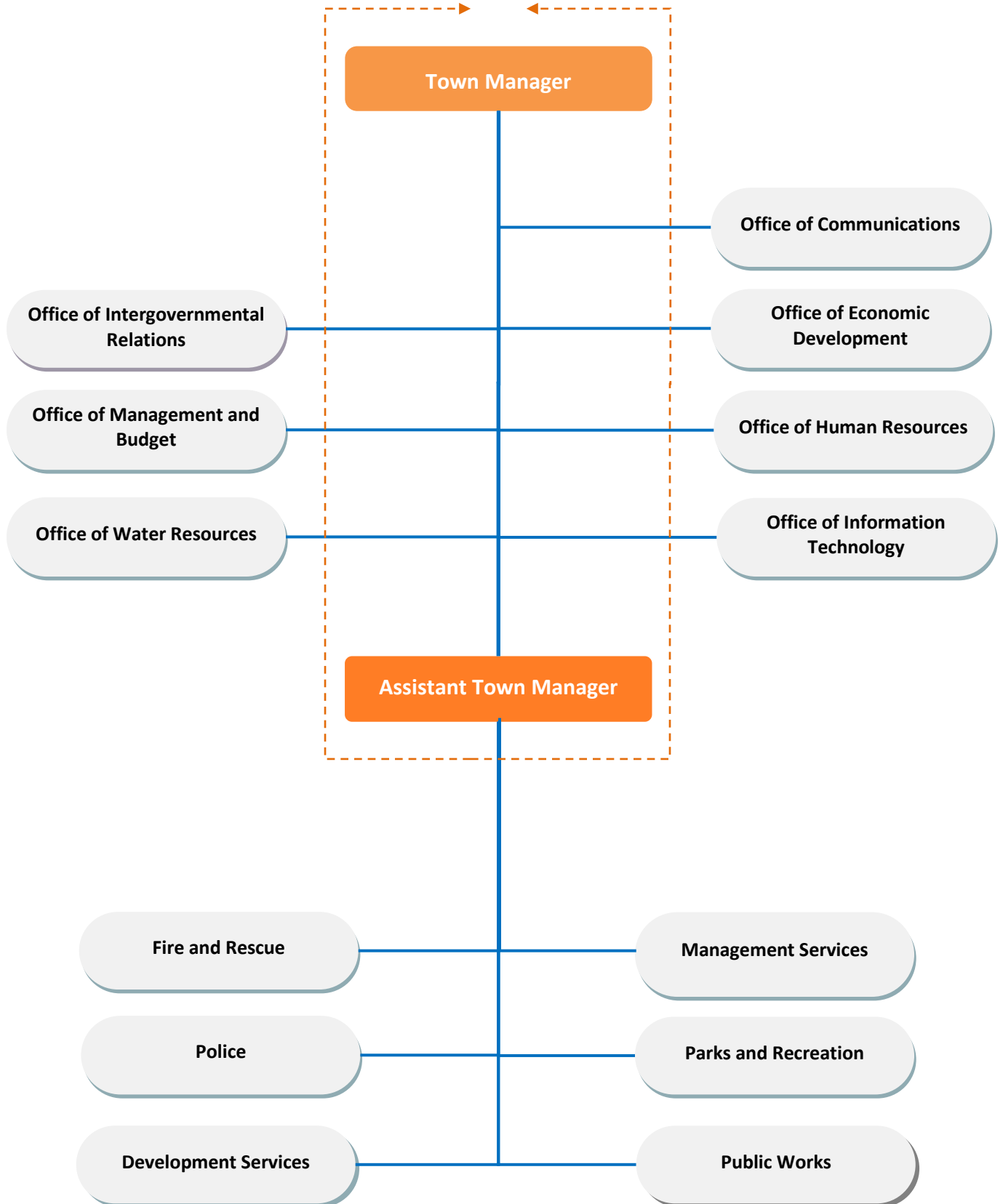
Cindi Mattheisen, CPA
Finance & Management Services Director

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**



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, 2016, 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, 2016, 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. 72, *Fair Value Measurement and Application*, for the year ended June 30, 2016, 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 1, 2016, 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.
Phoenix, Arizona
December 1, 2016

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, 2016. 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 \$1.6 billion. Included in this amount defined as net position is \$354 million of unrestricted net position, of which \$124 million is invested in joint ventures with the Cities of Mesa and Chandler and the Town of Queen Creek, and \$230 million which may be used to fund ongoing operations in future years.
- Net position includes a \$735 million net investment in capital assets such as streets, park land, and municipal buildings and a \$412 million net investment in water, wastewater and environmental services infrastructure and equipment.
- The combined fund balance for all governmental funds is \$224 million, of which \$118 million is unrestricted.
- The General Fund unrestricted fund balance is \$99 million, of which \$14 million has been assigned for capital replacement.
- The General Fund unassigned balance of \$85 million is approximately 62% of the total fund expenditures.
- Gilbert's total bonded debt outstanding at the end of the fiscal year was \$387 million, as compared to \$398 million at the end of fiscal year 2015.
- Gilbert's total outstanding net pension liability at the end of the fiscal year was \$118 million, as compared to \$108 million at the end of fiscal year 2015.

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 37-76.

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, 2015 and 2016.

Town of Gilbert						
Condensed Statement of Net Position						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 270,810,919	\$ 255,101,566	\$ 425,684,880	\$ 374,524,748	\$ 696,495,799	\$ 629,626,314
Capital assets	995,103,587	971,375,442	487,967,309	461,523,528	1,483,070,896	1,432,898,970
Total assets	1,265,914,506	1,226,477,008	913,652,189	836,048,276	2,179,566,695	2,062,525,284
Deferred outflows of resources	29,252,820	29,588,990	6,487,784	3,603,374	35,740,604	33,192,364
Long-term liabilities	364,702,014	382,714,341	153,094,889	114,316,250	517,796,903	497,030,591
Other liabilities	55,981,883	58,983,087	15,223,091	13,742,010	71,204,974	72,725,097
Total liabilities	420,683,897	441,697,428	168,317,980	128,058,260	589,001,877	569,755,688
Deferred inflows of resources	5,927,785	12,646,822	1,738,904	3,306,408	7,666,689	15,953,230
Net position:						
Net investment in capital assets	735,368,654	688,900,313	411,831,059	363,332,604	1,147,199,713	1,052,232,917
Restricted	83,226,813	82,545,485	34,054,446	54,084,512	117,281,259	136,629,997
Unrestricted	49,960,177	30,275,950	304,197,584	290,869,866	354,157,761	321,145,816
Total net position	\$ 868,555,644	\$ 801,721,748	\$ 750,083,089	\$ 708,286,982	\$ 1,618,638,733	\$ 1,510,008,730

Net position consists of three components. The largest portion of Gilbert's net position (71%) 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 (7%) represents resources that are subject to external restrictions on how they may be used. The remaining portion of net position (22%) includes \$124 million which is invested in joint ventures with the Cities of Mesa and Chandler and the Town of Queen Creek and \$230 million which may be used to meet the government's ongoing obligations to citizens, customers, and creditors.

Governmental Activities

Governmental activities in fiscal year 2016 increased Gilbert's net position by \$66.8 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 97% of total revenues for governmental activities. Taxes (local and state-shared) were \$145.7 million, an increase of \$6.3 million from the prior year. Program revenues were \$123.6 million, an increase of \$44.2 million from the prior year which was mostly due to the increase in capital grants and contributions. It should be noted that \$37.9 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 39%, and highways and streets which represented 23% of total governmental activities expenses. Total expenses increased \$8.7 million (4%) 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			
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 19,350,321	\$ 17,976,626	\$ 82,714,024	\$ 80,133,119	\$ 102,064,345	\$ 98,109,745
Operating grants and contributions	38,666,434	24,170,883	1,051,389	-	39,717,823	24,170,883
Capital grants and contributions	65,534,550	37,213,656	43,655,449	29,016,502	109,189,999	66,230,158
General revenues:						
Sales taxes	77,070,494	71,772,575	-	-	77,070,494	71,772,575
Property taxes	19,423,566	19,422,848	-	-	19,423,566	19,422,848
Unrestricted state shared revenue	45,028,237	44,263,325	-	-	45,028,237	44,263,325
Other taxes	4,176,100	3,937,907	-	-	4,176,100	3,937,907
Grants and contributions not restricted to specific programs	3,203,874	2,595,244	-	-	3,203,874	2,595,244
Unrestricted investment earnings	2,651,202	1,224,192	2,665,835	1,457,286	5,317,037	2,681,478
Other	1,297,183	952,804	416,566	1,481,805	1,713,749	2,434,609
Total revenues	276,401,961	223,530,060	130,503,263	112,088,712	406,905,224	335,618,772
Expenses						
Management and policy	20,048,930	19,090,117	-	-	20,048,930	19,090,117
Finance and management services	2,110,049	1,814,026	-	-	2,110,049	1,814,026
Court	4,163,888	4,053,033	-	-	4,163,888	4,053,033
Development services	7,611,199	7,082,385	-	-	7,611,199	7,082,385
Police	50,115,340	47,541,179	-	-	50,115,340	47,541,179
Fire	31,971,923	28,070,881	-	-	31,971,923	28,070,881
Highways and streets	48,726,017	46,931,705	-	-	48,726,017	46,931,705
Parks and recreation	25,646,923	28,428,423	-	-	25,646,923	28,428,423
Transportation	1,050,787	777,965	-	-	1,050,787	777,965
Non departmental	5,310,531	4,423,234	-	-	5,310,531	4,423,234
Interest and fiscal charges on long-term debt	12,910,872	12,780,375	-	-	12,910,872	12,780,375
Water	-	-	44,359,515	41,817,466	44,359,515	41,817,466
Wastewater	-	-	26,529,856	25,619,743	26,529,856	25,619,743
Environmental services	-	-	17,719,391	16,719,837	17,719,391	16,719,837
Total expenses	209,666,459	200,993,323	88,608,762	84,157,046	298,275,221	285,150,369
Increase in net position before transfers	66,735,502	22,536,737	41,894,501	27,931,666	108,630,003	50,468,403
Transfers	98,394	184,313	(98,394)	(184,313)	-	-
Change in net position	66,833,896	22,721,050	41,796,107	27,747,353	108,630,003	50,468,403
Net position, beginning of year	801,721,748	779,000,698	708,286,982	680,539,629	1,510,008,730	1,459,540,327
Net position, end of year	\$ 868,555,644	\$801,721,748	\$750,083,089	\$ 708,286,982	\$1,618,638,733	\$1,510,008,730

Business-type Activities

Development related growth increased Gilbert’s net position for business-type activities in fiscal year 2016 by \$41.8 million including \$22.8 million in system development fee collections and \$20.8 million in water and wastewater infrastructure contributed by developers. The revenues for business-type activities increased by \$18.4 million (16%) from the prior year and expenses increased \$4.5 million (5%) 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 2016, the governmental funds reported ending unrestricted fund balances totaling \$117.6 million, an increase of \$35 million in comparison with the prior fiscal year.

Town of Gilbert			
Governmental Funds - Fund Balances			
As of June 30, 2016			
	Restricted	Unrestricted	Total
General	\$ -	\$ 99,179,588	\$ 99,179,588
Streets Special Revenue	12,817,040	5,012,972	17,830,012
General Debt Service	6,952,183	8,034,400	14,986,583
Special Assessments Debt Service	74,320	-	74,320
GO Bonds Capital Projects	7,067,104	5,636,715	12,703,819
Saint Xavier University Revenue Obligations	5,504,200	-	5,504,200
System Development Fees Capital Projects	35,652,589	(19,857,772)	15,794,817
Other Governmental Funds	18,937,806	19,613,774	38,551,580
Total Fund Balances	\$ 87,005,242	\$ 117,619,677	\$ 204,624,919

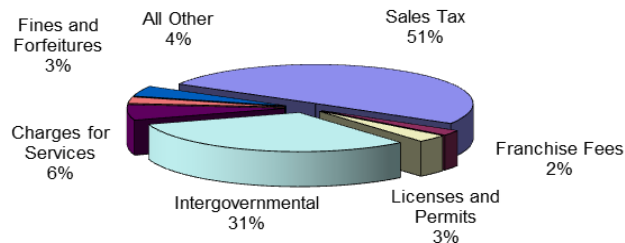
General Fund

The General Fund is the primary operating fund. At the end of fiscal year 2016, the fund balance of the General Fund was \$117.8 million, an increase of \$9.3 million from the prior year mainly due to the increase in local sales tax and settlement revenue (see Note 14). The unrestricted portion of the fund balance was \$97.9 million, of which \$13.7 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 62% of total General Fund expenditures for the current year.

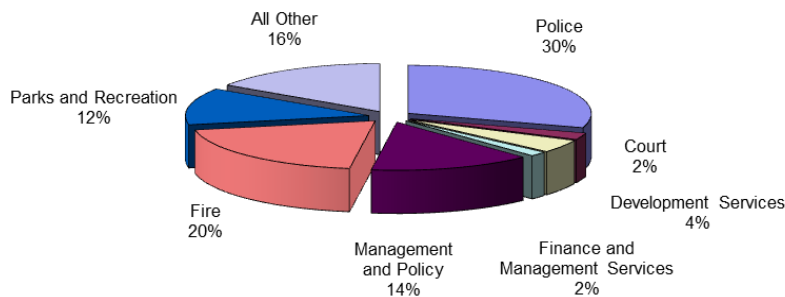
Key elements of General Fund sources and uses are as follows:

- Overall, revenues exceeded expenditures in the General Fund by \$15.3 million; however, other financing sources and uses (net) were (\$4.8) million resulting in an increase in fund balance of \$10.5 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 82% of the total revenues.
- Local sales tax, which accounts for half of total General Fund revenues, increased \$5.3 million (7%) from the prior fiscal year due to the increase in economic development.
- Miscellaneous revenue increased \$2.3 million (317%) from the prior fiscal year due to settlement revenue received in the current fiscal year (see Note 14).
- Parks and recreation expenditures decreased from the prior fiscal year due to reduced park repairs of approximately \$3.2 million.
- Fire expenditures increased approximately \$2.7 million over the prior fiscal year due to the expansion of two divisions.
- Expenditures increased across the board by approximately \$8.3 million over the prior fiscal year mainly due to an increase in personnel costs.

**General Fund Sources
\$153.4 Million**



**General Fund Uses
\$142.9 Million**



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 \$1.8 million (8%) from the prior year. This was mainly due to increased highway user and vehicle license revenue of \$1.4 million. Total expenditures increased by \$485 thousand (3%) mostly due to increased capital outlay expenditures. In total, revenues exceeded expenditures by \$3.7 million; however, there were \$4 million net transfers out, resulting in a \$374 thousand (2%) decrease in fund balance.

Other Major Governmental Funds

General Debt Service. The fund balance increased by \$54 thousand 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 \$39.9 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 \$74 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 \$6.5 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 consists of revenue obligation proceeds and the expenditure of those proceeds to construct a building currently leased by Saint Xavier University. The remaining fund balance of \$5.5 million will be used for future building improvements and debt service requirements.

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 \$10.2 million during the year. This was primarily due to the current year system development fees revenues of \$22.9 million offset by the \$1.9 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 \$15.8 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 increased \$13.8 million (56%) to a balance at year-end of \$38.6 million. The majority of the increase is attributable to settlement revenue received in the current year (see Note 14). Nonmajor funds represent 17% 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 \$24.7 million to \$398.2 million due primarily to capital contributions of \$27.5 million, including \$14.2 million in system development fees and \$13.2 million in distribution lines contributed by developers. Operating income was \$1.4 million.

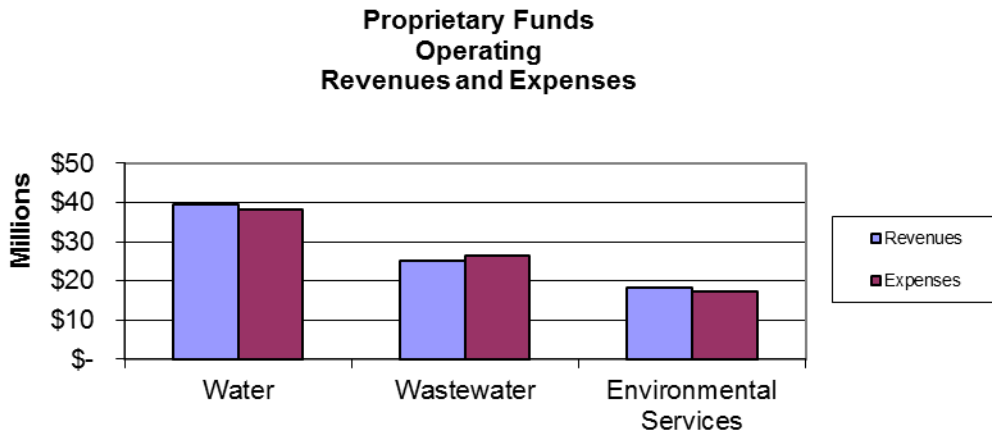
Wastewater Fund

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 \$16.6 million to \$326.5 million due primarily to capital contributions of \$16.1 million, including \$8.5 million in system development fees and \$7.5 million in collection lines contributed by developers. Operating loss was \$1.2 million.

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 \$1.4 million to \$25.9 million primarily from operating income.

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



General Fund Budgetary Highlights

There was no difference between the original adopted budget and the final amended budget. The final amended budget projected that expenditures would exceed revenues by \$28.9 million resulting in a \$33.7 million reduction to fund balance per the budget. This was mainly due to budgeting \$23.9 million in capital outlay expenditures and \$12.9 million in contingency.

During the year actual revenues exceeded the budgeted amount by \$11.3 million (8%) mainly due to higher than expected local sales taxes and settlement revenue. Actual expenditures were less than budgeted by \$32.9 million (19%) mainly due to \$13.1 million lower than expected capital outlay expenditures and not needing any budgeted contingency. This resulted in an excess of revenues over expenditures of \$44.2 million more than budgeted. This also resulted in the actual net change in fund balance being \$44.2 million more than budgeted.

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2016, Gilbert had \$1.5 billion in capital assets. Major capital assets completed during the fiscal year included the following:

Governmental Activities

- Streets and traffic signal projects totaling \$7 million and buildings totaling \$32 million.
- Developer contributions of street related infrastructure valued at \$37.9 million.

Business-type Activities

- Completed wastewater system improvements totaling \$2.4 million and environmental services compressed natural gas fueling station totaling \$2.8 million.
- Developer contributions of water and wastewater infrastructure valued at \$20.8 million.

The following table presents capital assets balances, net of accumulated depreciation, for the fiscal years ended June 30, 2016 and 2015.

Town of Gilbert						
Capital Assets (net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 181,780,994	\$ 181,644,373	\$ 67,380,934	\$ 64,675,175	\$ 249,161,928	\$ 246,319,548
Construction-in-progress	43,351,693	57,193,525	17,242,397	6,504,633	60,594,090	63,698,158
Buildings	163,543,478	139,984,488	-	-	163,543,478	139,984,488
Improvements	28,843,316	32,311,791	-	-	28,843,316	32,311,791
Plant, Machinery & Equip	13,418,934	12,527,705	72,730,803	72,459,504	86,149,737	84,987,209
Water Rights	-	-	7,158,994	7,257,286	7,158,994	7,257,286
Infrastructure	564,165,172	547,713,560	323,454,181	310,626,930	887,619,353	858,340,490
Total Capital Assets	\$ 995,103,587	\$ 971,375,442	\$ 487,967,309	\$ 461,523,528	\$ 1,483,070,896	\$ 1,432,898,970

Total governmental capital assets increased \$23.7 million and business-type capital assets increased \$26.4 million. The increase for the governmental capital assets can be attributable to increased streets construction projects and building improvements. The majority of the increase for the business-type capital assets can be attributable to the purchase of land and system improvements.

See Note 6 on page 51 for further information regarding capital assets.

Long-term Debt. At June 30, 2016, Gilbert had total bonded debt obligations of \$270.6 million related to governmental activities and \$115.9 million in business-type activities; \$105.2 million of the outstanding debt is general obligation (GO) bonds backed by the full faith and credit of the Town of Gilbert; \$6.5 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, 2016 was \$118.8 million in the 6% capacity and \$290.6 million in the 20% capacity.

See Note 9 on pages 54-59 for additional information on debt.

The following schedule shows Gilbert's outstanding debt as of June 30, 2016 and 2015.

Town of Gilbert						
Outstanding Debt						
	Governmental		Business-type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
General Obligation	\$ 105,250,000	\$ 122,715,000	\$ -	\$ -	\$ 105,250,000	\$ 122,715,000
Special Assessment	6,480,000	8,275,000	-	-	6,480,000	8,275,000
Street and Highway User	9,320,000	12,165,000	-	-	9,320,000	12,165,000
Revenue Obligations	36,980,000	36,980,000	-	-	36,980,000	36,980,000
Municipal Property Corporation	112,575,000	120,090,000	115,940,000	98,225,000	228,515,000	218,315,000
Totals	\$ 270,605,000	\$ 300,225,000	\$ 115,940,000	\$ 98,225,000	\$ 386,545,000	\$ 398,450,000

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, 2016.

Town of Gilbert			
Long-term Debt Ratings			
As of June 30, 2016			
	Moody's Investor Service	Standard and Poors Ratings Group	Fitch Ratings
General Obligation	Aaa	AA+	AA+
Street and Highway User Revenue	Not Rated	AA	Not Rated
Public Facilities Municipal Property Corporation	Aa1	AA+	AA+
Water Resources Municipal Property Corporation	Not Rated	AAA	AA+
Subordinate Lien Pledged Revenue Obligations	Aa2	AA+	AA+
Improvement Districts	Aa1	A+	Not Rated

Economic Factors and Next Year's Budget

Over the past five years, nearly 40,000 new residents have come to call Gilbert home, and nearly 9,000 new single family home permits were issued, making Gilbert one of the fastest growing cities in the United States. Gilbert has been successfully managing the residential growth by meeting the infrastructure and community amenity needs. New fire stations, police services, park amenities, roads, and water resources have been added to accommodate these new residents. Yet, amid this growth, Gilbert continues to earn accolades like Law Street Media's 2nd Safest City in the United States and Wallethub's 12th Best City in the U.S. for Raising a Family.

High residential growth has resulted in a rise of development within the commercial real estate market. The commercial vacancy rate is down to 8.6%, which is nearly half of what it was five years ago. Currently, there is 3.8 million square feet of planned and proposed commercial space within the community. With commercial development comes employment; over the past five years, employment in Gilbert has increased over 10% and the unemployment rate has dropped 2.5%. With 40.9% of its adult population having a Bachelor's degree or higher, Gilbert is expanding its presence as a stronghold for modern science, a leader in biomedical, adult stem-cell, and algae research, an appealing destination for advanced business services and higher education institutions. In fact, Tech Co. ranked Gilbert one of the Top 5 Safest Cities to Build A Startup Company.

Regarding the budget, Gilbert undertakes a zero-based process for one third of the organization every year (creating a complete cycle every three years), 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 fiscal year 2017 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 Gilbert. Another significant factor in the growth of revenues for fiscal year 2017 was the updated population numbers used in calculating state-shared revenues. The new population number better represents Gilbert's growth in comparison to other communities across the state and represents over \$5 million additional state-shared dollars to Gilbert in fiscal year 2017 alone.

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's strategic initiatives.

Budget Highlights for Fiscal Year 2017

With carry forwards and contingency adjustments, the proposed budget of \$850,494,630 is an increase of \$235,485,410 million from FY 2016. The change from FY 2016 primarily reflects the budget necessary for carry forward and new/potential capital projects. It reflects CIP and operational carryforwards of \$102 million from FY 2016, a \$100 million placeholder for the 2007 WRMPC Bond refunding, and capital expenditures for the SanTan and Greenfield treatment plant expansions. The budget also includes a capital projects contingency budget of \$100 million to allow Council the flexibility and legal authority to respond to community needs.

Balanced Financial Plan: The FY 2017 adopted budget is balanced based upon identified revenues and expenditures.

Constitutional Expenditure Limit: The FY 2017 adopted budget reflects expenses that will be under the constitutional expenditure limitation. Staff regularly 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 2017 adopted budget reflects an increase of over \$8 million in state-shared revenues, \$5 million of which is based upon Census population adjustments in the statutory distribution formula.

Secondary Property Tax Levy: House Bill 2538 in the 2016 Legislative Session now allows municipalities to include debt service from anticipated bonds into the secondary property tax levied. Gilbert anticipates issuing \$71 million of GO Streets Bonds in FY 2017. Debt service with the existing and proposed GO bonds is estimated to be \$22.7 million in FY 2017. Council adopted a levy of \$21 million (approximate rate of \$1.06 per \$100 of assessed value) and approved the use of up to \$1.7 million in debt service reserve to make up the difference. This allows the rate to remain at \$1.06, the same as FY 2015 and FY 2016. Prior to that, the historic rate was kept at \$1.15 for twelve years.

Utility Rates: The FY 2017 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, however, given the expanding services, the need for rate increases in water and wastewater funds will be evaluated over the next year to ensure fiscal health in FY 2018 and beyond.

Capital Project Financing – System Development Fees: The FY 2017 adopted budget reflects revenues projected from the continued collection of System Development Fees as allowed under current State Law.

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
Accounting Manager
50 E Civic Center Drive
Gilbert, AZ 85296
(480) 503-6752

TOWN OF GILBERT, ARIZONA
Statement of Net Position
June 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Industrial Development Authority
ASSETS				
Pooled cash and investments	\$ 223,910,174	\$ 203,801,171	\$ 427,711,345	\$ 17,331
Receivables, net:				
Taxes	4,795,666	-	4,795,666	-
Special assessments	6,494,787	-	6,494,787	-
Accrued interest	445,054	372,545	817,599	-
Accounts	14,510,973	5,383,138	19,894,111	-
Due from other governments	3,074,123	1,192,714	4,266,837	-
Internal balances	(1,175,752)	1,175,752	-	-
Prepaid items	8,177	2,500	10,677	-
Inventories	531,117	47,759	578,876	-
Restricted assets:				
Cash and investments	17,962,236	89,400,815	107,363,051	-
Accrued interest	630	84,193	84,823	-
Investment in joint venture	253,734	124,224,293	124,478,027	-
Capital assets:				
Non-depreciable	225,132,687	84,623,331	309,756,018	-
Depreciable, net	769,970,900	403,343,978	1,173,314,878	-
Total assets	<u>1,265,914,506</u>	<u>913,652,189</u>	<u>2,179,566,695</u>	<u>17,331</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refundings	3,158,725	3,274,610	6,433,335	-
Pension-related items	26,094,095	3,213,174	29,307,269	-
Total deferred outflows of resources	<u>29,252,820</u>	<u>6,487,784</u>	<u>35,740,604</u>	<u>-</u>
LIABILITIES				
Accounts payable	8,332,676	6,003,093	14,335,769	-
Accrued liabilities	11,323,754	538,187	11,861,941	-
Claims payable	1,706,260	-	1,706,260	-
Deposits held for others	755,625	-	755,625	-
Utility deposits	-	3,029,931	3,029,931	-
Bond interest payable	3,624,065	-	3,624,065	-
Unearned revenue	67,171	-	67,171	-
Noncurrent liabilities:				
Due within one year	30,172,332	5,651,880	35,824,212	-
Due in more than one year	364,702,014	153,094,889	517,796,903	-
Total liabilities	<u>420,683,897</u>	<u>168,317,980</u>	<u>589,001,877</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Pension-related items	5,927,785	1,738,904	7,666,689	-
Total deferred inflows of resources	<u>5,927,785</u>	<u>1,738,904</u>	<u>7,666,689</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	735,368,654	411,831,059	1,147,199,713	-
Restricted for:				
Debt service	13,521,175	-	13,521,175	-
Capital projects	54,137,890	34,054,446	88,192,336	-
Highways and streets	12,162,119	-	12,162,119	-
Grant programs	1,084,116	-	1,084,116	-
Court/police programs	1,993,378	-	1,993,378	-
Special districts	165,666	-	165,666	-
Other purposes	162,469	-	162,469	-
Unrestricted	49,960,177	304,197,584	354,157,761	17,331
Total net position	<u>\$ 868,555,644</u>	<u>\$ 750,083,089</u>	<u>\$ 1,618,638,733</u>	<u>\$ 17,331</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, 2016

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	\$ 20,048,930	\$ 20,152	\$ 644,741	\$ 25,288
Finance and management services	2,110,049	24,125	-	-
Court	4,163,888	829,014	30,000	-
Development services	7,611,199	6,825,746	-	-
Public safety				
Police	50,115,340	5,343,098	403,921	4,898,202
Fire	31,971,923	197,361	1,612,029	2,360,387
Highways and streets	48,726,017	1,744,865	22,283,717	45,761,943
Parks and recreation	25,646,923	4,365,960	13,634,915	11,860,555
Transportation	1,050,787	-	7,227	628,175
Non departmental	5,310,531	-	49,884	-
Interest and fiscal charges on long-term debt	12,910,872	-	-	-
Total governmental activities	209,666,459	19,350,321	38,666,434	65,534,550
Business-type activities:				
Water	44,359,515	39,457,349	1,051,389	27,593,650
Wastewater	26,529,856	25,115,912	-	16,061,799
Environmental Services	17,719,391	18,140,763	-	-
Total business-type activities	88,608,762	82,714,024	1,051,389	43,655,449
Total primary government	\$ 298,275,221	\$ 102,064,345	\$ 39,717,823	\$ 109,189,999
Component unit				
Industrial development authority	\$ 45	\$ -	\$ -	\$ -

General revenues:

Sales taxes

Property taxes, levied for debt service

In-Lieu property taxes

Franchise taxes

Unrestricted state shared revenue

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, 2015

Net position, June 30, 2016

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Industrial Development Authority
\$ (19,358,749)	\$ -	\$ (19,358,749)	\$ -
(2,085,924)	-	(2,085,924)	-
(3,304,874)	-	(3,304,874)	-
(785,453)	-	(785,453)	-
(39,470,119)	-	(39,470,119)	-
(27,802,146)	-	(27,802,146)	-
21,064,508	-	21,064,508	-
4,214,507	-	4,214,507	-
(415,385)	-	(415,385)	-
(5,260,647)	-	(5,260,647)	-
(12,910,872)	-	(12,910,872)	-
(86,115,154)	-	(86,115,154)	-
-	23,742,873	23,742,873	-
-	14,647,855	14,647,855	-
-	421,372	421,372	-
-	38,812,100	38,812,100	-
(86,115,154)	38,812,100	(47,303,054)	-
			(45)
77,070,494	-	77,070,494	-
19,423,566	-	19,423,566	-
1,186,667	-	1,186,667	-
2,989,433	-	2,989,433	-
45,028,237	-	45,028,237	-
3,203,874	-	3,203,874	-
2,651,202	2,665,835	5,317,037	7
135,645	157,507	293,152	-
1,161,538	259,059	1,420,597	-
98,394	(98,394)	-	-
152,949,050	2,984,007	155,933,057	7
66,833,896	41,796,107	108,630,003	(38)
801,721,748	708,286,982	1,510,008,730	17,369
<u>\$ 868,555,644</u>	<u>\$ 750,083,089</u>	<u>\$ 1,618,638,733</u>	<u>\$ 17,331</u>

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

TOWN OF GILBERT, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2016

	<u>General</u>	<u>Streets Special Revenue</u>	<u>General Debt Service</u>	<u>Special Assessments Debt Service</u>
ASSETS				
Pooled cash and investments	\$ 99,675,485	\$ 17,903,388	\$ 14,719,342	\$ 73,147
Receivables, net:				
Taxes	4,559,273	-	217,073	-
Special assessments	-	-	-	6,494,787
Accrued interest	192,476	39,887	49,569	1,058
Accounts	13,953,679	129,280	-	-
Due from other governments	32,904	1,832,026	-	-
Due from other funds	1,614,177	-	-	-
Prepaid items	8,177	-	-	-
Inventories	-	-	-	-
Advances to other funds	19,857,772	-	-	-
Restricted assets:				
Cash and investments	251,355	-	10,821,114	-
Accrued interest	-	-	597	-
Total assets	<u>\$ 140,145,298</u>	<u>\$ 19,904,581</u>	<u>\$ 25,807,695</u>	<u>\$ 6,568,992</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,733,133	\$ 1,955,497	\$ -	\$ -
Accrued liabilities	11,092,630	116,720	-	-
Deposits held for others	114,034	2,352	-	-
Due to other funds	-	-	-	-
Bonds payable	-	-	8,000,000	-
Interest payable	-	-	2,821,112	-
Advances from other funds	-	-	-	-
Unearned revenue	53,607	-	-	-
Total liabilities	<u>15,993,404</u>	<u>2,074,569</u>	<u>10,821,112</u>	<u>-</u>
Deferred Inflows of Resources:				
Unavailable revenue - special assessments	-	-	-	6,494,672
Unavailable revenue - court fines	4,742,034	-	-	-
Unavailable revenue - sales tax	364,323	-	-	-
Total deferred inflows of resources	<u>5,106,357</u>	<u>-</u>	<u>-</u>	<u>6,494,672</u>
Fund Balances:				
Nonspendable	19,865,949	-	-	-
Restricted	-	12,817,040	6,952,183	74,320
Assigned	13,681,430	5,012,972	8,034,400	-
Unassigned	85,498,158	-	-	-
Total fund balances	<u>119,045,537</u>	<u>17,830,012</u>	<u>14,986,583</u>	<u>74,320</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 140,145,298</u>	<u>\$ 19,904,581</u>	<u>\$ 25,807,695</u>	<u>\$ 6,568,992</u>

GO Bonds Capital Projects	Saint Xavier University Revenue Obligations	System Development Fees Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 13,400,780	\$ -	\$ 35,695,208	\$ 38,238,511	\$ 219,705,861
-	-	-	19,320	4,795,666
-	-	-	-	6,494,787
28,291	-	69,144	62,203	442,628
-	-	16,269	53,030	14,152,258
-	-	-	1,209,193	3,074,123
-	-	-	-	1,614,177
-	-	-	-	8,177
-	-	-	4,138	4,138
-	-	-	-	19,857,772
-	6,558,346	-	331,421	17,962,236
-	26	-	7	630
<u>\$ 13,429,071</u>	<u>\$ 6,558,372</u>	<u>\$ 35,780,621</u>	<u>\$ 39,917,823</u>	<u>\$ 288,112,453</u>
\$ 725,252	\$ -	\$ 128,032	\$ 493,506	\$ 8,035,420
-	-	-	52,838	11,262,188
-	-	-	639,239	755,625
-	251,219	-	162,958	414,177
-	-	-	-	8,000,000
-	802,953	-	-	3,624,065
-	-	19,857,772	-	19,857,772
-	-	-	13,564	67,171
<u>725,252</u>	<u>1,054,172</u>	<u>19,985,804</u>	<u>1,362,105</u>	<u>52,016,418</u>
-	-	-	-	6,494,672
-	-	-	-	4,742,034
-	-	-	-	364,323
-	-	-	-	<u>11,601,029</u>
-	-	-	4,138	19,870,087
7,067,104	5,504,200	35,652,589	18,937,806	87,005,242
5,636,715	-	-	19,653,192	52,018,709
-	-	(19,857,772)	(39,418)	65,600,968
<u>12,703,819</u>	<u>5,504,200</u>	<u>15,794,817</u>	<u>38,555,718</u>	<u>224,495,006</u>
<u>\$ 13,429,071</u>	<u>\$ 6,558,372</u>	<u>\$ 35,780,621</u>	<u>\$ 39,917,823</u>	<u>\$ 288,112,453</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, 2016**

Fund balances - total governmental funds **\$ 224,495,006**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Governmental capital assets	1,674,540,843	
Accumulated depreciation	<u>(679,443,635)</u>	995,097,208

The investment in joint venture is not a financial resource and, therefore, is not reported in the funds. 253,734

Some receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds. 11,601,029

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. (1,451,825)

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.

Unamortized deferred outflow on bond refunding	3,158,725	
Pension-related items	<u>20,023,828</u>	23,182,553

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.

Net pension	(95,751,094)	
Bonds payable	(262,605,000)	
Bonds premium	(9,729,280)	
Compensated absences	(14,006,760)	
Post-employment benefits	<u>(2,529,927)</u>	(384,622,061)

Net position of governmental activities - statement of net position **\$ 868,555,644**

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, 2016

	<u>General</u>	<u>Streets Special Revenue</u>	<u>General Debt Service</u>	<u>Special Assessments Debt Service</u>
Revenues				
Taxes:				
Sales	\$ 77,108,076	\$ -	\$ -	\$ -
Property	-	-	19,423,566	-
Franchise	3,389,433	-	-	-
Licenses and permits	4,787,455	-	-	-
Intergovernmental	47,821,822	22,523,652	-	-
Special assessments	-	-	-	2,232,678
Charges for services	9,716,697	1,529	-	-
Other entities' participation	1,078,800	5,338	-	-
System development fees	-	-	-	-
Gifts and donations	24,685	-	-	-
Fines and forfeitures	4,014,008	12,729	-	-
Investment earnings	1,263,051	219,932	267,848	4,197
Miscellaneous	3,082,557	230,488	-	-
Total revenues	<u>152,286,584</u>	<u>22,993,668</u>	<u>19,691,414</u>	<u>2,236,875</u>
Expenditures				
Current:				
General government:				
Management and policy	20,392,080	-	-	-
Finance and management services	2,133,533	-	-	-
Court	3,236,812	-	-	-
Development services	6,239,384	-	-	-
Public safety:				
Police	42,654,109	-	-	-
Fire	28,155,447	-	-	-
Highways and streets	-	11,050,237	-	-
Parks and recreation	17,730,923	-	-	-
Transportation	350,000	-	-	-
Non departmental	5,260,647	-	-	-
Debt service:				
Principal	-	-	28,310,000	1,795,000
Interest	-	-	11,541,775	394,755
Fiscal and other charges	-	-	1,310	6,534
Capital outlay	10,864,315	8,219,053	-	-
Total expenditures	<u>137,017,250</u>	<u>19,269,290</u>	<u>39,853,085</u>	<u>2,196,289</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,269,334</u>	<u>3,724,378</u>	<u>(20,161,671)</u>	<u>40,586</u>
Other financing sources (uses)				
Transfers in	1,122,877	50,000	20,215,466	-
Transfers out	(5,920,012)	(4,148,419)	-	-
Total other financing sources and uses	<u>(4,797,135)</u>	<u>(4,098,419)</u>	<u>20,215,466</u>	<u>-</u>
Net change in fund balances	10,472,199	(374,041)	53,795	40,586
Fund balances at beginning of year	108,573,338	18,204,053	14,932,788	33,734
Fund balances at end of year	<u>\$ 119,045,537</u>	<u>\$ 17,830,012</u>	<u>\$ 14,986,583</u>	<u>\$ 74,320</u>

GO Bonds Capital Projects	Saint Xavier University Revenue Obligations	System Development Fees Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 77,108,076
-	-	-	2,576,347	21,999,913
-	-	-	-	3,389,433
-	-	-	-	4,787,455
-	-	-	6,661,244	77,006,718
-	-	-	-	2,232,678
-	-	-	1,428,661	11,146,887
-	-	-	581,760	1,665,898
-	-	22,943,883	-	22,943,883
-	-	-	162,693	187,378
-	-	-	591,303	4,618,040
152,132	-	389,185	342,729	2,639,074
100	57,289	-	11,426,750	14,797,184
<u>152,232</u>	<u>57,289</u>	<u>23,333,068</u>	<u>23,771,487</u>	<u>244,522,617</u>
-	-	-	604,665	20,996,745
-	-	-	-	2,133,533
-	-	-	371,199	3,608,011
-	-	-	-	6,239,384
-	-	-	1,748,210	44,402,319
-	-	-	139,951	28,295,398
-	-	-	1,780,370	12,830,607
-	-	-	860,013	18,590,936
-	-	-	695,752	1,045,752
-	-	-	49,884	5,310,531
-	-	-	-	30,105,000
-	1,836,814	-	-	13,773,344
-	24,000	-	5,166	37,010
6,668,257	5,327,458	1,938,467	3,555,780	36,573,330
<u>6,668,257</u>	<u>7,188,272</u>	<u>1,938,467</u>	<u>9,810,990</u>	<u>223,941,900</u>
<u>(6,516,025)</u>	<u>(7,130,983)</u>	<u>21,394,601</u>	<u>13,960,497</u>	<u>20,580,717</u>
-	-	-	17,819	21,406,162
-	-	(11,176,008)	(141,019)	(21,385,458)
-	-	(11,176,008)	(123,200)	20,704
(6,516,025)	(7,130,983)	10,218,593	13,837,297	20,601,421
19,219,844	12,635,183	5,576,224	24,718,421	203,893,585
<u>\$ 12,703,819</u>	<u>\$ 5,504,200</u>	<u>\$ 15,794,817</u>	<u>\$ 38,555,718</u>	<u>\$ 224,495,006</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, 2016

Net change in fund balances - total governmental funds		\$ 20,601,421
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	36,573,330	
Depreciation expense	<u>(50,543,540)</u>	(13,970,210)
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	30,105,000	
Amortization expense	<u>899,482</u>	31,004,482
Internal service funds are used by management to charge the costs of certain activities, such as equipment maintenance, 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.		
		(3,332,359)
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		37,860,914
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	(870,619)	
Post-employment benefits	<u>(1,115,884)</u>	(1,986,503)
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	11,257,254	
Pension expense	<u>(12,458,863)</u>	(1,201,609)
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	(1,792,624)	
Court fines	87,966	
Sales tax	(37,582)	
Other	<u>(400,000)</u>	(2,142,240)
Change in net position of governmental activities - statement of activities		<u>\$ 66,833,896</u>

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, 2016

	<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	\$ 73,160,000	\$ 73,160,000	\$ 77,108,076	\$ 3,948,076
Franchise	2,365,000	2,365,000	3,389,433	1,024,433
Licenses and permits	4,398,000	4,398,000	4,787,455	389,455
Intergovernmental	47,404,000	47,404,000	47,821,822	417,822
Charges for services	9,196,380	9,196,380	9,716,697	520,317
Other entities' participation	-	-	1,078,800	1,078,800
Gifts and donations	20,000	20,000	24,685	4,685
Fines and forfeitures	3,405,000	3,405,000	4,014,008	609,008
Investment earnings	515,000	515,000	1,263,051	748,051
Miscellaneous	522,000	522,000	3,082,557	2,560,557
Total revenues	<u>140,985,380</u>	<u>140,985,380</u>	<u>152,286,584</u>	<u>11,301,204</u>
Expenditures				
Current:				
General government:				
Management and policy	22,822,060	23,177,799	20,392,080	2,785,719
Finance and management services	2,115,660	2,190,560	2,133,533	57,027
Court	3,117,380	3,244,590	3,236,812	7,778
Development services	6,338,000	6,972,045	6,239,384	732,661
Public safety:				
Police	44,021,410	43,894,149	42,654,109	1,240,040
Fire	28,745,960	28,426,550	28,155,447	271,103
Parks and recreation	19,053,590	19,165,423	17,730,923	1,434,500
Transportation	350,000	350,000	350,000	-
Non departmental	4,856,170	5,596,170	5,260,647	335,523
Capital outlay	23,171,930	23,988,535	10,864,315	13,124,220
Contingency	15,311,890	12,898,229	-	12,898,229
Total expenditures	<u>169,904,050</u>	<u>169,904,050</u>	<u>137,017,250</u>	<u>32,886,800</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(28,918,670)</u>	<u>(28,918,670)</u>	<u>15,269,334</u>	<u>44,188,004</u>
Other financing sources (uses)				
Transfers in	1,073,520	1,073,520	1,122,877	49,357
Transfers out	(5,843,750)	(5,843,750)	(5,920,012)	(76,262)
Total other financing sources and uses	<u>(4,770,230)</u>	<u>(4,770,230)</u>	<u>(4,797,135)</u>	<u>(26,905)</u>
Net change in fund balances	<u>\$ (33,688,900)</u>	<u>\$ (33,688,900)</u>	10,472,199	<u>\$ 44,161,099</u>
Fund balance at beginning of year			108,573,338	
Fund balance at end of year			<u>\$ 119,045,537</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 21,734,000	\$ 21,734,000	\$ 22,523,652	\$ 789,652
Charges for services	4,000	4,000	1,529	(2,471)
Other entities' participation	-	-	5,338	5,338
Fines and forfeitures	-	-	12,729	12,729
Investment earnings	120,000	120,000	219,932	99,932
Miscellaneous	-	-	230,488	230,488
Total revenues	<u>21,858,000</u>	<u>21,858,000</u>	<u>22,993,668</u>	<u>1,135,668</u>
Expenditures				
Current:				
Highways and streets	11,340,690	11,438,177	11,050,237	387,940
Capital outlay	12,811,280	12,601,272	8,219,053	4,382,219
Contingency	2,033,870	2,146,391	-	2,146,391
Total expenditures	<u>26,185,840</u>	<u>26,185,840</u>	<u>19,269,290</u>	<u>6,916,550</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,327,840)</u>	<u>(4,327,840)</u>	<u>3,724,378</u>	<u>8,052,218</u>
Other financing sources (uses)				
Transfers in	50,000	50,000	50,000	-
Transfers out	(4,147,650)	(4,147,650)	(4,148,419)	(769)
Total other financing sources and uses	<u>(4,097,650)</u>	<u>(4,097,650)</u>	<u>(4,098,419)</u>	<u>(769)</u>
Net change in fund balances	<u>\$ (8,425,490)</u>	<u>\$ (8,425,490)</u>	<u>(374,041)</u>	<u>\$ 8,051,449</u>
Fund balance at beginning of year			<u>18,204,053</u>	
Fund balance at end of year			<u>\$ 17,830,012</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, 2016

Business-type Activities - Enterprise Funds

	Business-type Activities - Enterprise Funds			Total
	Water	Wastewater	Environmental Services	
ASSETS				
Current assets:				
Pooled cash and investments	\$ 106,908,496	\$ 75,657,351	\$ 22,876,907	\$ 205,442,754
Receivables (net):				
Accrued interest	181,783	142,804	47,958	372,545
Accounts	3,059,057	1,426,874	897,207	5,383,138
Due from other governments	1,192,714	-	-	1,192,714
Prepaid items	-	-	2,500	2,500
Inventories	47,759	-	-	47,759
Total current assets	<u>111,389,809</u>	<u>77,227,029</u>	<u>23,824,572</u>	<u>212,441,410</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments	69,687,703	19,713,112	-	89,400,815
Accrued interest	54,130	30,063	-	84,193
Investment in joint venture	65,622,092	58,602,201	-	124,224,293
Capital assets:				
Non-depreciable	69,050,575	15,549,287	23,469	84,623,331
Depreciable, net	<u>231,472,110</u>	<u>162,053,271</u>	<u>9,818,597</u>	<u>403,343,978</u>
Total noncurrent assets	<u>435,886,610</u>	<u>255,947,934</u>	<u>9,842,066</u>	<u>701,676,610</u>
Total assets	<u>547,276,419</u>	<u>333,174,963</u>	<u>33,666,638</u>	<u>914,118,020</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	3,274,610	-	-	3,274,610
Pension-related items	<u>1,604,881</u>	<u>540,856</u>	<u>1,067,437</u>	<u>3,213,174</u>
Total deferred outflows of resources	<u>4,879,491</u>	<u>540,856</u>	<u>1,067,437</u>	<u>6,487,784</u>
LIABILITIES				
Current liabilities:				
Accounts payable	2,794,343	2,466,437	742,313	6,003,093
Accrued liabilities	279,045	91,536	167,606	538,187
Current portion of accrued compensated absences	406,406	163,511	251,963	821,880
Claims payable	-	-	-	-
Due to other funds	-	-	-	-
Bonds payable	4,830,000	-	-	4,830,000
Utility deposits	<u>3,006,272</u>	<u>-</u>	<u>23,659</u>	<u>3,029,931</u>
Total current liabilities	<u>11,316,066</u>	<u>2,721,484</u>	<u>1,185,541</u>	<u>15,223,091</u>
Noncurrent liabilities:				
Utility revenue bonds payable	130,580,861	-	-	130,580,861
Accrued compensated absences	631,857	325,816	376,388	1,334,061
Post-employment benefits	316,978	114,272	230,625	661,875
Net pension liability	<u>10,271,699</u>	<u>3,805,447</u>	<u>6,440,946</u>	<u>20,518,092</u>
Total noncurrent liabilities	<u>141,801,395</u>	<u>4,245,535</u>	<u>7,047,959</u>	<u>153,094,889</u>
Total liabilities	<u>153,117,461</u>	<u>6,967,019</u>	<u>8,233,500</u>	<u>168,317,980</u>
DEFERRED INFLOWS OF RESOURCES				
Pension-related items	<u>868,529</u>	<u>292,700</u>	<u>577,675</u>	<u>1,738,904</u>
Total deferred inflows of resources	<u>868,529</u>	<u>292,700</u>	<u>577,675</u>	<u>1,738,904</u>
NET POSITION				
Net investment in capital assets	224,386,435	177,602,558	9,842,066	411,831,059
Restricted for capital projects	16,180,019	17,874,427	-	34,054,446
Unrestricted	<u>157,603,466</u>	<u>130,979,115</u>	<u>16,080,834</u>	<u>304,663,415</u>
Total net position	<u>\$ 398,169,920</u>	<u>\$ 326,456,100</u>	<u>\$ 25,922,900</u>	<u>\$ 750,548,920</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(465,831)
Net position of business-type activities				<u>\$ 750,083,089</u>

**Governmental
Activities -
Internal Service
Funds**

\$	2,562,731
	2,427
	358,714
	-
	-
	526,979
	<u>3,450,851</u>
	-
	-
	-
	-
	6,379
	<u>6,379</u>
	<u>3,457,230</u>
	-
	310,539
	<u>310,539</u>
	297,256
	61,566
	83,846
	1,706,260
	1,200,000
	-
	-
	<u>3,348,928</u>
	-
	105,262
	-
	2,063,177
	<u>2,168,439</u>
	<u>5,517,367</u>
	168,057
	<u>168,057</u>
	6,379
	-
	(1,924,034)
\$	<u>(1,917,655)</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, 2016

Business-type Activities - Enterprise Funds

	Business-type Activities - Enterprise Funds			Total
	Water	Wastewater	Environmental Services	
Operating revenues				
Charges for services	\$ 39,457,349	\$ 25,115,912	\$ 18,140,763	\$ 82,714,024
Other	84,038	2,030	172,991	259,059
Total operating revenues	39,541,387	25,117,942	18,313,754	82,973,083
Operating expenses				
General and administrative	1,388,144	775,867	842,231	3,006,242
Personal services	8,240,416	3,818,980	7,000,716	19,060,112
Operation and maintenance	14,493,958	10,514,348	7,255,021	32,263,327
Claims Incurred	-	-	-	-
Depreciation	12,148,611	10,266,894	1,251,460	23,666,965
Allocation of indirect expenses	1,898,049	989,609	978,718	3,866,376
Total operating expenses	38,169,178	26,365,698	17,328,146	81,863,022
Operating income (loss)	1,372,209	(1,247,756)	985,608	1,110,061
Nonoperating revenues (expenses)				
Intergovernmental	1,144,446	-	-	1,144,446
Interest expense	(5,793,878)	-	-	(5,793,878)
Investment earnings	1,402,631	993,895	269,309	2,665,835
Gain (loss) on sale of capital assets	(20,065)	8,003	142,468	130,406
Total nonoperating revenues (expenses)	(3,266,866)	1,001,898	411,777	(1,853,191)
Income (loss) before capital contributions and transfers	(1,894,657)	(245,858)	1,397,385	(743,130)
Capital contributions	27,500,592	16,061,799	-	43,562,391
Transfers in	-	792,060	-	792,060
Transfers out	(890,454)	-	-	(890,454)
Change in net position	24,715,481	16,608,001	1,397,385	42,720,867
Total net position, beginning of year	373,454,439	309,848,099	24,525,515	
Total net position, end of year	\$ 398,169,920	\$ 326,456,100	\$ 25,922,900	
				(924,760)
				\$ 41,796,107

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**

\$ 22,004,626
1,048,887
23,053,513

1,272,344
1,809,993
4,710,729
19,416,633
3,610

-
27,213,309

(4,159,796)

-
-

12,128
(187,140)
(175,012)

(4,334,808)

-
77,690

-

(4,257,118)

2,339,463

\$ (1,917,655)

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, 2016

	Business-type Activities - Enterprise Funds			
	Water	Wastewater	Environmental Services	Total
Cash flows from operating activities:				
Cash receipts from customers	\$ 37,512,416	\$ 24,806,012	\$ 18,084,308	\$ 80,402,736
Other operating cash receipts	84,038	2,030	172,991	259,059
Cash receipts from other funds for services	-	-	-	-
Cash receipts from deposits	(148,541)	-	-	(148,541)
Cash payments to suppliers for goods and services	(14,401,831)	(10,040,493)	(8,369,480)	(32,811,804)
Cash payments to employees for services	(11,188,709)	(3,734,338)	(6,650,727)	(21,573,774)
Cash payments to other funds for services	(1,898,049)	(989,609)	(978,718)	(3,866,376)
Net cash provided by (used in) operating activities	<u>9,959,324</u>	<u>10,043,602</u>	<u>2,258,374</u>	<u>22,261,300</u>
Cash flows from noncapital financing activities:				
Changes in due to other funds	-	-	-	-
Transfers from other funds	-	792,060	-	792,060
Transfers to other funds	(890,454)	-	-	(890,454)
Net cash provided by (used in) noncapital financing activities	<u>(890,454)</u>	<u>792,060</u>	<u>-</u>	<u>(98,394)</u>
Cash flows from capital and related financing activities:				
Proceeds from revenue and revenue refunding bonds	135,410,861	-	-	135,410,861
Acquisition and construction of capital assets	(13,471,516)	(3,257,855)	(5,492,088)	(22,221,459)
Proceeds from development fees	14,226,464	8,531,941	-	22,758,405
Cash paid for interest and fiscal charges	(6,964,938)	-	-	(6,964,938)
Principal payments on bonds	(22,898,980)	-	-	(22,898,980)
Payment to escrow agent	(75,326,019)	-	-	(75,326,019)
Disposal of capital assets	(20,065)	8,003	142,468	130,406
Intergovernmental revenue	1,144,446	-	-	1,144,446
Net cash provided by (used in) capital and related financing activities	<u>32,100,253</u>	<u>5,282,089</u>	<u>(5,349,620)</u>	<u>32,032,722</u>
Cash flows from investing activities:				
Interest received on investments	1,353,085	938,589	263,627	2,555,301
Net cash provided by investing activities	<u>1,353,085</u>	<u>938,589</u>	<u>263,627</u>	<u>2,555,301</u>
Net increase (decrease) in cash and cash equivalents	42,522,208	17,056,340	(2,827,619)	56,750,929
Cash and cash equivalents at beginning of year	134,073,991	78,314,123	25,704,526	238,092,640
Cash and cash equivalents at end of year	<u>\$ 176,596,199</u>	<u>\$ 95,370,463</u>	<u>\$ 22,876,907</u>	<u>\$ 294,843,569</u>
Cash and cash equivalents at end of year includes:				
Equity in pooled cash and investments	\$ 106,908,496	\$ 75,657,351	\$ 22,876,907	\$ 205,442,754
Restricted cash and investments	69,687,703	19,713,112	-	89,400,815
Total cash and cash equivalents	<u>\$ 176,596,199</u>	<u>\$ 95,370,463</u>	<u>\$ 22,876,907</u>	<u>\$ 294,843,569</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operations:				
Operating income (loss)	\$ 1,372,210	\$ (1,247,756)	\$ 985,608	\$ 1,110,062
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	12,148,611	10,266,894	1,251,460	23,666,965
Provision for uncollectible accounts	11,767	6,544	6,538	24,849
Changes in assets and liabilities:				
Increase in accounts receivable	(1,956,700)	(316,444)	(59,444)	(2,332,588)
Increase in prepaid items	-	-	(2,500)	(2,500)
Decrease in inventories	1,513	-	-	1,513
(Increase) decrease in deferred outflows of resources	(3,075,608)	133,784	56,964	(2,884,860)
Increase (decrease) in accounts payable	1,478,757	1,249,722	(269,728)	2,458,751
Increase in claims payable	-	-	-	-
Decrease in deposits	(148,541)	-	(3,550)	(152,091)
Increase in accrued expenses	110,552	11,777	206,183	328,512
Increase in net pension liability	803,866	265,422	540,903	1,610,191
Decrease in deferred inflows of resources	(787,103)	(326,341)	(454,060)	(1,567,504)
Total adjustments	<u>8,587,114</u>	<u>11,291,358</u>	<u>1,272,766</u>	<u>21,151,238</u>
Net cash provided by (used in) operating activities	<u>\$ 9,959,324</u>	<u>\$ 10,043,602</u>	<u>\$ 2,258,374</u>	<u>\$ 22,261,300</u>
Supplemental disclosures of noncash financing activities:				
Additions to property and equipment:				
Contributions from developers	\$ 13,274,128	\$ 7,529,858	\$ -	\$ 20,803,986
Total additions to property and equipment	<u>\$ 13,274,128</u>	<u>\$ 7,529,858</u>	<u>\$ -</u>	<u>\$ 20,803,986</u>

**Governmental
Activities -
Internal Service
Funds**

\$ -
809,119
22,002,647
-
(25,052,268)
(1,763,085)
-
(4,003,587)

1,157,638
77,690
-
1,235,328

-
-
-
-
-
-
-
-
-

12,530
12,530
(2,755,729)
5,318,460
\$ 2,562,731

\$ 2,562,731
-
\$ 2,562,731

\$ (4,159,796)

3,610
-
(241,747)
-
26,243
53,238
13,106
308,089
-
5,071
154,339
(165,740)
156,209
\$ (4,003,587)

\$ -
\$ -

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, 2016

	<u>Firemen's Pension Trust</u>	<u>Agency Funds</u>
ASSETS		
Restricted cash and investments	\$ 90,048	\$ 11,217
Prepaid items	-	15,451
Total assets	<u>90,048</u>	<u>\$ 26,668</u>
LIABILITIES		
Dependent care benefits payable	-	\$ 26,668
Total liabilities	<u>-</u>	<u>\$ 26,668</u>
NET POSITION		
Held in trust for pension benefits	<u>\$ 90,048</u>	

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, 2016

	Firemen's Pension Trust
Additions	
Interest on investments	\$ 202
Total additions	202
Deductions	
Benefits	2,400
Administration	100
Total deductions	2,500
Change in net position	(2,298)
Net position - beginning of the year	92,346
Net position - end of the year	\$ 90,048

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



TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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, 2016, Gilbert implemented the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 82, *Pension Issues*. GASB Statement No. 72 establishes standards for measuring fair value and applying fair value to certain investments and disclosures related to all fair value measurements (see Note 3). GASB Statement No. 76 establishes the hierarchy of sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles. GASB Statement No. 82 addresses certain implementation issues from GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, including the presentation of payroll-related measures in required supplementary information.

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.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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, 2016, 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.

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 2016 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.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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.

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.

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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.

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.

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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.

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 is currently leased by Saint 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 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.

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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.

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 2. In addition, the financial statements present the budget and actual information for the departments at a summary level by function.

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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.

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 acquisition value. 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.

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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).

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.

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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 5 for further discussion of the interfund receivables/payables at June 30.

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 limited property 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 2016, Gilbert's property tax rate is \$1.06 per \$100 of secondary assessed valuation.

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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.

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.

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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.

As of June 30, 2016, 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 Assmnts	GO Bonds	SXU Rev Oblig	System Dev Fees				
Nonspendable:										
Advances	\$19,857,772	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,857,772
Inventory	-	-	-	-	-	-	-	-	4,138	4,138
Prepaid items	8,177	-	-	-	-	-	-	-	-	8,177
Restricted for:										
Capital projects	-	-	-	-	7,067,104	5,504,200	35,652,589	15,437,644		63,661,537
Court/public safety programs	-	-	-	-	-	-	-	-	2,023,370	2,023,370
Debt service	-	-	6,952,183	74,320	-	-	-	-	-	7,026,503
Federal/state/local grants	-	-	-	-	-	-	-	-	1,113,376	1,113,376
Highways and streets	-	12,817,040	-	-	-	-	-	-	-	12,817,040
Contract agreements	-	-	-	-	-	-	-	-	144,462	144,462
Parks & recreation programs	-	-	-	-	-	-	-	-	18,007	18,007
Special districts	-	-	-	-	-	-	-	-	200,947	200,947
Assigned to:										
Capital replacement	11,814,890	5,012,972	-	-	-	-	-	-	-	16,827,862
Capital projects	1,430,248	-	-	-	5,636,715	-	-	-	19,653,192	26,720,155
Debt service	-	-	8,034,400	-	-	-	-	-	-	8,034,400
Development services	116,343	-	-	-	-	-	-	-	-	116,343
Fire programs	65,271	-	-	-	-	-	-	-	-	65,271
Management and policy	169,866	-	-	-	-	-	-	-	-	169,866
Parks & recreation programs	29,538	-	-	-	-	-	-	-	-	29,538
Police programs	55,274	-	-	-	-	-	-	-	-	55,274
Unassigned:	<u>85,498,158</u>	-	-	-	-	-	<u>(19,857,772)</u>	<u>(39,418)</u>		<u>65,600,968</u>
Total fund balances	<u>\$119,045,537</u>	<u>\$17,830,012</u>	<u>\$14,986,583</u>	<u>\$ 74,320</u>	<u>\$12,703,819</u>	<u>\$ 5,504,200</u>	<u>\$ 15,794,817</u>	<u>\$38,555,718</u>		<u>\$224,495,006</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.

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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 - 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 3 - 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. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

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Gilbert categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. Investments categorized as Level 2 are valued using other significant observable inputs. Gilbert's investments at June 30, 2016, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurement Using</u>	
		<u>Level 1</u>	<u>Level 2</u>
U.S. Government Treasuries	\$137,754,570	\$137,754,570	-
U.S. Government Agencies	151,301,513	-	151,301,513
Municipal Bonds	1,625,000	-	1,625,000
Corporate Notes	41,605,073	-	41,605,073
Commercial Paper	4,994,665	-	4,994,665
Money Market – U.S. Treasuries	68,380,851	-	68,380,851
Total Investments by Fair Value Level	<u>405,661,672</u>	<u>\$137,754,570</u>	<u>\$267,907,102</u>
External Investment Pools Measured at Fair Value			
State Treasurer's Investment Pool	<u>70,650,354</u>		
Total Investments Measured at Fair Value	<u>\$476,312,026</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.

At June 30, 2016, Gilbert's investment maturities were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>(in Years)</u>	
		<u>Less than 1</u>	<u>1-3</u>
U.S. Government Treasuries	\$137,754,570	\$ 3,937,674	\$133,816,896
U.S. Government Agencies	151,301,513	13,334,888	137,966,625
Municipal Bonds	1,625,000	1,625,000	-
Corporate Notes	41,605,073	12,133,854	29,471,219
Commercial Paper	4,994,665	4,994,665	-
State Treasurer's Investment Pool	70,650,354	31,139,260	39,511,094
Money Market – U.S. Treasuries	<u>68,380,851</u>	<u>68,380,851</u>	-
Total	<u>\$476,312,026</u>	<u>\$135,546,192</u>	<u>\$340,765,834</u>

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, 2016, the investments in the U.S. Government Agencies were rated AA+, the investments in Municipal Bonds were rated AAA, and the investments in Corporate Notes ranged from A- ratings to AA+ ratings. Gilbert's investment in the State Treasurer's Investment Pool did not receive a credit quality rating from a national rating agency.

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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, 2016, Gilbert’s bank balance was \$61,426,262 of which \$10,983,293 was with JP Morgan and \$50,442,969 was with Alliance Bank of Arizona. \$10,733,293 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. 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, 2016, of Gilbert’s investments, 32% were in U.S. Government Agencies, 29% were in U.S. Government Treasuries and 15% were in the State Treasurer’s Investment Pool.

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

Primary government:	
Carrying amount of cash/deposits	\$ 58,863,635
Carrying amount of investments	<u>476,312,026</u>
Total cash and investments	<u>\$535,175,661</u>
Pooled cash and investments	\$427,711,345
Restricted cash and investments	<u>107,363,051</u>
Total cash and investments (per Statement of Net Position)	535,074,396
Agency funds	<u>101,265</u>
Total cash and investments	<u>\$535,175,661</u>

Note 4 - Taxes Receivable and Due from Other Governments

The general fund taxes receivable amount at June 30, 2016, includes \$1,850,318 in state shared sales tax and \$2,708,955 in local sales tax due from the State of Arizona. Amounts due from other governments recorded in the streets special revenue fund include \$1,361,865 in highway user revenues and \$469,881 in vehicle license tax both due from the State of Arizona. Other governmental funds include federal grant receivables of \$183,210 from the U.S. Department of Housing and Urban Development, \$67,085 from the U.S. Department of Transportation, and \$42,343 from the U.S. Department of Homeland Security. Additionally, other governmental funds include state grant funds of \$74,340 from the State of Arizona Department of Forestry and Fire Management, and Racketeer Influenced Corrupt Organizations (RICO) funds of \$754,281 from Maricopa County Attorney’s Office. The water fund includes \$99,644 and \$1,093,070 in amounts due from the City of Chandler for the joint operation of the SanTan Vista Water Treatment Plant and expansion expenses, respectively. The balance of these receivables represents various grants from the state and federal governments.

TOWN OF GILBERT, ARIZONA
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June 30, 2016

Note 5 – Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2016, 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	\$ -	\$1,614,177
SXU revenue obligations	251,219	
Other governmental funds	162,958	-
Employee benefit self-insurance	1,200,000	-
Total	<u>\$1,614,177</u>	<u>\$1,614,177</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	\$ -	\$19,857,772
System development fees capital projects fund	19,857,772	-
Total	<u>\$19,857,772</u>	<u>\$19,857,772</u>

Note 6 – Capital Assets

A summary of changes in capital assets for governmental activities, for the fiscal year ended June 30, 2016, is as follows:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>
Non-depreciable assets:				
Land	\$ 181,644,373	\$ 136,621	\$ -	\$ 181,780,994
Construction-in-progress	57,193,525	28,280,280	(42,122,112)	43,351,693
Total non-depreciable assets	<u>238,837,898</u>	<u>28,416,901</u>	<u>(42,122,112)</u>	<u>225,132,687</u>
Depreciable assets:				
Buildings	225,309,006	32,645,657	(413,063)	257,541,600
Improvements other than buildings	72,040,374	124,431	(487,243)	71,677,562
Machinery and equipment	57,649,699	4,107,781	(1,524,890)	60,232,590
Infrastructure	1,009,119,132	51,073,695	-	1,060,192,827
Total depreciable assets	<u>1,364,118,211</u>	<u>87,951,564</u>	<u>(2,425,196)</u>	<u>1,449,644,579</u>
Less accumulated depreciation:				
Buildings	(85,324,518)	(8,960,169)	286,565	(93,998,122)
Improvements other than buildings	(39,728,583)	(3,592,906)	487,243	(42,834,246)
Machinery and equipment	(45,121,994)	(3,216,552)	1,524,890	(46,813,656)
Infrastructure	(461,405,572)	(34,622,083)	-	(496,027,655)
Total accumulated depreciation	<u>(631,580,667)</u>	<u>(50,391,710)</u>	<u>2,298,698</u>	<u>(679,673,679)</u>
Total depreciable assets, net	<u>732,537,544</u>	<u>37,559,854</u>	<u>(126,498)</u>	<u>769,970,900</u>
Governmental activities capital assets, net	<u>\$ 971,375,442</u>	<u>\$ 65,976,755</u>	<u>\$ (42,248,610)</u>	<u>\$ 995,103,587</u>

**TOWN OF GILBERT, ARIZONA
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Depreciation expense was charged to governmental functions in the government-wide financial statement as follows:

Management and policy	\$ 664,868
Finance and management services	295,654
Legal and court	496,122
Development services	889,079
Police	2,696,399
Fire	3,024,718
Highways and streets	35,576,466
Parks and recreation	<u>6,744,794</u>
Total depreciation expense not including internal service funds	50,388,100
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>3,610</u>
 Total depreciation expense - governmental activities	 <u>\$50,391,710</u>

A summary of changes in capital assets for business-type activities, for the fiscal year ended June 30, 2016, is as follows:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>
Non-depreciable assets:				
Land	\$ 64,675,175	\$ 2,821,452	\$ (115,693)	\$ 67,380,934
Construction-in-progress	6,504,633	19,438,789	(8,701,025)	17,242,397
Total non-depreciable assets	<u>71,179,808</u>	<u>22,260,241</u>	<u>(8,816,718)</u>	<u>84,623,331</u>
Depreciable assets:				
Plant and equipment	134,182,356	5,816,213	(1,271,621)	138,726,948
Water rights	9,146,281	-	-	9,146,281
Infrastructure	449,449,932	23,765,714	-	473,215,646
Total depreciable assets	<u>592,778,569</u>	<u>29,581,927</u>	<u>(1,271,621)</u>	<u>621,088,875</u>
Less accumulated depreciation:				
Plant and equipment	(61,722,852)	(5,544,914)	1,271,621	(65,996,145)
Water rights	(1,888,995)	(98,292)	-	(1,987,287)
Infrastructure	(138,823,002)	(10,938,463)	-	(149,761,465)
Total accumulated depreciation	<u>(202,434,849)</u>	<u>(16,581,669)</u>	<u>1,271,621</u>	<u>(217,744,897)</u>
Total depreciable assets, net	<u>390,343,720</u>	<u>13,000,258</u>	<u>-</u>	<u>403,343,978</u>
 Business-type activities capital assets, net	 <u>\$ 461,523,528</u>	 <u>\$ 35,260,499</u>	 <u>\$ (8,816,718)</u>	 <u>\$ 487,967,309</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

Note 7 – Construction-in-Progress and Commitments

Governmental activities construction-in-progress and related construction commitments at June 30, 2016, were as follows:

	<u>Construction- in-Progress</u>	<u>Commitments</u>
Redevelopment	\$ 238,033	\$ 42,946
Municipal facilities	9,405,014	491,211
Parks	5,534,285	308,422
Storm water	43,422	-
Traffic control	3,139,354	387,438
Streets capital projects	24,991,585	5,952,227
Total	<u>\$ 43,351,693</u>	<u>\$ 7,182,244</u>

Business-type activities construction-in-progress and related construction commitments at June 30, 2016, were as follows:

Water system	\$ 12,579,890	\$ 5,227,060
Wastewater system	4,639,037	3,667,060
Municipal facilities	-	138,757
Storm water	23,470	-
Total	<u>\$ 17,242,397</u>	<u>\$ 9,032,877</u>

In addition, there were non-construction related commitments at June 30, 2016, as follows:

Governmental funds:	
General	\$ 495,430
Streets special revenue	7,229
Other governmental	<u>184,092</u>
Total	<u>\$ 686,751</u>
Proprietary funds:	
Water system	\$ 959,432
Wastewater system	139,159
Environmental services	582,594
Internal service	<u>1,498,799</u>
Total	<u>\$ 3,179,984</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

Note 8 - 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 2016, 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.

The claims liability of \$1,706,260 reported in the employee benefit self-insurance trust at June 30, 2016, 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 2016, increases of \$306,540 and \$1,549 were recorded for IBNR claims under the medical and dental plans, respectively. 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 2016 reflected an increase in claims costs of \$3,811,213 from fiscal year 2015. This was due to an increase of \$3,736,717 in medical claims and \$74,496 in dental claims.

Changes in the fund's claim liability amount in fiscal years 2015 and 2016 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
2015	\$ 1,266,492	15,605,420	(15,473,741)	\$1,398,171
2016	\$ 1,398,171	19,416,633	(19,108,544)	\$1,706,260

Note 9 - 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.

**TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016**

General obligation bonds outstanding at June 30, 2016, were as follows:

	<u>Governmental</u>
2008 General Obligation Bonds, 3.0% to 5.0%, original amount \$187,990,000, annual retirements due July 1, 2009, through July 1, 2023	105,250,000

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>
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	15,500,000	1,663,750
2022-2023	<u>33,500,000</u>	<u>1,515,000</u>
Total	<u>\$105,250,000</u>	<u>\$16,991,250</u>

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 limited property valuation, nor may outstanding general obligation bonded debt for all other purposes exceed 6% of Gilbert's net limited property valuation. The following is a summary of legal borrowing capacity at June 30, 2016:

<u>Water, Wastewater, Electric, Streets, Fire, Police, and Parks and Open Space Purposes Bonds</u>		<u>All Other General Obligation Bonds</u>	
Limited Property Valuation	\$ <u>1,845,325,449</u>	Limited Property Valuation	\$ <u>1,845,325,449</u>
20% constitutional limit	\$ 369,065,090	6% constitutional limit	\$ 110,719,527
Less general obligation bonds outstanding	(105,250,000)	Less general obligation bonds outstanding	-
Available 20% limitation borrowing capacity	\$ <u>263,815,090</u>	Available 6% limitation borrowing capacity	\$ <u>110,719,527</u>

As of June 30, 2016, 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.

**TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016**

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, 2016, 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.

Special assessment bonds outstanding at June 30, 2016, 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	\$ 160,000
2009 Improvement District #20 Bonds, 5.1%, original amount \$8,675,000, annual retirements due January 1, 2012 through January 1, 2029	<u>6,320,000</u>
Total	\$ <u>6,480,000</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>
2017	\$ 375,000	\$ 321,073
2018	395,000	301,428
2019	395,000	281,273
2020	420,000	260,478
2021	445,000	238,405
2022-2026	2,595,000	817,962
2027-2029	<u>1,855,000</u>	<u>143,191</u>
Total	\$ <u>6,480,000</u>	\$ <u>2,363,810</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, 2016, 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	\$ 9,320,000

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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>
2017	\$ 2,975,000	\$ 436,250
2018	3,095,000	317,250
2019	<u>3,250,000</u>	<u>162,500</u>
Total	<u>\$ 9,320,000</u>	<u>\$ 916,000</u>

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, 2016, 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	\$ 5,205,000	\$ -
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	64,395,000	-
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	14,895,000	-
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	28,080,000	-
2016 Water Resources Municipal Property Corporation, Senior Lien Utility System Revenue and Revenue Refunding Bonds, 2.25% to 5.0%, original amount \$115,940,000, retirements due July 1, 2017, through July 1, 2036	<u>-</u>	<u>115,940,000</u>
Total	<u>\$112,575,000</u>	<u>\$115,940,000</u>

**TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016**

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>
2017	\$ 8,000,000	\$ 5,456,700	\$ 4,830,000	\$ 4,984,570
2018	9,005,000	5,057,700	5,055,000	4,777,563
2019	10,540,000	4,592,588	5,285,000	4,524,813
2020	11,040,000	4,082,088	5,545,000	4,260,563
2021	11,555,000	3,771,025	5,835,000	3,983,313
2022-2026	33,670,000	11,619,874	33,845,000	15,239,061
2027-2031	28,765,000	2,627,488	39,565,000	7,431,975
2032-2036	-	-	15,980,000	1,967,600
Total	<u>\$112,575,000</u>	<u>\$37,207,463</u>	<u>\$115,940,000</u>	<u>\$47,169,458</u>

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 currently leased by Saint Xavier University ("University"). The building is 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, 2016, 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>
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	770,000	1,487,706
2022-2026	4,475,000	6,820,281
2027-2031	5,690,000	5,604,694
2032-2036	6,845,000	4,440,437
2037-2041	8,250,000	3,093,958
2042-2045	<u>8,190,000</u>	<u>1,048,750</u>
Total	<u>\$36,980,000</u>	<u>\$ 28,771,900</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$122,715,000	\$ -	\$(17,465,000)	\$105,250,000	\$13,200,000
Special assessment bonds with government commitment	8,275,000	-	(1,795,000)	6,480,000	375,000
Revenue bonds	132,255,000	-	(10,360,000)	121,895,000	10,975,000
Revenue obligations	36,980,000	-	-	36,980,000	655,000
Unamortized bond premium	11,550,003	-	(1,820,723)	9,729,280	-
Total bonds payable	311,775,003	-	(31,440,723)	280,334,280	25,205,000
Net pension liability	89,266,721	42,824,028	(34,276,478)	97,814,271	-
Compensated absences	13,308,094	9,829,597	(8,941,823)	14,195,868	4,967,332
Post-employment benefits	1,414,043	1,262,050	(146,166)	2,529,927	-
Total long-term liabilities	<u>\$415,763,861</u>	<u>\$ 53,915,675</u>	<u>\$(74,805,190)</u>	<u>\$394,874,346</u>	<u>\$30,172,332</u>
Business-type activities:					
Bonds payable:					
Revenue bonds	\$ 98,225,000	\$115,940,000	\$(98,225,000)	\$ 115,940,000	\$ 4,830,000
Unamortized bond discount	(34,076)	-	34,076	-	-
Unamortized bond premium	-	19,470,861	-	19,470,861	-
Total bonds payable	98,190,924	135,410,861	(98,190,924)	135,410,861	4,830,000
Net pension liability	18,907,901	6,952,469	(5,342,278)	20,518,092	-
Compensated absences	1,885,312	1,820,878	(1,550,249)	2,155,941	821,880
Post-employment benefits	358,138	343,523	(39,786)	661,875	-
Total long-term liabilities	<u>\$119,342,275</u>	<u>\$144,527,731</u>	<u>\$(105,123,237)</u>	<u>\$158,746,769</u>	<u>\$ 5,651,880</u>

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, \$189,108 of internal service funds compensated absences and \$2,063,177 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, 2016, Industrial Development Authority Revenue Bonds and Master Lease and Sublease Agreements outstanding were \$29,078,504 and \$21,173,111 respectively.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
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Note 10 – Refunding Bonds

On June 30, 2016, Gilbert Water MPC issued \$67,440,000 of revenue refunding bonds with a net premium of \$11,638,456 to advance refund \$75,326,000 of outstanding Series 2007 Water MPC utility revenue bonds. In addition, Gilbert Water MPC issued \$48,500,000 of utility revenue bonds to provide funds for water and wastewater system improvements. See Note 9 for additional detail on the utility revenue bonds issued. The Series 2016 Water MPC revenue refunding bonds were issued with an average interest rate of 4.1 percent. Gilbert realized net proceeds of \$78,917,275 after payment of \$161,182 for underwriting fees. These proceeds were provided to an escrow trustee to pay issuance costs of approximately \$316,645 with the remaining \$78,600,630 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 2007 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 \$18,391,070 over the next 15 years, producing an economic gain (difference between present value of old and new debt service payments) of \$14,938,887.

Note 11 – 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 \$10,946,794 of pension expenditures in the governmental funds related to all pension plans to which it contributes for fiscal year 2016.

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 website at www.azasrs.gov.

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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

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 retirement benefit option chosen determines the survivor benefit. 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, 2016, statute required active ASRS members to contribute at the actuarially determined rate of 11.47% (11.35% 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 11.47% (10.85% for retirement, 0.50% 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
2016	\$231,747	\$ 54,424
2015	264,076	53,539
2014	253,593	100,955

During fiscal year 2016, Gilbert paid for ASRS pension and OPEB contributions as follows: 62% from the general fund, 36% from major funds, and 2% from other funds.

Pension Liability – At June 30, 2016, Gilbert reported a liability of \$75,695,863 for its proportionate share of the ASRS’ net pension liability. The net pension liability was measured as of June 30, 2015. 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, 2014, to the measurement date of June 30, 2015.

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Gilbert’s reported liability at June 30, 2016, increased by \$6,283,595 from the prior year liability of \$69,412,268 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, 2015, was 0.48596%, which was an increase of 0.01685% from its proportion measured as of June 30, 2014.

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

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2016, Gilbert recognized pension expense for ASRS of \$7,200,023. At June 30, 2016, Gilbert reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,065,576	\$ 3,966,540
Net difference between projected and actual earnings on pension plan investments	-	2,425,885
Changes in proportion and differences between Gilbert contributions and proportionate share of contributions	4,500,606	-
Gilbert contributions subsequent to the measurement date	<u>5,278,569</u>	<u>-</u>
Total	<u>\$11,844,751</u>	<u>\$ 6,392,425</u>

The \$5,278,569 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, 2017. 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:

<u>Year Ending June 30</u>	
2017	\$1,250,916
2018	(1,250,073)
2019	(1,578,270)
2020	1,751,184
2021	-
Thereafter	-

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

Actuarial valuation date	June 30, 2014
Actuarial roll forward date	June 30, 2015
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, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

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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.

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 Arithmetic Real Rate of Return
Equity	58%	6.79%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.93%
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	\$99,187,448	\$75,695,863	\$59,596,428

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 website at www.psprs.com.

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

	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, 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% to 100% 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. In addition, from and after December 31, 2015, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. 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, 2016, 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	45	5
Inactive employees entitled to but not yet receiving benefits	48	14
Active employees	<u>205</u>	<u>172</u>
Total	<u>298</u>	<u>191</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, 2016, are indicated below. Rates are a percentage of active members' annual covered payroll.

	<u>Police</u>	<u>Fire</u>
Active members – pension	11.65%	11.65%
Gilbert:		
Pension	22.13%	14.76%
Health insurance	0.36%	0.37%

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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, 2016, were as follows (actual contributions made exceeded the annual pension/OPEB cost due to a prepayment) (100% from the general fund):

	<u>Police</u>	<u>Fire</u>
Pension:		
Contributions made	\$4,384,960	\$3,033,657
Health insurance premium benefit:		
Contributions made	\$ 64,377	\$ 54,820

Pension Liability – At June 30, 2016, Gilbert reported \$41,229,275 in net pension liability. The net pension liabilities were measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments changed the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2%. The change in Gilbert's net pension liability as a result of the statutory adjustments is not known.

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

Actuarial valuation date	June 30, 2015
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, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

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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 Geometric Real Rate of Return
U.S. equity	16%	6.23%
Non-U.S. equity	14%	8.25%
Credit opportunities	13%	7.08%
Private equity	11%	9.50%
Real estate	10%	4.48%
Global tactical asset allocation	10%	4.38%
Real assets	8%	4.77%
Fixed income	7%	2.92%
Risk parity	4%	5.13%
Absolute return	5%	4.11%
Short term investments	2%	0.75%
Total	<u>100%</u>	

Pension Discount Rates – The discount rate used to measure the total pension liability was 7.85%. The projection of cash flows used to determine the 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, 2015	\$83,549,777	\$53,976,807	\$29,572,970
Changes for the year:			
Service cost	3,570,214		3,570,214
Interest on the total pension liability	6,604,564		6,604,564
Difference between expected and actual experience in the measurement of the total pension liability	713,111		713,111
Contributions – employer		3,280,061	(3,280,061)
Contributions – employee		2,107,439	(2,107,439)
Net investment income		2,037,534	(2,037,534)
Benefit payments, including refunds of employee contributions	(2,400,631)	(2,400,631)	
Administrative expenses		(50,099)	50,099
Other changes		75,447	(75,447)
Net changes	<u>8,487,258</u>	<u>5,049,751</u>	<u>3,437,507</u>
Balances at June 30, 2016	<u>\$92,037,035</u>	<u>\$59,026,558</u>	<u>\$33,010,477</u>

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Fire:

	Increase/Decrease		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2015	\$51,464,815	\$43,802,010	\$7,662,805
Changes for the year:			
Service cost	2,785,128		2,785,128
Interest on the total pension liability	4,138,400		4,138,400
Difference between expected and actual experience in the measurement of the total pension liability	(1,235,512)		(1,235,512)
Contributions – employer		1,845,382	(1,845,382)
Contributions – employee		1,903,578	(1,903,578)
Net investment income		1,653,304	(1,653,304)
Benefit payments, including refunds of employee contributions	(277,805)	(277,805)	
Administrative expenses		(40,728)	40,728
Other changes		(229,513)	229,513
Net changes	5,410,211	4,854,218	559,993
Balances at June 30, 2016	\$56,875,026	\$48,656,228	\$8,218,798

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 (6.85%) or 1 percentage point higher (8.85%) than the current rate:

	1% Decrease (6.85%)	Current Discount Rate (7.85%)	1% Increase (8.85%)
Police			
Net pension liability	\$46,124,588	\$33,010,477	\$22,249,493
Fire			
Net pension liability	\$16,998,016	\$ 8,218,798	\$ 1,007,428

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, 2016, Gilbert recognized \$5,029,498 as pension expense for Police and \$2,045,469 as pension expense for Fire.

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Pension Deferred Outflows/Inflows of Resources – At June 30, 2016, 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	\$ 2,359,075	-
Changes of assumptions or other inputs	3,873,482	-
Net difference between projected and actual earnings on pension plan investments	276,660	-
Gilbert contributions subsequent to the measurement date	<u>4,449,337</u>	<u>-</u>
Total	<u>\$10,958,554</u>	<u>-</u>

Fire:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$1,818,076	\$1,114,230
Changes of assumptions or other inputs	1,078,441	-
Net difference between projected and actual earnings on pension plan investments	266,604	-
Gilbert contributions subsequent to the measurement date	<u>3,088,477</u>	<u>-</u>
Total	<u>\$6,251,598</u>	<u>\$1,114,230</u>

The \$4,449,337 for Police and the \$3,088,477 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, 2017. 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>
2017	\$1,208,372	\$ 182,594
2018	1,208,372	182,594
2019	1,208,371	182,595
2020	1,734,252	603,270
2021	1,088,350	221,112
Thereafter	61,499	676,727

Agent Plan OPEB Actuarial Assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2016, were established by the June 30, 2014, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and 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.

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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 2016 contribution requirements, are as follows:

Actuarial valuation date	June 30, 2014
Actuarial cost method	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; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4%-8%
Wage growth	4%

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:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
June 30, 2016	\$64,377	100.0%	\$-0-
June 30, 2015	48,585	100.0%	-0-
June 30, 2014	59,333	100.0%	-0-

Fire:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
June 30, 2016	\$54,820	100.0%	\$-0-
June 30, 2015	35,372	100.0%	-0-
June 30, 2014	38,139	100.0%	-0-

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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, 2016.

	<u>Police</u>	<u>Fire</u>
Actuarial value of assets (a)	\$ 2,150,297	\$ 1,349,131
Actuarial accrued liability (b)	2,346,071	1,688,437
Unfunded actuarial accrued liability (funding excess) (b) - (a)	195,774	339,306
Funded ratio (a) / (b)	91.66%	79.90%
Annual covered payroll (c)	\$17,784,704	\$14,459,743
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) – (a) / (c)	1.10%	2.35%

The actuarial methods and assumptions for the most recent valuation date are as follows:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Individual entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	21 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 2016. Administrative costs are financed through investment earnings. There is only one remaining pensioner receiving retirement benefits from the Fund.

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Note 12 - 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 subject to approval by the Town Council. As of June 30, 2016, 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 104.5% 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, 2016, retirees contributed \$359,890 and Gilbert contributed \$185,952 (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, 2016:

Annual Required Contribution (ARC)	\$1,636,644
ARC Adjustment	(93,097)
Interest on the Net OPEB Obligation	<u>62,026</u>
Annual OPEB Cost	\$1,605,573
Contributions Made	<u>(185,952)</u>
Increase in Net OPEB Obligation	\$1,419,621
Net OPEB Obligation – Beginning of year	<u>1,772,182</u>
Net OPEB Obligation – End of year	<u>\$3,191,803</u>

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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, 2016 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2016	\$1,605,573	\$185,952	11.58%	\$3,191,803
2015	1,367,779	478,335	34.97%	1,772,181
2014	523,273	70,896	13.55%	882,737

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	(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)
July 1 2015	\$ -0-	\$12,952,570	\$(12,952,570)	0.0%	\$70,730,330	(18.31)%
July 1 2014	\$ -0-	10,619,282	(10,619,282)	0.0%	68,126,846	(15.59)%

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 for the legacy plan of 8.0% initially, reduced by decrements to an ultimate rate of 5.0% after 7 years; an annual medical healthcare cost trend for the preferred plan of -7.10% initially, 7.50% after 2 years, then reduced by decrements to an ultimate rate of 5.0% after 7 years; an annual dental healthcare cost trend rate of 4.25% initially, reduced to 3.0% after 7 years; and an inflation rate of 3%.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

Note 13 - Capital Contributions

During the year ended June 30, 2016, the Enterprise funds external capital contributions consisted of the following:

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Contributions from developers	\$13,274,128	\$ 7,529,858	\$20,803,986
Development fees	14,226,464	8,531,941	22,758,405
Total	<u>\$27,500,592</u>	<u>\$16,061,799</u>	<u>\$43,562,391</u>

Note 14 – Settlement Revenue

During the year ended June 30, 2016, Gilbert received \$13,500,000 in revenue resulting from the settlement of a lawsuit regarding some park related construction in 2007. The settlement revenue is classified under miscellaneous revenue in the general fund and outside sources fund of \$2,140,250 and \$11,359,750, respectively.

Note 15 – Interfund Transfers

As of June 30, 2016, interfund transfers were as follows:

	<u>Transfers-In</u>	<u>Transfers-Out</u>
Governmental funds:		
General fund	\$ 1,122,877	\$ 5,920,012
Streets special revenue	50,000	4,148,419
General debt service	20,215,466	-
System development fees	-	11,176,008
Other governmental funds	17,819	141,019
Total governmental funds	<u>21,406,162</u>	<u>21,385,458</u>
Enterprise funds:		
Water	-	890,454
Wastewater	792,060	-
Total enterprise funds	<u>792,060</u>	<u>890,454</u>
Internal service funds:		
Copier services	77,690	-
Total internal service funds	<u>77,690</u>	<u>-</u>
 Total transfers	 <u>\$22,275,912</u>	 <u>\$22,275,912</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 2016 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

Note 16 - Individual Fund Disclosures

Individual funds with deficiencies in fund balance/net position at June 30, 2016, were as follows:

<u>Special revenue funds</u>	
Streetlight improvement district	\$ 16,750
 <u>Internal service funds</u>	
Equipment maintenance	\$1,266,953

The deficiency in the streetlight improvement district fund of the special revenue funds will be eliminated through property tax levies against benefited property owners.

The deficiency in the equipment maintenance fund of the internal service funds is due to the net pension liability.

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.

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 \$115,940,000 in utility system revenue bonds and revenue refunding bonds issued in 2016. Proceeds from the utility system revenue bonds provided financing for water and wastewater system improvements and the proceeds from the revenue refunding bonds were used to advance refund \$75,326,000 of outstanding 2007 utility system revenue bonds. The bonds are payable from water system development fees revenue and water and wastewater net revenues and are payable through 2036. 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 \$163,109,458. Principal and interest paid for the current year was \$10,323,019 (of which \$1,365,000 in principal was an advance defeasance). Additional principal and interest in the amount of \$18,394,912 was paid on the 2007 utility system revenue bonds during the refunding (see Note 10 for additional information on the refunding bonds). Total water system development fees revenue was \$11,873,824 and water and wastewater net revenues were \$22,539,958.

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 9 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 25 percent of revenues. The total principal and interest remaining to be paid on the bonds is \$10,236,000. Principal and interest paid for the current year was \$3,395,050, and the total street and highway revenues were \$13,588,215.

**TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016**

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 in 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. In addition, Gilbert has pledged future excise taxes and state-shared revenues to repay \$36,980,000 in revenue obligations issued in 2015. Proceeds from the obligations provided financing of the design and construction of a four-story building for use as a satellite campus. Annual principal and interest payments on the bonds and obligations are expected to require less than 12 percent of excise taxes and state-shared revenues. The total principal and interest remaining to be paid on the bonds and obligations is \$204,713,250. Principal and interest paid for the current year was \$15,457,791, and the total excise taxes and state-shared revenues were \$133,104,631.

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, 2016, was:

Mesa's Share	\$ 57,111,873
Gilbert's Share	58,602,201
Queen Creek's Share	<u>24,095,433</u>
Total	<u>\$139,809,507</u>

Construction for the Phase I of a joint water treatment plant with the City of Chandler was completed in fiscal year 2009 and construction for Phase II began in fiscal year 2015. Phase I of the plant treats 12 million gallons per day each for Gilbert and Chandler. When complete, the Phase II will also treat 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, 2016, was:

Gilbert's Share	\$ 65,622,092
Chandler's Share	<u>59,317,819</u>
Total	<u>\$124,939,911</u>

TOWN OF GILBERT, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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 and October 26, 2015, Rio Verde Fire District and Fort McDowell Yavapai Nation, respectively, 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, 2016, was:

Mesa's Share	\$4,993,312
Gilbert's Share	253,734
Apache Junction's Share	410,989
Superstition F&M's Share	100,983
Queen Creek's Share	68,761
Rio Verde FD's Share	<u>9,767</u>
Total	<u>\$5,837,546</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

Schedule of the Proportionate Share of the Net Pension Liability:

Arizona State Retirement System

	Fiscal Year		
	2016	2015	2014 through 2006
Proportion of the net pension liability	0.49%	0.47%	Information not available
Proportionate share of the net pension liability	\$75,695,863	\$69,412,268	Information not available
Covered payroll (1)	\$43,765,044	\$42,295,765	
Proportionate share of the net pension liability as a percentage of its covered payroll	172%	164%	
Plan fiduciary net position as a percentage of the total pension liability	68.35%	69.49%	

(1) The covered payroll amount will be as of the measurement date of the net pension liability. For fiscal year 2016, the measurement date of the net pension liability is June 30, 2015. See also Note 11.

TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

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

Public Safety Personnel Retirement System – Police

	Fiscal Year		2014 through 2006
	2016	2015	
Total pension liability:			
Service cost	\$ 3,570,214	\$ 3,293,404	Information not available
Interest on the total pension liability	6,604,564	5,414,469	
Changes in benefit terms	-	605,849	
Differences between expected and actual experience in the measurement of the total pension liability	713,111	2,479,128	
Changes of assumptions or other inputs	-	5,473,070	
Benefit payments, including refunds of employee contributions	<u>(2,400,631)</u>	<u>(2,087,138)</u>	
Net change in total pension liability	8,487,258	15,178,782	
Total pension liability – beginning	<u>83,549,777</u>	<u>68,370,995</u>	
Total pension liability – ending (a)	<u>\$92,037,035</u>	<u>\$83,549,777</u>	
Plan fiduciary net position:			
Contributions – employer	\$ 3,280,061	\$ 3,103,356	
Contributions – employee	2,107,439	2,088,159	
Net investment income	2,037,534	6,306,779	
Benefit payments, including refunds of employee contributions	(2,400,631)	(2,087,138)	
Administrative expense	(50,099)	(50,793)	
Other changes	<u>75,447</u>	<u>49,298</u>	
Net change in plan fiduciary net position	5,049,751	9,409,661	
Plan fiduciary net position – beginning	<u>53,976,807</u>	<u>44,567,146</u>	
Plan fiduciary net position – ending (b)	<u>\$59,026,558</u>	<u>\$53,976,807</u>	
Net pension liability – ending (a) – (b)	<u>\$33,010,477</u>	<u>\$29,572,970</u>	
Plan fiduciary net position as a percentage of the total pension liability	64.13%	64.60%	
Covered payroll (1)	\$19,071,843	\$18,990,156	
Gilbert's net pension liability as a percentage of covered payroll	173.08%	155.73%	

(1) The covered payroll amount will be as of the measurement date of the net pension liability. For fiscal year 2016, the measurement date of the net pension liability is June 30, 2015. See also Note 11.

TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

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

Public Safety Personnel Retirement System – Fire

	Fiscal Year		2014 through 2006
	2016	2015	
Total pension liability:			
Service cost	\$ 2,785,128	\$ 2,545,607	Information not available
Interest on the total pension liability	4,138,400	3,408,433	
Changes in benefit terms	-	(131,651)	
Differences between expected and actual experience in the measurement of the total pension liability	(1,235,512)	2,247,902	
Changes of assumptions or other inputs	-	1,333,403	
Benefit payments, including refunds of employee contributions	<u>(277,805)</u>	<u>(171,217)</u>	
Net change in total pension liability	5,410,211	9,232,477	
Total pension liability – beginning	<u>51,464,815</u>	<u>42,232,338</u>	
Total pension liability – ending (a)	<u>\$56,875,026</u>	<u>\$51,464,815</u>	
Plan fiduciary net position:			
Contributions – employer	\$ 1,845,382	\$ 1,954,145	
Contributions – employee	1,903,578	1,667,772	
Net investment income	1,653,304	5,045,090	
Benefit payments, including refunds of employee contributions	(277,805)	(171,217)	
Administrative expense	(40,728)	(40,631)	
Other changes	<u>(229,513)</u>	<u>-</u>	
Net change in plan fiduciary net position	4,854,218	8,455,159	
Plan fiduciary net position – beginning	<u>43,802,010</u>	<u>35,346,851</u>	
Plan fiduciary net position – ending (b)	<u>\$48,656,228</u>	<u>\$43,802,010</u>	
Net pension liability – ending (a) – (b)	<u>\$ 8,218,798</u>	<u>\$ 7,662,805</u>	
Plan fiduciary net position as a percentage of the total pension liability	85.55%	85.11%	
Covered payroll (1)	\$15,274,115	\$15,508,151	
Gilbert's net pension liability as a percentage of covered payroll	53.81%	49.41%	

(1) The covered payroll amount will be as of the measurement date of the net pension liability. For fiscal year 2016, the measurement date of the net pension liability is June 30, 2015. See also Note 11.

**TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016**

Schedule of Pension Contributions:

Arizona State Retirement System

	Fiscal Year				
	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 5,278,569	\$ 5,137,457	\$ 4,763,978	\$ 4,162,425	\$ 3,880,631
Contributions in relation to the actuarially determined contributions	<u>5,278,569</u>	<u>5,137,457</u>	<u>4,763,978</u>	<u>4,162,425</u>	<u>3,880,631</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$45,764,166	\$43,765,044	\$42,295,765	\$38,356,312	\$36,582,049
Contributions as a percentage of covered payroll	11.53%	11.74%	11.26%	10.85%	10.61%

	Fiscal Year				
	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 3,448,898	\$ 3,329,705	\$ 3,407,288	\$ 3,546,148	\$ 2,933,481
Contributions in relation to the actuarially determined contributions	<u>3,448,898</u>	<u>3,329,705</u>	<u>3,407,288</u>	<u>3,546,148</u>	<u>2,993,481</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$37,474,457	\$37,007,042	\$38,106,015	\$38,803,852	\$33,803,833
Contributions as a percentage of covered payroll	9.20%	9.0%	8.94%	9.14%	8.68%

**TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016**

Schedule of Pension Contributions:**Public Safety Retirement System - Police**

	Fiscal Year				
	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 4,021,770	\$ 3,414,607	\$ 3,231,755	\$ 2,930,117	\$ 2,384,390
Contributions in relation to the actuarially determined contributions	<u>4,449,337</u>	<u>3,414,607</u>	<u>3,231,755</u>	<u>2,930,117</u>	<u>2,384,390</u>
Contribution deficiency (excess)	<u>\$ (427,567)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$19,247,567	\$19,071,843	\$18,990,156	\$17,477,557	\$16,492,849
Contributions as a percentage of covered payroll	20.89%	17.90%	17.02%	16.77%	14.46%

	Fiscal Year				
	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 2,239,987	\$ 2,330,954	\$ 2,540,087	\$ 1,626,604	\$ 1,245,928
Contributions in relation to the actuarially determined contributions	<u>2,239,987</u>	<u>2,330,954</u>	<u>2,540,087</u>	<u>1,626,604</u>	<u>1,245,928</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$16,550,117	\$16,686,272	\$17,138,480	\$16,159,092	\$14,272,140
Contributions as a percentage of covered payroll	13.54%	13.97%	14.82%	10.07%	8.73%

Public Safety Retirement System - Fire

	Fiscal Year				
	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 2,241,688	\$ 1,982,159	\$ 2,037,266	\$ 1,793,907	\$ 1,479,746
Contributions in relation to the actuarially determined contributions	<u>3,088,477</u>	<u>1,982,159</u>	<u>2,037,266</u>	<u>1,793,907</u>	<u>1,479,746</u>
Contribution deficiency (excess)	<u>\$ (846,789)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$15,444,728	\$15,274,115	\$15,508,151	\$13,954,822	\$13,335,971
Contributions as a percentage of covered payroll	14.51%	12.98%	13.14%	12.86%	11.10%

	Fiscal Year				
	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 1,422,964	\$ 1,446,837	\$ 1,528,199	\$ 1,099,558	\$ 664,443
Contributions in relation to the actuarially determined contributions	<u>1,422,964</u>	<u>1,446,837</u>	<u>1,528,199</u>	<u>1,099,558</u>	<u>664,443</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$13,220,688	\$12,186,063	\$12,476,282	\$12,766,878	\$10,737,465
Contributions as a percentage of covered payroll	10.76%	11.87%	12.25%	8.61%	6.19%

**TOWN OF GILBERT, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016**

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 2014 actuarial valuation	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value, 80%/120% market 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 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%.
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. 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 the 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, 2016**

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 (1)	Actuarial Accrued Liability (AAL) (2)	Unfunded AAL (1)-(2)	Fund Ratio (1)/(2)	Annual Covered Payroll	Unfunded AAL As Percentage of Covered Payroll (3)/(5)
2016	\$2,150,297	\$2,346,071	\$(195,774)	91.66%	\$17,784,704	(1.10)%
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)%

**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 (1)	Actuarial Accrued Liability (AAL) (2)	Unfunded AAL (1)-(2)	Fund Ratio (1)/(2)	Annual Covered Payroll	Unfunded AAL As Percentage of Covered Payroll (3)/(5)
2016	\$1,349,131	\$1,688,437	\$(339,306)	79.90%	\$14,459,743	(2.35)%
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)%

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, 2016**

	Special Revenue				
	Grants	Other Special Revenue	CDBG/HOME	Street Light Improvement District	Parkway Maintenance District
ASSETS					
Pooled cash and investments	\$ 1,148,056	\$ 1,377,093	\$ 12,357	\$ -	\$ 223,970
Receivables, net:					
Taxes	-	-	-	12,802	6,518
Accrued interest	2,425	3,429	-	-	308
Accounts	-	53,030	-	-	-
Due from other governments	191,380	834,603	183,210	-	-
Inventories	-	-	-	-	4,138
Restricted assets:					
Cash and investments	-	-	-	-	-
Accrued interest	-	-	-	-	-
Total assets	<u>\$ 1,341,861</u>	<u>\$ 2,268,155</u>	<u>\$ 195,567</u>	<u>\$ 12,802</u>	<u>\$ 234,934</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 237,615	\$ 51,456	\$ 44,716	\$ -	\$ 25,290
Accrued liabilities	3,227	37,407	7,645	-	4,559
Deposits held for others	-	-	-	-	-
Due to other funds	-	-	133,406	29,552	-
Unearned revenue	-	13,564	-	-	-
Total liabilities	<u>240,842</u>	<u>102,427</u>	<u>185,767</u>	<u>29,552</u>	<u>29,849</u>
Fund Balances:					
Nonspendable	-	-	-	-	4,138
Restricted	1,101,019	2,185,839	12,357	-	200,947
Assigned	-	-	-	-	-
Unassigned	-	(20,111)	(2,557)	(16,750)	-
Total fund balances	<u>1,101,019</u>	<u>2,165,728</u>	<u>9,800</u>	<u>(16,750)</u>	<u>205,085</u>
Total liabilities and fund balances	<u>\$ 1,341,861</u>	<u>\$ 2,268,155</u>	<u>\$ 195,567</u>	<u>\$ 12,802</u>	<u>\$ 234,934</u>

Capital Projects			
Outside Sources	Prop 400	Municipal Property Corporation	Total Nonmajor Governmental Funds
\$ 20,274,595	\$ 15,202,440	\$ -	\$ 38,238,511
-	-	-	19,320
31,844	24,197	-	62,203
-	-	-	53,030
-	-	-	1,209,193
-	-	-	4,138
-	-	331,421	331,421
-	-	7	7
<u>\$ 20,306,439</u>	<u>\$ 15,226,637</u>	<u>\$ 331,428</u>	<u>\$ 39,917,823</u>
\$ 14,008	\$ 119,680	\$ 741	\$ 493,506
-	-	-	52,838
639,239	-	-	639,239
-	-	-	162,958
-	-	-	13,564
<u>653,247</u>	<u>119,680</u>	<u>741</u>	<u>1,362,105</u>
-	-	-	4,138
-	15,106,957	330,687	18,937,806
19,653,192	-	-	19,653,192
-	-	-	(39,418)
<u>19,653,192</u>	<u>15,106,957</u>	<u>330,687</u>	<u>38,555,718</u>
<u>\$ 20,306,439</u>	<u>\$ 15,226,637</u>	<u>\$ 331,428</u>	<u>\$ 39,917,823</u>

TOWN OF GILBERT, ARIZONA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue				
	Grants	Other Special Revenue	CDBG/HOME	Street Light Improvement District	Parkway Maintenance District
Revenues					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ 1,730,607	\$ 845,740
Intergovernmental	1,160,155	20,000	603,758	-	-
Charges for services	-	1,428,661	-	-	-
Other entities' participation	-	-	-	-	-
Gifts and donations	-	162,693	-	-	-
Fines and forfeitures	-	591,303	-	-	-
Investment earnings	14,291	23,932	12	-	2,004
Miscellaneous	-	67,000	-	-	-
Total revenues	<u>1,174,446</u>	<u>2,293,589</u>	<u>603,770</u>	<u>1,730,607</u>	<u>847,744</u>
Expenditures					
Current:					
General government:					
Management and policy	-	23,306	581,359	-	-
Court	-	371,199	-	-	-
Public safety:					
Police	353,195	1,395,015	-	-	-
Fire	114,610	25,341	-	-	-
Highways and streets	-	-	-	1,780,370	-
Parks and recreation	-	-	-	-	854,888
Transportation	695,752	-	-	-	-
Non departmental	-	49,884	-	-	-
Debt service:					
Fiscal and other charges	-	-	-	-	-
Capital outlay	347,537	-	25,288	-	-
Total expenditures	<u>1,511,094</u>	<u>1,864,745</u>	<u>606,647</u>	<u>1,780,370</u>	<u>854,888</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(336,648)</u>	<u>428,844</u>	<u>(2,877)</u>	<u>(49,763)</u>	<u>(7,144)</u>
Other financing sources (uses)					
Transfers in	-	-	13,394	-	-
Transfers out	-	(141,019)	-	-	-
Total other financing sources and uses	<u>-</u>	<u>(141,019)</u>	<u>13,394</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(336,648)	287,825	10,517	(49,763)	(7,144)
Fund balances at beginning of year	1,437,667	1,877,903	(717)	33,013	212,229
Fund balances at end of year	<u>\$ 1,101,019</u>	<u>\$ 2,165,728</u>	<u>\$ 9,800</u>	<u>\$ (16,750)</u>	<u>\$ 205,085</u>

Capital Projects

<u>Outside Sources</u>	<u>Prop 400</u>	<u>Municipal Property Corporation</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 2,576,347
174,257	4,703,074	-	6,661,244
-	-	-	1,428,661
581,760	-	-	581,760
-	-	-	162,693
-	-	-	591,303
176,050	126,207	233	342,729
11,359,750	-	-	11,426,750
<u>12,291,817</u>	<u>4,829,281</u>	<u>233</u>	<u>23,771,487</u>
-	-	-	604,665
-	-	-	371,199
-	-	-	1,748,210
-	-	-	139,951
-	-	-	1,780,370
5,125	-	-	860,013
-	-	-	695,752
-	-	-	49,884
-	-	5,166	5,166
129,278	2,944,931	108,746	3,555,780
<u>134,403</u>	<u>2,944,931</u>	<u>113,912</u>	<u>9,810,990</u>
<u>12,157,414</u>	<u>1,884,350</u>	<u>(113,679)</u>	<u>13,960,497</u>
-	-	4,425	17,819
-	-	-	(141,019)
-	-	4,425	(123,200)
12,157,414	1,884,350	(109,254)	13,837,297
7,495,778	13,222,607	439,941	24,718,421
<u>\$ 19,653,192</u>	<u>\$ 15,106,957</u>	<u>\$ 330,687</u>	<u>\$ 38,555,718</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 8,578,510	\$ 8,578,510	\$ 1,160,155	\$ (7,418,355)
Investment earnings	-	-	14,291	14,291
Total revenues	<u>8,578,510</u>	<u>8,578,510</u>	<u>1,174,446</u>	<u>(7,404,064)</u>
Expenditures				
Current:				
General government:				
Management and policy	32,570	32,570	-	32,570
Public safety:				
Police	172,470	457,345	353,195	104,150
Fire	202,000	319,195	114,610	204,585
Transportation	715,020	715,020	695,752	19,268
Capital outlay	2,556,470	3,155,825	347,537	2,808,288
Contingency	5,000,000	1,090,946	-	1,090,946
Total expenditures	<u>8,678,530</u>	<u>5,770,901</u>	<u>1,511,094</u>	<u>4,259,807</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(100,020)</u>	<u>2,807,609</u>	<u>(336,648)</u>	<u>(3,144,257)</u>
Net change in fund balances	<u><u>\$ (100,020)</u></u>	<u><u>\$ 2,807,609</u></u>	<u>(336,648)</u>	<u><u>\$ (3,144,257)</u></u>
Fund balance at beginning of year			<u>1,437,667</u>	
Fund balance at end of year			<u><u>\$ 1,101,019</u></u>	

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 20,000	\$ 20,000
Charges for services	1,488,090	1,488,090	1,428,661	(59,429)
Gifts and donations	1,137,390	1,137,390	162,693	(974,697)
Fines and forfeitures	561,000	561,000	591,303	30,303
Investment earnings	-	-	23,932	23,932
Miscellaneous	-	-	67,000	67,000
Total revenues	3,186,480	3,186,480	2,293,589	(892,891)
Expenditures				
Current:				
General government:				
Management and policy	268,700	187,100	23,306	163,794
Court	588,400	588,400	371,199	217,201
Public safety:				
Police	1,843,800	1,913,800	1,395,015	518,785
Fire	48,000	51,500	25,341	26,159
Parks and recreation	43,000	43,000	-	43,000
Non departmental	49,890	49,890	49,884	6
Capital outlay	-	81,600	-	81,600
Contingency	1,000,000	104,115	-	104,115
Total expenditures	3,841,790	3,019,405	1,864,745	1,154,660
Excess (deficiency) of revenues over (under) expenditures	(655,310)	167,075	428,844	261,769
Other financing uses				
Transfers out	(185,920)	(185,920)	(141,019)	44,901
Total other financing uses	(185,920)	(185,920)	(141,019)	44,901
Net change in fund balances	\$ (841,230)	\$ (18,845)	287,825	\$ 306,670
Fund balance at beginning of year			1,877,903	
Fund balance at end of year			\$ 2,165,728	

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 1,895,160	\$ 1,895,160	\$ 603,758	\$ (1,291,402)
Investment earnings	-	-	12	12
Total revenues	<u>1,895,160</u>	<u>1,895,160</u>	<u>603,770</u>	<u>(1,291,390)</u>
Expenditures				
Current:				
General government:				
Management and policy	1,895,160	1,007,620	581,359	426,261
Capital outlay	-	887,540	25,288	862,252
Total expenditures	<u>1,895,160</u>	<u>1,895,160</u>	<u>606,647</u>	<u>1,288,513</u>
Deficiency of revenues under expenditures	<u>-</u>	<u>-</u>	<u>(2,877)</u>	<u>(2,877)</u>
Other financing sources				
Transfers in	-	-	13,394	13,394
Total other financing sources	<u>-</u>	<u>-</u>	<u>13,394</u>	<u>13,394</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	10,517	<u>\$ 10,517</u>
Fund deficit at beginning of year			<u>(717)</u>	
Fund balance at end of year			<u>\$ 9,800</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,731,680	\$ 1,731,680	\$ 1,730,607	\$ (1,073)
Total revenues	<u>1,731,680</u>	<u>1,731,680</u>	<u>1,730,607</u>	<u>(1,073)</u>
Expenditures				
Current:				
Highways and streets	1,825,450	1,825,450	1,780,370	45,080
Total expenditures	<u>1,825,450</u>	<u>1,825,450</u>	<u>1,780,370</u>	<u>45,080</u>
Deficiency of revenues under expenditures	<u>(93,770)</u>	<u>(93,770)</u>	<u>(49,763)</u>	<u>44,007</u>
Net change in fund balances	<u>\$ (93,770)</u>	<u>\$ (93,770)</u>	(49,763)	<u>\$ 44,007</u>
Fund balance at beginning of year			33,013	
Fund deficit at end of year			<u>\$ (16,750)</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, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 839,640	\$ 839,640	\$ 845,740	\$ 6,100
Investment earnings	-	-	2,004	2,004
Total revenues	<u>839,640</u>	<u>839,640</u>	<u>847,744</u>	<u>8,104</u>
Expenditures				
Current:				
Parks and recreation	1,033,960	1,033,960	854,888	179,072
Total expenditures	<u>1,033,960</u>	<u>1,033,960</u>	<u>854,888</u>	<u>179,072</u>
Deficiency of revenues under expenditures	<u>(194,320)</u>	<u>(194,320)</u>	<u>(7,144)</u>	<u>187,176</u>
Net change in fund balances	<u>\$ (194,320)</u>	<u>\$ (194,320)</u>	<u>(7,144)</u>	<u>\$ 187,176</u>
Fund balance at beginning of year			212,229	
Fund balance at end of year			<u>\$ 205,085</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, 2016

	<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	\$ 21,200,000	\$ 21,200,000	\$ 19,423,566	\$ (1,776,434)
Investment earnings	100,000	100,000	267,848	167,848
Total revenues	<u>21,300,000</u>	<u>21,300,000</u>	<u>19,691,414</u>	<u>(1,608,586)</u>
Expenditures				
Debt service:				
Principal	28,310,000	28,310,000	28,310,000	-
Interest	11,541,780	11,541,780	11,541,775	5
Fiscal and other charges	3,250	3,250	1,310	1,940
Total expenditures	<u>39,855,030</u>	<u>39,855,030</u>	<u>39,853,085</u>	<u>1,945</u>
Deficiency of revenues under expenditures	<u>(18,555,030)</u>	<u>(18,555,030)</u>	<u>(20,161,671)</u>	<u>(1,606,641)</u>
Other financing sources				
Transfers in	20,214,790	20,214,790	20,215,466	676
Total other financing sources	<u>20,214,790</u>	<u>20,214,790</u>	<u>20,215,466</u>	<u>676</u>
Net change in fund balances	<u>\$ 1,659,760</u>	<u>\$ 1,659,760</u>	53,795	<u>\$ (1,605,965)</u>
Fund balance at beginning of year			14,932,788	
Fund balance at end of year			<u>\$ 14,986,583</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, 2016

	<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	\$ 7,000,060	\$ 7,000,060	\$ 2,232,678	\$ (4,767,382)
Investment earnings	-	-	4,197	4,197
Total revenues	<u>7,000,060</u>	<u>7,000,060</u>	<u>2,236,875</u>	<u>(4,763,185)</u>
Expenditures				
Debt service:				
Principal	6,060,000	6,056,150	1,795,000	4,261,150
Interest	446,670	446,670	394,755	51,915
Fiscal and other charges	8,800	12,650	6,534	6,116
Total expenditures	<u>6,515,470</u>	<u>6,515,470</u>	<u>2,196,289</u>	<u>4,319,181</u>
Excess of revenues over expenditures	<u>484,590</u>	<u>484,590</u>	<u>40,586</u>	<u>(444,004)</u>
Net change in fund balances	<u><u>\$ 484,590</u></u>	<u><u>\$ 484,590</u></u>	<u>40,586</u>	<u><u>\$ (444,004)</u></u>
Fund balance at beginning of year			<u>33,734</u>	
Fund balance at end of year			<u><u>\$ 74,320</u></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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 174,257	\$ 174,257
Other entities' participation	12,590,000	12,590,000	581,760	(12,008,240)
Investment earnings	-	-	176,050	176,050
Miscellaneous	-	-	11,359,750	11,359,750
Total revenues	<u>12,590,000</u>	<u>12,590,000</u>	<u>12,291,817</u>	<u>(298,183)</u>
Expenditures				
Current:				
Parks and recreation	2,619,280	2,500,000	5,125	2,494,875
Capital outlay	10,109,280	10,320,784	129,278	10,191,506
Contingency	-	102,776	-	102,776
Total expenditures	<u>12,728,560</u>	<u>12,923,560</u>	<u>134,403</u>	<u>12,789,157</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(138,560)</u>	<u>(333,560)</u>	<u>12,157,414</u>	<u>12,490,974</u>
Net change in fund balances	<u>\$ (138,560)</u>	<u>\$ (333,560)</u>	<u>12,157,414</u>	<u>\$ 12,490,974</u>
Fund balance at beginning of year			<u>7,495,778</u>	
Fund balance at end of year			<u>\$ 19,653,192</u>	

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 2,407,000	\$ 2,407,000	\$ 4,703,074	\$ 2,296,074
Investment earnings	-	-	126,207	126,207
Total revenues	<u>2,407,000</u>	<u>2,407,000</u>	<u>4,829,281</u>	<u>2,422,281</u>
Expenditures				
Capital outlay	14,905,850	10,759,301	2,944,931	7,814,370
Contingency	-	4,146,549	-	4,146,549
Total expenditures	<u>14,905,850</u>	<u>14,905,850</u>	<u>2,944,931</u>	<u>11,960,919</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,498,850)</u>	<u>(12,498,850)</u>	<u>1,884,350</u>	<u>14,383,200</u>
Net change in fund balances	<u>\$ (12,498,850)</u>	<u>\$ (12,498,850)</u>	<u>1,884,350</u>	<u>\$ 14,383,200</u>
Fund balance at beginning of year			<u>13,222,607</u>	
Fund balance at end of year			<u>\$ 15,106,957</u>	

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, 2016

	<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	\$ -	\$ -	\$ 152,132	\$ 152,132
Miscellaneous	-	-	100	100
Total revenues	<u>-</u>	<u>-</u>	<u>152,232</u>	<u>152,232</u>
Expenditures				
Capital outlay	17,285,570	17,888,715	6,668,257	11,220,458
Contingency	-	128,749	-	128,749
Total expenditures	<u>17,285,570</u>	<u>18,017,464</u>	<u>6,668,257</u>	<u>11,349,207</u>
Deficiency of revenues under expenditures	<u>(17,285,570)</u>	<u>(18,017,464)</u>	<u>(6,516,025)</u>	<u>11,501,439</u>
Other financing sources				
General obligation bonds issued	48,040,000	48,040,000	-	(48,040,000)
Total other financing sources	<u>48,040,000</u>	<u>48,040,000</u>	<u>-</u>	<u>(48,040,000)</u>
Net change in fund balances	<u>\$ 30,754,430</u>	<u>\$ 30,022,536</u>	(6,516,025)	<u>\$ (36,538,561)</u>
Fund balance at beginning of year			19,219,844	
Fund balance at end of year			<u>\$ 12,703,819</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, 2016

	<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	\$ -	\$ -	\$ 233	\$ 233
Total revenues	<u>-</u>	<u>-</u>	<u>233</u>	<u>233</u>
Expenditures				
Debt service:				
Fiscal and other charges	8,750	8,750	5,166	3,584
Capital outlay	179,320	153,442	108,746	44,696
Contingency	-	25,878	-	25,878
Total expenditures	<u>188,070</u>	<u>188,070</u>	<u>113,912</u>	<u>74,158</u>
Deficiency of revenues under expenditures	<u>(188,070)</u>	<u>(188,070)</u>	<u>(113,679)</u>	<u>74,391</u>
Other financing sources				
Transfers in	8,840	8,840	4,425	(4,415)
Total other financing sources	<u>8,840</u>	<u>8,840</u>	<u>4,425</u>	<u>(4,415)</u>
Net change in fund balances	<u>\$ (179,230)</u>	<u>\$ (179,230)</u>	(109,254)	<u>\$ 69,976</u>
Fund balance at beginning of year			<u>439,941</u>	
Fund balance at end of year			<u>\$ 330,687</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, 2016

	<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	\$ 17,700,000	\$ 17,700,000	\$ 22,943,883	\$ 5,243,883
Investment earnings	80,000	80,000	389,185	309,185
Total revenues	<u>17,780,000</u>	<u>17,780,000</u>	<u>23,333,068</u>	<u>5,553,068</u>
Expenditures				
Capital outlay	5,067,060	3,585,568	1,938,467	1,647,101
Contingency	-	1,595,606	-	1,595,606
Total expenditures	<u>5,067,060</u>	<u>5,181,174</u>	<u>1,938,467</u>	<u>3,242,707</u>
Excess of revenues over expenditures	<u>12,712,940</u>	<u>12,598,826</u>	<u>21,394,601</u>	<u>8,795,775</u>
Other financing uses				
Transfers out	(11,084,830)	(11,084,830)	(11,176,008)	(91,178)
Total other financing uses	<u>(11,084,830)</u>	<u>(11,084,830)</u>	<u>(11,176,008)</u>	<u>(91,178)</u>
Net change in fund balances	<u>\$ 1,628,110</u>	<u>\$ 1,513,996</u>	10,218,593	<u>\$ 8,704,597</u>
Fund balance at beginning of year			5,576,224	
Fund balance at end of year			<u>\$ 15,794,817</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ -	\$ -	\$ 57,289	\$ 57,289
Total revenues	<u>-</u>	<u>-</u>	<u>57,289</u>	<u>57,289</u>
Expenditures				
Debt Service:				
Interest	2,018,230	2,018,230	1,836,814	181,416
Fiscal and other charges	2,000	2,000	24,000	(22,000)
Capital outlay	20,784,090	13,462,329	5,327,458	8,134,871
Contingency	-	7,321,761	-	7,321,761
Total expenditures	<u>22,804,320</u>	<u>22,804,320</u>	<u>7,188,272</u>	<u>15,616,048</u>
Deficiency of revenues under expenditures	<u>(22,804,320)</u>	<u>(22,804,320)</u>	<u>(7,130,983)</u>	<u>15,673,337</u>
Net change in fund balances	<u>\$ (22,804,320)</u>	<u>\$ (22,804,320)</u>	<u>(7,130,983)</u>	<u>\$ 15,673,337</u>
Fund balance at beginning of year			<u>12,635,183</u>	
Fund balance at end of year			<u>\$ 5,504,200</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, 2016

	<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	\$ 39,076,000	\$ 39,076,000	\$ 39,457,349	\$ 381,349
Other	40,000	40,000	84,038	44,038
Total operating revenues	<u>39,116,000</u>	<u>39,116,000</u>	<u>39,541,387</u>	<u>425,387</u>
Operating expenses				
General and administrative	1,931,790	2,813,352	1,388,144	1,425,208
Personal services	8,286,720	8,286,720	7,995,667	291,053
Operation and maintenance	17,215,710	16,509,671	14,493,958	2,015,713
Capital outlay	48,202,980	47,295,117	13,621,712	33,673,405
Allocation of indirect expenses	1,898,050	1,898,050	1,898,049	1
Debt service:				
Principal	8,275,000	23,632,490	22,898,980	733,510
Contingency	1,823,910	3,548,736	-	3,548,736
Total operating expenses	<u>87,634,160</u>	<u>103,984,136</u>	<u>62,296,510</u>	<u>41,687,626</u>
Operating loss	<u>(48,518,160)</u>	<u>(64,868,136)</u>	<u>(22,755,123)</u>	<u>42,113,013</u>
Nonoperating revenues (expenses)				
Intergovernmental	1,000,000	1,000,000	1,144,446	144,446
Interest expense	(4,228,250)	(6,164,830)	(5,793,878)	370,952
Investment earnings	625,000	625,000	1,402,631	777,631
Loss on sale of capital assets	-	-	(20,065)	(20,065)
Total nonoperating revenues (expenses)	<u>(2,603,250)</u>	<u>(4,539,830)</u>	<u>(3,266,866)</u>	<u>1,272,964</u>
Loss before capital contributions and transfers	(51,121,410)	(69,407,966)	(26,021,989)	43,385,977
Capital contributions	11,600,000	11,600,000	14,226,464	2,626,464
Transfers out	(905,000)	(905,000)	(890,454)	14,546
Change in net position	<u>\$ (40,426,410)</u>	<u>\$ (58,712,966)</u>	<u>(12,685,979)</u>	<u>\$ 46,026,987</u>

Explanation of difference between budgetary change in net position at June 30, 2016,
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, 2015	938,490
Less compensated absences at June 30, 2016	(1,038,263)
Add post-employment benefits at June 30, 2015	172,002
Less post-employment benefits at June 30, 2016	(316,978)

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

13,621,712

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

22,898,980

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

13,274,128

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

(12,148,611)

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

\$ 24,715,481

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, 2016

	<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	\$ 25,182,000	\$ 25,182,000	\$ 25,115,912	\$ (66,088)
Other	-	-	2,030	2,030
Total operating revenues	<u>25,182,000</u>	<u>25,182,000</u>	<u>25,117,942</u>	<u>(64,058)</u>
Operating expenses				
General and administrative	494,410	500,520	775,867	(275,347)
Personal services	3,765,510	3,765,510	3,756,324	9,186
Operation and maintenance	10,641,890	11,068,280	10,514,348	553,932
Capital outlay	21,360,290	24,753,792	3,257,855	21,495,937
Allocation of indirect expenses	989,610	989,610	989,609	1
Contingency	2,377,690	573,233	-	573,233
Total operating expenses	<u>39,629,400</u>	<u>41,650,945</u>	<u>19,294,003</u>	<u>22,356,942</u>
Operating income (loss)	<u>(14,447,400)</u>	<u>(16,468,945)</u>	<u>5,823,939</u>	<u>22,292,884</u>
Nonoperating revenues				
Investment earnings	320,000	320,000	993,895	673,895
Gain on sale of capital assets	-	-	8,003	8,003
Total nonoperating revenues	<u>320,000</u>	<u>320,000</u>	<u>1,001,898</u>	<u>681,898</u>
Income (loss) before capital contributions and transfers	(14,127,400)	(16,148,945)	6,825,837	22,974,782
Capital contributions	5,950,000	5,950,000	8,531,941	2,581,941
Transfers in	820,000	820,000	792,060	(27,940)
Change in net position	<u>\$ (7,357,400)</u>	<u>\$ (9,378,945)</u>	<u>16,149,838</u>	<u>\$ 25,528,783</u>

Explanation of difference between budgetary change in net position at June 30, 2016, 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, 2015	475,983
Less compensated absences at June 30, 2016	(489,327)
Add post-employment benefits at June 30, 2015	64,960
Less post-employment benefits at June 30, 2016	(114,272)

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

3,257,855

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

7,529,858

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

(10,266,894)

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

\$ 16,608,001

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, 2016

	<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	\$ 18,269,000	\$ 18,269,000	\$ 18,140,763	\$ (128,237)
Other	85,000	85,000	172,991	87,991
Total operating revenues	<u>18,354,000</u>	<u>18,354,000</u>	<u>18,313,754</u>	<u>(40,246)</u>
Operating expenses				
General and administrative	483,500	618,277	842,231	(223,954)
Personal services	7,109,520	7,014,520	6,733,756	280,764
Operation and maintenance	7,880,110	8,268,360	7,255,021	1,013,339
Capital outlay	9,178,420	9,190,750	5,492,088	3,698,662
Allocation of indirect expenses	978,720	978,720	978,718	2
Contingency	2,014,530	1,574,173	-	1,574,173
Total operating expenses	<u>27,644,800</u>	<u>27,644,800</u>	<u>21,301,814</u>	<u>6,342,986</u>
Operating loss	<u>(9,290,800)</u>	<u>(9,290,800)</u>	<u>(2,988,060)</u>	<u>6,302,740</u>
Nonoperating revenues				
Investment earnings	156,000	156,000	269,309	113,309
Gain on sale of capital assets	-	-	142,468	142,468
Total nonoperating revenues	<u>156,000</u>	<u>156,000</u>	<u>411,777</u>	<u>255,777</u>
Loss before transfers	(9,134,800)	(9,134,800)	(2,576,283)	6,558,517
Transfers in	<u>55,000</u>	<u>55,000</u>	<u>-</u>	<u>(55,000)</u>
Change in net position	<u>\$ (9,079,800)</u>	<u>\$ (9,079,800)</u>	<u>(2,576,283)</u>	<u>\$ 6,503,517</u>

Explanation of difference between budgetary change in net position at June 30, 2016,
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, 2015	470,840
Less compensated absences at June 30, 2016	(628,351)
Add post-employment benefits at June 30, 2015	121,176
Less post-employment benefits at June 30, 2016	(230,625)

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

5,492,088

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

(1,251,460)

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

\$ 1,397,385



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 (this fund was closed in fiscal year 2016).

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, 2016

	<u>Equipment Maintenance</u>	<u>Copier Services</u>	<u>Employee Benefit Self- Insurance</u>	<u>Total</u>
ASSETS				
Current assets:				
Pooled cash and investments	\$ 659,068	\$ -	\$ 1,903,663	\$ 2,562,731
Receivables (net):				
Accrued interest	469	-	1,958	2,427
Accounts	8,537	-	350,177	358,714
Inventories	526,979	-	-	526,979
Total current assets	<u>1,195,053</u>	<u>-</u>	<u>2,255,798</u>	<u>3,450,851</u>
Noncurrent assets:				
Capital assets:				
Property, plant and equipment	236,423	-	-	236,423
Less accumulated depreciation	<u>(230,044)</u>	<u>-</u>	<u>-</u>	<u>(230,044)</u>
Total capital assets (net)	<u>6,379</u>	<u>-</u>	<u>-</u>	<u>6,379</u>
Total assets	<u>1,201,432</u>	<u>-</u>	<u>2,255,798</u>	<u>3,457,230</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension-related items	<u>310,539</u>	<u>-</u>	<u>-</u>	<u>310,539</u>
Total deferred outflows of resources	<u>310,539</u>	<u>-</u>	<u>-</u>	<u>310,539</u>
LIABILITIES				
Current liabilities:				
Accounts payable	297,016	-	240	297,256
Accrued liabilities	61,566	-	-	61,566
Current portion of compensated absences	83,846	-	-	83,846
Claims payable	-	-	1,706,260	1,706,260
Due to other funds	-	-	1,200,000	1,200,000
Total current liabilities	<u>442,428</u>	<u>-</u>	<u>2,906,500</u>	<u>3,348,928</u>
Noncurrent liabilities:				
Long-term portion of compensated absences	105,262	-	-	105,262
Net pension liability	<u>2,063,177</u>	<u>-</u>	<u>-</u>	<u>2,063,177</u>
Total noncurrent liabilities	<u>2,168,439</u>	<u>-</u>	<u>-</u>	<u>2,168,439</u>
Total liabilities	<u>2,610,867</u>	<u>-</u>	<u>2,906,500</u>	<u>5,517,367</u>
DEFERRED INFLOWS OF RESOURCES				
Pension-related items	<u>168,057</u>	<u>-</u>	<u>-</u>	<u>168,057</u>
Total deferred inflows of resources	<u>168,057</u>	<u>-</u>	<u>-</u>	<u>168,057</u>
NET POSITION				
Net investment in capital assets	6,379	-	-	6,379
Unrestricted	<u>(1,273,332)</u>	<u>-</u>	<u>(650,702)</u>	<u>(1,924,034)</u>
Total net position	<u>\$ (1,266,953)</u>	<u>\$ -</u>	<u>\$ (650,702)</u>	<u>\$ (1,917,655)</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, 2016

	<u>Equipment Maintenance</u>	<u>Copier Services</u>	<u>Employee Benefit Self- Insurance</u>	<u>Total</u>
Operating revenues				
Charges for services	\$ 6,394,482	\$ -	\$ 15,610,144	\$ 22,004,626
Other	3,419	-	1,045,468	1,048,887
Total operating revenues	<u>6,397,901</u>	<u>-</u>	<u>16,655,612</u>	<u>23,053,513</u>
Operating expenses				
General and administrative	66,102	-	1,206,242	1,272,344
Personal services	1,809,993	-	-	1,809,993
Operation and maintenance	4,710,729	-	-	4,710,729
Claims Incurred	-	-	19,416,633	19,416,633
Depreciation	3,610	-	-	3,610
Total operating expenses	<u>6,590,434</u>	<u>-</u>	<u>20,622,875</u>	<u>27,213,309</u>
Operating loss	<u>(192,533)</u>	<u>-</u>	<u>(3,967,263)</u>	<u>(4,159,796)</u>
Nonoperating revenues (expenses)				
Investment earnings	1,742	-	10,386	12,128
Loss on sale of capital assets	-	(187,140)	-	(187,140)
Total nonoperating revenues (expenses)	<u>1,742</u>	<u>(187,140)</u>	<u>10,386</u>	<u>(175,012)</u>
Loss before transfers	(190,791)	(187,140)	(3,956,877)	(4,334,808)
Transfers in	-	77,690	-	77,690
Change in net position	(190,791)	(109,450)	(3,956,877)	(4,257,118)
Total net position, beginning of year	<u>(1,076,162)</u>	<u>109,450</u>	<u>3,306,175</u>	<u>2,339,463</u>
Total net position, end of year	<u>\$ (1,266,953)</u>	<u>\$ -</u>	<u>\$ (650,702)</u>	<u>\$ (1,917,655)</u>

TOWN OF GILBERT, ARIZONA
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2016

	Equipment Maintenance	Copier Services	Employee Benefit Self- Insurance	Total
Cash flows from operating activities:				
Other operating cash receipts	\$ 3,419	\$ -	\$ 805,700	\$ 809,119
Cash receipts from other funds for services	6,392,503	-	15,610,144	22,002,647
Cash payments to suppliers for goods and services	(4,700,078)	(35,328)	(20,316,862)	(25,052,268)
Cash payments to employees for services	(1,763,085)	-	-	(1,763,085)
Net cash used in operating activities	<u>(67,241)</u>	<u>(35,328)</u>	<u>(3,901,018)</u>	<u>(4,003,587)</u>
Cash flows from noncapital financing activities:				
Changes in due to other funds	-	(42,362)	1,200,000	1,157,638
Transfers from other funds	-	77,690	-	77,690
Net cash provided by noncapital financing activities	<u>-</u>	<u>35,328</u>	<u>1,200,000</u>	<u>1,235,328</u>
Cash flows from investing activities:				
Interest received on investments	2,290	-	10,240	12,530
Net cash provided by investing activities	<u>2,290</u>	<u>-</u>	<u>10,240</u>	<u>12,530</u>
Net decrease in cash and cash equivalents	(64,951)	-	(2,690,778)	(2,755,729)
Cash and cash equivalents at beginning of year	724,019	-	4,594,441	5,318,460
Cash and cash equivalents at end of year	<u>\$ 659,068</u>	<u>\$ -</u>	<u>\$ 1,903,663</u>	<u>\$ 2,562,731</u>
Reconciliation of operating loss to net cash used in operations:				
Operating loss	\$ (192,533)	\$ -	\$ (3,967,263)	\$ (4,159,796)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation	3,610	-	-	3,610
Changes in assets and liabilities:				
Increase in accounts receivable	(1,979)	-	(239,768)	(241,747)
Decrease in inventories	26,243	-	-	26,243
Decrease in deferred outflows of resources	53,238	-	-	53,238
Increase (decrease) in accounts payable	50,510	(35,328)	(2,076)	13,106
Increase in claims payable	-	-	308,089	308,089
Increase in accrued expenses	5,071	-	-	5,071
Increase in net pension liability	154,339	-	-	154,339
Decrease in deferred inflows of resources	(165,740)	-	-	(165,740)
Total adjustments	<u>125,292</u>	<u>(35,328)</u>	<u>66,245</u>	<u>156,209</u>
Net cash used in operating activities	<u>\$ (67,241)</u>	<u>\$ (35,328)</u>	<u>\$ (3,901,018)</u>	<u>\$ (4,003,587)</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 8,156,000	\$ 8,156,000	\$ 6,394,482	\$ (1,761,518)
Other	3,000	3,000	3,419	419
Total operating revenues	8,159,000	8,159,000	6,397,901	(1,761,099)
Operating expenses				
General and administrative	108,980	108,980	66,102	42,878
Personal services	1,866,600	1,866,600	1,792,838	73,762
Operation and maintenance	5,992,270	5,992,270	4,710,729	1,281,541
Capital outlay	66,030	66,030	-	66,030
Contingency	500,000	500,000	-	500,000
Total operating expenses	8,533,880	8,533,880	6,569,669	1,964,211
Operating loss	(374,880)	(374,880)	(171,768)	203,112
Nonoperating revenues				
Investment earnings	-	-	1,742	1,742
Total nonoperating revenues	-	-	1,742	1,742
Change in net position	\$ (374,880)	\$ (374,880)	(170,026)	\$ 204,854

Explanation of difference between budgetary change in net position at June 30, 2016,
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, 2015	171,953
Less compensated absences at June 30, 2016	(189,108)

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

(3,610)

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

\$ (190,791)

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, 2016

	<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	\$ 400,000	\$ 400,000	\$ -	\$ (400,000)
Total operating revenues	<u>400,000</u>	<u>400,000</u>	<u>-</u>	<u>(400,000)</u>
Operating expenses				
General and administrative	1,040	1,040	-	1,040
Operation and maintenance	309,700	309,700	-	309,700
Total operating expenses	<u>310,740</u>	<u>310,740</u>	<u>-</u>	<u>310,740</u>
Operating income	<u>89,260</u>	<u>89,260</u>	<u>-</u>	<u>(89,260)</u>
Nonoperating revenues (expenses)				
Investment earnings	1,000	1,000	-	(1,000)
Loss on sale of capital assets	-	-	(187,140)	(187,140)
Total nonoperating revenues (expenses)	<u>1,000</u>	<u>1,000</u>	<u>(187,140)</u>	<u>(188,140)</u>
Income (loss) before transfers	90,260	90,260	(187,140)	(277,400)
Transfers in	<u>-</u>	<u>-</u>	<u>77,690</u>	<u>77,690</u>
Change in net position	<u>\$ 90,260</u>	<u>\$ 90,260</u>	<u>\$ (109,450)</u>	<u>\$ (199,710)</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating revenues				
Charges for services	\$ 14,955,000	\$ 14,955,000	\$ 15,610,144	\$ 655,144
Other	45,000	45,000	1,045,468	1,000,468
Total operating revenues	15,000,000	15,000,000	16,655,612	1,655,612
Operating expenses				
General and administrative	1,361,180	1,361,180	1,206,242	154,938
Operation and maintenance	25,000	25,000	-	25,000
Claims Incurred	15,908,500	19,408,500	19,416,633	(8,133)
Total operating expenses	17,294,680	20,794,680	20,622,875	171,805
Operating loss	(2,294,680)	(5,794,680)	(3,967,263)	1,827,417
Nonoperating revenues				
Investment earnings	12,000	12,000	10,386	(1,614)
Total nonoperating revenues	12,000	12,000	10,386	(1,614)
Change in net position	\$ (2,282,680)	\$ (5,782,680)	\$ (3,956,877)	\$ 1,825,803



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, 2016

Flexible Spending	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	Ending <u>Balance</u>
<u>Assets</u>				
Restricted cash and investments	\$ -	\$ 380,049	\$ 368,832	\$ 11,217
Prepaid items	<u>22,355</u>	<u>283,196</u>	<u>290,100</u>	<u>15,451</u>
Total assets	<u>\$ 22,355</u>	<u>\$ 663,245</u>	<u>\$ 658,932</u>	<u>\$ 26,668</u>
<u>Liabilities</u>				
Accounts payable	\$ 3,513	\$ -	\$ 3,513	\$ -
Dependent care benefits payable	<u>18,842</u>	<u>93,462</u>	<u>85,636</u>	<u>26,668</u>
Total liabilities	<u>\$ 22,355</u>	<u>\$ 93,462</u>	<u>\$ 89,149</u>	<u>\$ 26,668</u>
Fire Retirement Health Fund				
<u>Assets</u>				
Restricted cash and investments	\$ -	\$ 56,500	\$ 56,500	\$ -
Total assets	<u>\$ -</u>	<u>\$ 56,500</u>	<u>\$ 56,500</u>	<u>\$ -</u>
<u>Liabilities</u>				
Other deposits	\$ -	\$ 56,500	\$ 56,500	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 56,500</u>	<u>\$ 56,500</u>	<u>\$ -</u>
Payback Agreement				
<u>Assets</u>				
Restricted cash and investments	\$ -	\$ 27,971	\$ 27,971	\$ -
Total assets	<u>\$ -</u>	<u>\$ 27,971</u>	<u>\$ 27,971</u>	<u>\$ -</u>
<u>Liabilities</u>				
Due to developers	\$ -	\$ 27,971	\$ 27,971	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 27,971</u>	<u>\$ 27,971</u>	<u>\$ -</u>

TOWN OF GILBERT, ARIZONA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2016

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	\$ -	\$ 464,520	\$ 453,303	\$ 11,217
Prepaid items	<u>22,355</u>	<u>283,196</u>	<u>290,100</u>	<u>15,451</u>
Total assets	<u>\$ 22,355</u>	<u>\$ 747,716</u>	<u>\$ 743,403</u>	<u>\$ 26,668</u>
<u>Liabilities</u>				
Accounts payable	\$ 3,513	\$ -	\$ 3,513	\$ -
Other deposits	-	56,500	56,500	-
Dependent care benefits payable	<u>18,842</u>	<u>93,462</u>	<u>85,636</u>	<u>26,668</u>
Total liabilities	<u>\$ 22,355</u>	<u>\$ 149,962</u>	<u>\$ 145,649</u>	<u>\$ 26,668</u>



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>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>2016</u>
Governmental activities										
Net investment in capital assets	\$ 596,974	\$ 688,393	\$ 704,908	\$ 707,100	\$ 705,986	\$ 695,983	\$ 687,910	\$ 680,717	\$ 688,900	\$ 735,369
Restricted	42,681	34,926	24,036	43,766	38,404	52,219	60,525	80,924	82,546	83,227
Unrestricted	67,610	48,022	63,994	66,030	77,284	83,273	107,172	92,357	30,276	49,960
Total governmental activities net position	<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>	<u>\$ 868,556</u>
Business-type activities										
Net investment in capital assets	\$ 386,130	\$ 273,513	\$ 261,028	\$ 276,059	\$ 294,516	\$ 316,268	\$ 325,357	\$ 351,797	\$ 363,333	\$ 411,831
Restricted	103,425	106,871	91,738	86,943	76,504	71,376	70,879	65,577	54,084	34,054
Unrestricted	9,480	136,635	182,090	195,803	209,680	236,097	263,978	281,391	290,870	304,198
Total business-type activities net position	<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>	<u>\$ 750,083</u>
Primary government										
Net investment in capital assets	\$ 983,104	\$ 961,906	\$ 965,936	\$ 983,159	\$ 1,000,502	\$ 1,012,251	\$ 1,013,267	\$ 1,032,514	\$ 1,052,233	\$ 1,147,200
Restricted	146,106	141,797	115,774	130,709	114,908	123,595	131,404	146,501	136,630	117,281
Unrestricted	77,090	184,657	246,084	261,833	286,964	319,370	371,150	373,748	321,146	354,158
Total primary government net position	<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>	<u>\$ 1,618,639</u>

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

	<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>2016</u>
Expenses										
Governmental activities:										
General government:										
Management and policy	\$ 3,070	\$ 3,167	\$ 3,068	\$ 2,831	\$ 3,110	\$ 2,983	\$ 10,461	\$ 13,378	\$ 19,090	\$ 20,049
Support services	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	2,110
Court	5,316	5,848	5,838	5,937	5,126	5,410	5,474	5,975	4,053	4,164
Development services	13,394	14,501	12,243	10,085	8,201	8,551	6,850	9,062	7,082	7,611
Public works	914	978	1,451	2,782	-	-	-	-	-	-
Public safety:										
Police	34,022	39,641	42,109	41,328	38,869	40,467	42,759	45,931	47,541	50,115
Fire	18,872	22,564	24,255	22,871	24,473	24,906	25,867	28,853	28,071	31,972
Highways and streets	31,052	36,385	38,541	36,906	40,440	43,438	44,048	45,781	46,932	48,726
Parks and recreation	15,926	16,176	19,350	19,826	19,764	19,932	20,858	22,493	28,429	25,647
Transportation	1,439	1,563	1,682	1,170	1,010	1,269	461	842	778	1,051
Non departmental	-	-	-	-	2,194	2,910	3,114	4,104	4,423	5,311
Interest and fiscal charges on long-term debt	9,532	8,893	17,096	18,418	17,675	15,785	15,142	15,216	12,780	12,911
Total governmental activities expenses	<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>	<u>209,666</u>
Business-type activities:										
Water	24,030	34,277	35,451	36,163	36,863	37,695	38,339	39,927	41,817	44,360
Wastewater	19,873	23,507	22,398	23,002	23,039	22,662	22,170	23,615	25,620	26,530
Environmental services	12,978	14,783	13,843	13,852	14,255	14,918	15,588	16,113	16,720	17,719
Irrigation	30	67	158	54	-	-	-	-	-	-
Total business-type activities expenses	<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>	<u>88,609</u>
Total primary government expenses	<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>	<u>\$ 298,275</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Development services	\$ 10,227	\$ 7,385	\$ 3,773	\$ 4,027	\$ 3,178	\$ 5,347	\$ 7,240	\$ 6,783	\$ 6,608	\$ 6,826
Police	6,015	6,358	6,594	6,374	2,891	5,584	5,512	5,477	4,526	5,343
Fire	100	72	100	79	136	129	185	254	224	197
Highways and streets	1,396	1,265	1,454	1,659	1,739	1,497	1,516	1,440	1,643	1,745
Parks and recreation	2,955	3,130	3,193	3,735	3,740	3,595	3,706	3,765	4,146	4,366
Other activities	503	707	703	789	853	861	1,017	1,066	829	873
Operating grants and contributions	22,466	22,631	21,183	19,206	21,168	21,045	21,270	22,326	24,171	38,666
Capital grants and contributions	70,076	45,821	31,494	39,632	28,002	26,060	36,089	19,186	37,214	65,535
Total governmental activities program revenues	<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>	<u>123,551</u>

Business-type activities:										
Charges for services:										
Water	28,244	32,321	33,416	34,601	35,966	36,692	36,455	37,867	37,501	39,457
Wastewater	16,173	18,440	19,722	21,024	21,678	22,740	23,083	23,852	24,625	25,116
Environmental services	13,886	15,642	16,592	16,567	17,194	17,924	16,760	17,308	18,007	18,141
Irrigation	18	18	18	25	-	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-	-	-	-	-	1,051
Capital grants and contributions	64,674	34,556	19,228	22,026	18,324	37,222	34,153	36,252	29,017	43,655
Total business-type activities program revenues	<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>	<u>127,421</u>
Total primary government program revenues	<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>	<u>\$ 250,972</u>
Net (Expense)/Revenue										
Governmental activities ^a	\$ (29,627)	\$ (72,698)	\$ (107,276)	\$ (95,950)	\$ (108,945)	\$ (111,381)	\$ (102,649)	\$ (135,685)	\$ (121,632)	\$ (86,115)
Business-type activities	66,084	28,343	17,126	21,172	19,005	39,303	34,354	35,624	24,993	38,812
Total primary government net revenue (expense)	<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>	<u>\$ (47,303)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Sales taxes	\$ 57,697	\$ 56,980	\$ 49,060	\$ 47,119	\$ 49,249	\$ 54,513	\$ 61,813	\$ 66,757	\$ 71,773	\$ 77,070
Property taxes, levied for debt service	16,500	26,345	30,836	30,117	25,796	21,502	19,184	18,315	19,423	19,424
In-Lieu property taxes	376	831	948	1,328	1,351	1,331	1,377	1,287	1,201	1,187
Franchise taxes	2,361	2,595	2,544	2,448	2,401	2,463	3,083	2,616	2,737	2,989
Unrestricted state shared sales taxes ^b	16,595	16,317	14,126	13,029	13,787	16,288	17,062	18,119	19,041	-
Unrestricted state shared income taxes ^b	19,761	24,986	26,435	22,923	17,281	17,594	21,293	23,205	25,222	-
Unrestricted state shared revenue ^b	-	-	-	-	-	-	-	-	-	45,028
Unrestricted grants and contributions	3,157	2,195	939	1,235	864	1,349	1,193	904	2,595	3,204
Unrestricted investment earnings	8,508	4,463	2,003	1,301	2,137	1,910	722	1,508	1,224	2,651
Gain on sale of capital assets	24	260	152	74	-	178	-	29	106	136
Miscellaneous	620	544	669	680	355	4,744	932	1,226	847	1,162
Transfers	610	1,257	1,161	(346)	537	(690)	121	110	184	98
Total governmental activities	<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>	<u>152,949</u>
Business-type activities:										
Investment earnings	5,288	7,509	1,066	739	1,012	1,244	1,061	1,742	1,457	2,666
(Loss)/Gain on sale of capital assets	(377)	56	52	148	164	39	-	30	172	158
Miscellaneous	406	400	754	1,544	2,216	1,765	1,179	1,266	1,310	259
Transfers	(610)	(1,257)	(1,161)	346	(537)	690	(121)	(110)	(184)	(98)
Total business-type activities	<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>	<u>2,984</u>
Total primary government	<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>	<u>\$ 155,933</u>
Change in Net Position										
Governmental activities	\$ 96,582	\$ 64,075	\$ 21,597	\$ 23,958	\$ 4,813	\$ 9,801	\$ 24,131	\$ (1,609)	\$ 22,721	\$ 66,834
Business-type activities	70,791	35,051	17,837	23,949	21,860	43,041	36,473	38,552	27,748	41,796
Total primary government	<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>	<u>\$ 108,630</u>

^a 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.

^b For fiscal year 2016, Unrestricted state shared sales taxes and income taxes were combined and the name was changed to Unrestricted state shared revenue.

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

Function/Program	<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>2016</u>
Governmental activities:										
General government:										
Management and policy	\$ 70	\$ 47	\$ 11	\$ 10	\$ 15	\$ 16	\$ 36	\$ 59	\$ 962	\$ 690
Support services ^b	1,133	1,184	128	215	649	242	-	-	-	-
Finance and management services	-	-	-	-	9	11	251	262	27	24
Court	412	675	586	597	597	670	792	823	824	859
Development services	11,662	8,101	4,571	4,576	4,273	6,891	7,240	6,807	6,608	6,826
Public works ^b	5,837	1,948	901	1,005	-	-	-	-	-	-
Public Safety:										
Police	9,629	8,491	7,838	8,495	3,989	7,689	7,669	7,207	8,975	10,645
Fire	5,286	4,223	4,386	3,447	3,163	6,892	4,079	3,697	3,766	4,170
Highways and streets ^a	65,949	52,536	39,126	45,193	39,324	25,634	41,280	28,218	44,497	69,791
Parks and recreation	13,249	9,861	10,539	11,649	9,422	15,314	14,475	12,461	13,012	29,861
Transportation	511	303	408	314	215	624	662	712	639	635
Non departmental	-	-	-	-	51	135	51	51	51	50
Subtotal governmental activities	<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>	<u>123,551</u>
Business-type activities:										
Water	64,313	52,172	43,997	47,232	46,133	56,904	55,662	57,750	55,590	68,102
Wastewater	44,778	33,145	28,369	30,419	29,835	39,735	38,029	40,220	35,552	41,178
Environmental services	13,886	15,642	16,592	16,567	17,194	17,938	16,760	17,308	18,008	18,141
Irrigation	18	18	18	25	-	-	-	-	-	-
Subtotal business-type activities	<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>	<u>127,421</u>
Total primary government	<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>	<u>\$ 250,972</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.

^b The support services function was eliminated in fiscal year 2013. The public works function was eliminated in fiscal year 2012.

Town of Gilbert, Arizona
Fund Balances of Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)

(1,000's)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011^b</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General fund										
Reserved	\$ 16,082	\$ 16,015	\$ 17,630	\$ 21,383	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	33,431	38,375	36,245	33,168	-	-	-	-	-	-
Nonspendable	-	-	-	-	22,317	23,213	23,527	25,380	24,470	19,866
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	10,729	10,797	10,092	12,081	17,046	13,681
Unassigned	-	-	-	-	33,521	44,250	59,555	61,764	67,057	85,498
Total general fund	<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>	<u>\$ 119,046</u>
All other governmental funds										
Reserved	\$ 69,736	\$ 42,863	\$ 67,626	\$ 45,147	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	28,546	29,348	25,886	27,635	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds ^a	(17,762)	(36,581)	99,570	86,482	-	-	-	-	-	-
Total Unreserved	10,784	(7,233)	125,456	114,117	-	-	-	-	-	-
Nonspendable	-	-	-	-	4	2	1	83	2	4
Restricted	-	-	-	-	108,051	100,572	89,654	92,337	96,837	87,005
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	28,261	26,159	36,258	18,764	22,462	38,337
Unassigned	-	-	-	-	(20,781)	(23,199)	(23,609)	(25,466)	(23,981)	(19,897)
Total all other governmental funds	<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>	<u>\$ 105,449</u>

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

^b 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>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>2016</u>
Revenues										
Taxes:										
Sales	\$ 57,698	\$ 56,980	\$ 48,736	\$ 46,873	\$ 49,315	\$ 54,503	\$ 61,890	\$ 66,772	\$ 71,794	\$ 77,108
Property	18,529	28,303	33,131	33,073	28,732	24,045	21,548	20,681	21,953	22,000
Franchise	2,361	2,595	2,544	2,448	2,401	2,463	2,374	2,700	2,737	3,389
Licenses and permits	6,818	4,734	2,459	2,614	2,365	3,995	5,434	4,748	4,791	4,787
Intergovernmental	65,759	73,255	67,053	72,535	55,362	61,468	72,904	68,046	76,284	77,007
Special assessments	355	2,121	422	437	559	879	1,299	2,090	1,184	2,233
Charges for services	9,391	9,594	8,596	8,795	7,288	8,164	9,573	10,027	10,440	11,147
Other entities' participation	6,082	1,620	1,055	1,234	2,313	1,300	2,252	1,977	382	1,666
System development fees	23,015	15,566	8,395	11,608	8,736	17,957	17,836	13,435	18,836	22,944
Gifts and donations	502	177	114	124	176	186	119	155	192	187
Fines and forfeitures	4,094	4,564	4,223	4,445	4,351	4,442	4,710	4,469	4,476	4,618
Investment earnings	8,386	4,345	1,978	1,286	2,106	1,889	706	1,494	1,210	2,639
Miscellaneous	670	800	819	754	355	4,947	933	1,255	953	14,797
Total revenues	<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>	<u>244,523</u>
Expenditures										
Current:										
General government:										
Management and policy	3,822	3,919	3,642	3,458	3,845	3,676	12,584	15,336	20,485	20,997
Support services	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	2,134
Court	4,682	5,222	5,203	5,261	4,403	4,617	4,753	5,089	3,493	3,608
Development services	12,693	14,024	11,321	9,204	7,160	7,514	5,999	6,078	6,069	6,239
Public works	1,255	1,329	1,798	1,225	-	-	-	-	-	-
Public safety:										
Police	31,534	36,126	37,851	37,669	35,007	36,384	38,817	41,947	43,084	44,402
Fire	17,224	20,521	21,171	20,115	20,200	21,552	22,543	24,993	25,631	28,295
Highways and streets	9,424	10,631	10,378	10,097	9,736	10,815	10,637	11,969	12,478	12,831
Parks and recreation	12,725	12,568	13,151	12,684	12,591	12,688	13,895	15,614	21,836	18,591
Transportation	1,439	1,563	1,682	1,170	1,010	1,269	461	841	774	1,046
Non departmental	-	-	-	-	2,194	2,910	3,114	4,104	4,423	5,311
Debt service:										
Principal	20,305	36,350	29,805	31,855	29,215	23,055	24,705	25,630	23,750	30,105
Interest	9,578	8,961	16,501	18,553	18,451	15,992	15,411	14,252	13,108	13,773
Bond issuance costs	-	98	670	-	-	402	-	-	209	-
Fiscal and other charges	45	29	12	9	20	9	13	13	307	37
Capital outlay	<u>106,748</u>	<u>87,528</u>	<u>134,013</u>	<u>58,785</u>	<u>41,935</u>	<u>34,500</u>	<u>30,849</u>	<u>38,804</u>	<u>58,849</u>	<u>36,573</u>
Total expenditures	<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>	<u>223,942</u>
Excess (deficiency) of revenues over (under) expenditures	(37,584)	(45,029)	(118,059)	(34,116)	(32,363)	(27)	13,562	(11,234)	(21,207)	20,581
Other financing sources (uses)										
Transfers in	77,502	45,661	90,680	26,608	25,272	25,195	25,774	45,891	23,401	21,406
Transfers out	(76,892)	(44,404)	(89,519)	(25,634)	(24,586)	(25,885)	(25,653)	(45,781)	(23,216)	(21,385)
Sale of capital assets	-	-	-	-	-	-	-	590	-	-
Revenue obligations issued	-	-	-	-	-	-	-	-	36,980	-
Premium on revenue obligations	-	-	-	-	-	-	-	-	2,706	-
Bonds issued	-	3,760	273,490	-	-	37,925	-	-	28,080	-
Premium on bonds	-	-	344	-	-	4,111	-	-	4,417	-
Payment to refunded bond escrow agent	-	-	-	-	-	(41,627)	-	-	(32,211)	-
Total other financing sources and uses	<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>	<u>21</u>
Net change in fund balances	\$ <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>	\$ <u>20,601</u>
Debt service as a percentage of noncapital expenditures	22.2%	27.9%	28.3%	31.2%	30.9%	25.7%	25.5%	23.4%	20.8%	23.4%

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

	<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>2016</u>
Construction	\$ 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	\$ 7,326,040
Manufacturing	684,148	789,804	650,179	635,188	706,514	727,755	763,152	939,861	882,509	1,042,710
Communications & Utilities	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	6,327,257
Wholesale	483,943	577,086	527,933	610,065	854,466	965,523	1,100,749	1,207,006	1,320,977	1,486,450
Retail	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	40,406,219
Restaurant & Bar	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	6,177,869
Real Estate, Rental & Leasing	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	9,290,919
Accommodation ^a	-	-	-	-	252,974	299,270	377,228	487,680	533,870	569,390
Services	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	2,223,706
Other ^a	1,491,268	319,810	243,510	481,122	652,043	520,302	487,279	505,146	629,740	784,957
Transportation & Warehousing	17,264	13,347	12,575	16,464	21,161	25,830	25,667	22,721	30,529	37,823
Finance & Insurance	73,410	93,008	100,490	100,293	89,990	112,496	154,772	398,169	438,257	557,582
Public Administration	11,416	8,272	4,748	9,503	-	4,586	2,271	4,311	3,020	18,977
Arts & Entertainment	405,765	446,057	483,123	506,855	481,592	600,794	594,043	674,274	652,973	858,177
Total	\$ <u>57,697,496</u>	\$ <u>56,979,907</u>	\$ <u>48,736,286</u>	\$ <u>46,872,739</u>	\$ <u>49,315,215</u>	\$ <u>54,502,627</u>	\$ <u>61,805,552</u>	\$ <u>66,771,661</u>	\$ <u>71,793,671</u>	\$ <u>77,108,076</u>
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.

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>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>	<u>2016</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%	6.50%	6.50%	6.50%	6.50%	5.50%	5.50%	5.50%
All Others	5.60%	5.60%	5.60%	6.60%	6.60%	6.60%	6.60%	5.60%	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				
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 %	\$ 2,295	
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	1,967	
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	2,946	
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	2,585	
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	2,249	
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	2,008	
2014	135,775,830	9,445,797	16,864,197	133,835,907	-	247,585	-	-	104,083,879	400,253,194	6.09	1,735	
2015	123,420,395	8,306,402	13,754,807	126,607,711	39,685,688	-	-	-	98,190,924	409,965,927	5.59	1,712	
2016	105,296,311	6,504,185	10,538,003	118,310,093	39,685,688	-	-	-	135,410,861	415,745,141	5.18	1,679	

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

Fiscal Year	General Bonded Debt Outstanding^b	Less Amount Available in Debt Service Fund	Net General Bonded Debt Outstanding	Secondary Assessed Property Value^a	Limited Property Value^a	Percentage of Applicable Property Value	Per Capita
2007	\$ 91,216,012	\$ 11,087,607	\$ 80,128,405	\$ 1,466,841,566	N/A	5.46 %	\$ 408.21
2008	67,743,161	7,279,915	60,463,246	2,370,134,999	N/A	2.55	292.65
2009	234,931,034	6,655,504	228,275,530	2,768,391,194	N/A	8.25	1053.61
2010	211,275,208	6,720,588	204,554,620	2,672,949,852	N/A	7.65	981.30
2011	184,262,965	6,366,097	177,896,868	2,297,228,317	N/A	7.74	848.34
2012	163,424,952	9,335,818	154,089,134	1,861,193,961	N/A	8.28	719.63
2013	149,756,103	9,599,968	140,156,135	1,675,360,422	N/A	8.37	630.91
2014	136,023,415	8,942,949	127,080,466	1,594,806,737	N/A	7.97	550.87
2015	123,420,395	10,165,593	113,254,802	1,829,471,839	N/A	6.19	473.05
2016	105,296,311	6,952,183	98,344,128	N/A	\$ 1,845,325,449	5.33	397.28

^a Maricopa County Assessor's Office

^b Includes unamortized bond discounts/premiums.

Notes:

In accordance with Proposition 117, *The Arizona Property Tax Assessed Valuation Amendment*, property taxes are calculated based on the limited property value beginning with tax year 2015.

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, 2016

<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	5.48%	None
Maricopa County Community College District ^c	\$ 534,225,000	5.48%	\$ 29,275,530
Maricopa County Special Health District	73,000,000	5.47%	3,993,100
Gilbert Unified School District No. 41	116,725,000	70.15%	81,882,588
Higley Elementary School District No. 60	120,095,000	88.63%	106,440,199
Chandler Unified School District No. 80	216,610,000	11.96%	25,906,556
Mesa Unified School District No. 4	250,590,000	0.32%	801,888
East Valley Institute of Technology District No. 401 ^d	None	12.32%	None
Subtotal, overlapping debt			248,299,861
Town of Gilbert direct debt ^e	280,334,280	100.00%	280,334,280
Total direct and overlapping debt			\$ <u>528,634,141</u>

Source: The various jurisdictions

^a Proportion applicable to Town of Gilbert, Arizona is computed on the ratio of limited property valuation for fiscal year 2015/16.

^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>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>2016</u>
<u>20% Limitation</u>										
Debt limit equal to 20% of limited property valuation	\$ 274,565,464	\$ 350,232,053	\$ 423,394,572	\$ 471,773,198	\$ 437,048,132	\$ 369,996,694	\$ 333,373,568	\$ 317,092,733	\$ 346,856,631	\$ 369,065,090
Total net debt applicable to 20% limit	<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>	<u>105,250,000</u>
Legal 20% debt margin (available borrowing capacity)	<u>\$ 196,515,464</u>	<u>\$ 298,527,053</u>	<u>\$ 205,664,572</u>	<u>\$ 276,453,198</u>	<u>\$ 261,133,132</u>	<u>\$ 206,661,694</u>	<u>\$ 183,698,568</u>	<u>\$ 181,782,733</u>	<u>\$ 224,141,631</u>	<u>\$ 263,815,090</u>
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	28.43%	14.76%	51.42%	41.40%	40.25%	44.14%	44.90%	42.67%	35.38%	28.52%
<u>6% Limitation</u>										
Debt limit equal to 6% of limited property valuation	\$ 82,369,639	\$ 105,069,616	\$ 127,018,372	\$ 141,531,960	\$ 131,114,440	\$ 110,999,008	\$ 100,012,071	\$ 95,127,820	\$ 104,056,989	\$ 110,719,527
Total net debt applicable to 6% limit	<u>3,550,000</u>	<u>855,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal 6% debt margin (available borrowing capacity)	<u>\$ 78,819,639</u>	<u>\$ 104,214,616</u>	<u>\$ 127,018,372</u>	<u>\$ 141,531,960</u>	<u>\$ 131,114,440</u>	<u>\$ 110,999,008</u>	<u>\$ 100,012,071</u>	<u>\$ 95,127,820</u>	<u>\$ 104,056,989</u>	<u>\$ 110,719,527</u>
Total net debt applicable to the 6% limit as a percentage of 6% debt limit	4.31%	0.81%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2016

Limited property valuation as of June 30, 2016	\$ 1,845,325,449
20% Limitation	
Debt limit equal to 20% of limited property valuation	369,065,090
Debt applicable to limit:	
General obligation bonds	<u>105,250,000</u>
Legal 20% debt margin (available borrowing capacity)	<u>\$ 263,815,090</u>
6% Limitation	
Debt limit equal to 6% of limited property 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 & Subordiante Lien Pledged Revenue Obligations			
	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	
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
2016	2,232,678	1,795,000	394,755	1.02	13,588,215	2,845,000	550,050	4.00	133,104,631	8,000,000	7,457,791	8.61

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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	
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
2016	64,659,329	42,119,371	22,539,958	-	-	N/A	22,539,958	11,873,824	-	4,275,000	4,683,019	3.84

^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
2007	196,293	5,721,000	29,920	31.3	37,979	2.0%
2008	206,604	6,113,000	30,518	31.3	38,662	2.4%
2009	216,661	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	209,699	6,329,000	29,731	32.7	38,660	5.1%
2012	214,123	6,240,000	28,413	31.5	38,696	5.4%
2013	222,148	7,064,000	31,035	33.1	38,573	5.7%
2014	230,690	6,568,000	28,184	37.5	38,573	5.2%
2015	239,415	7,335,000	30,639	32.7	37,240	4.3%
2016	247,542	8,025,000	32,418	33.2	34,079	4.2%

Sources:

^a Maricopa Association of Governments (the 2015 population figure was revised)

^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 2007 through 2010 per capita income figures are estimates.

The 2007 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**

Employer	Fiscal Year 2016			Fiscal Year 2007		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Gilbert Unified School District	3,572	1	3.95%	5,038	1	5.76%
Banner Health	2,758	2	3.05%	1,485	2	1.70%
Town of Gilbert	1,356	3	1.50%	1,270	4	1.45%
Wal-Mart Stores, Inc.	1,348	4	1.49%	1,394	3	1.59%
Go Daddy Software, Inc.	1,216	5	1.34%	710	7	0.81%
Higley Unified School District	1,037	6	1.15%	---		---
Fry's Food and Drug	1,009	7	1.12%	661	8	0.76%
B H Drywall	997	8	1.10%	---		---
Dignity Health	971	9	1.07%	---		---
Hunter Contracting	650	10	0.72%	---		---
Target	---		---	1,010	5	1.15%
Mercy Gilbert Medical Center	---		---	870	6	0.99%
Dillard's	---		---	617	9	0.71%
Costco Wholesale	---		---	616	10	0.70%
Total	14,914		16.50%	13,671		15.62%

Source: Maricopa Association of Governments

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

<u>Function</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>2016</u>
<u>Governmental Funds</u>										
General government:										
Management and policy	30.8	32.0	32.2	29.2	21.2	22.2	88.5	95.8	120.0	128.6
Support services	91.00	92.75	91.3	88.3	62.0	62.0	N/A	N/A	N/A	N/A
Finance and management services	N/A	N/A	N/A	N/A	18.25	19.3	29.0	19.0	19.0	21.0
Court	51.3	53.3	52.3	52.9	52.9	51.9	49.9	51.9	32.9	32.9
Development services	115.6	99.1	70.5	70.5	72.5	72.5	69.6	68.8	73.3	66.7
Public works	17.3	18.0	17.5	17.5	-	-	-	-	-	-
Public safety:										
Police	330.0	352.5	347.0	346.0	346.0	346.0	346.0	349.0	354.0	358.0
Fire	173.8	193.0	199.5	197.0	197.0	197.0	197.0	201.0	201.0	203.0
Highways and streets	54.5	55.3	55.3	49.3	49.3	49.3	51.0	58.0	58.0	51.7
Parks and recreation	114.4	120.0	117.1	106.8	101.7	102.0	106.8	121.8	118.7	125.3
<u>Enterprise Funds</u>										
Water	69.0	72.0	79.0	83.0	118.1	120.0	118.2	118.0	116.5	125.0
Wastewater	33.0	35.0	40.7	40.7	40.7	41.7	41.7	44.7	45.4	42.5
Environmental services	71.3	77.1	79.0	79.0	79.0	78.5	79.0	83.5	84.0	94.3
Irrigation	0.5	0.7	0.7	0.7	-	-	-	-	-	-
<u>Internal Service Funds</u>										
Equipment maintenance	24.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0
Total	<u>1,176.5</u>	<u>1,226.8</u>	<u>1,208.1</u>	<u>1,186.9</u>	<u>1,184.8</u>	<u>1,188.4</u>	<u>1,202.7</u>	<u>1,237.5</u>	<u>1,248.8</u>	<u>1,275.0</u>

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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government:										
Management and policy										
% of population satisfied with value received from tax dollar	90%	87%	89%	86%	90%	N/A ^c	77%	75%	N/A ^c	74%
Number of recruitments	246	107	87	90	86	79	110	155	148	175
Employee turnover	9.5%	9.2%	8.1%	4.9%	6.6%	6.8%	8.0%	7.5%	8.3%	9.7%
Legal and court										
Case filings	38,315	37,821	36,890	32,299	25,888	26,271	31,794	28,896	29,499	32,091
% of cases charged after review	66%	61%	61%	64%	64%	72%	72%	72%	71%	70%
Development services										
Building permits issued	5,322	3,663	2,054	2,506	2,219	3,474	3,418	3,254	3,364	3,584
Value of permits issued (in millions)	\$ 825.5	\$ 539.6	\$ 266.3	\$ 324.3	\$ 238.7	\$ 474.9	\$ 534.4	\$ 472.5	\$ 496.0	\$ 553.8
Public Safety:										
Police										
Number of arrests	13,324	10,528	12,487	11,411	8,330	9,003	8,734	8,474	8,900	8,702
Crimes per 1,000 population	26.6	25.4	23.3	20.4	19.3	18.3	16.5	16.6	15.5	15.3
Fire										
Number of emergency calls	12,260	13,259	12,972	13,566	13,946	14,133	15,509	16,185	17,777	18,923
Response time average enroute to on-scene	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 51 sec	3 min 57 sec	3 min 55 sec
Highways and streets										
Average pavement condition index	90	91	91	91	91	91	80	75	75	72
Parks and recreation										
Facility reservation requests	17,434	18,691	19,222	15,681	16,637	16,880	16,277	16,440	N/A	N/A ^d
Facility reservations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	15,920	17,018
Participants in recreation programs ^e	45,516	54,815	48,892	50,038	47,493	48,725	52,714	52,616	62,815	69,423
Transportation										
Average daily ridership	388	421	1,039	835	845	560	635	685	687	669
Water										
Daily average water production (mg)	44	42	44	42	42	43	43	43	43	43
Average # of meters read per month	64,320	68,447	70,630	71,814	71,910	73,469	71,952	72,712	73,199	82,871
Number of utility locates	26,616	16,451	12,000	12,373	10,576	15,190	23,277	20,235	20,100	21,197
Wastewater										
Daily average wastewater influent (mg)	11.71	12.32	12.37	12.91	12.67	12.20	12.79	12.82	13.21	14.03
Annual effluent produced/reused (mg)	3,417	4,174	4,160	4,420	4,840	4,457	4,667	4,646	4,822	4,815
Environmental services										
Solid waste tonnage	112,880	113,777	110,144	110,403	111,943	109,472	115,536	113,965	112,778	114,144
Recycle tonnage	18,388	19,055	18,810	19,191	19,242	18,653	18,695	19,851	19,418	19,894
Irrigation										
Cost per house irrigated	\$ 309	\$ 384	\$ 1,532 ^a	\$ 542	N/A ^b	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.

^e Only includes adult sports, youth ball programs, adaptive recreation, and town-sponsored special events.

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

<u>Function</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>2016</u>
Public safety:										
Police										
Number of police cars	150	151	162	156	166	164	164	180	185	217
Fire										
Fire stations	9	9	9	9	9	10	10	10	10	10
Highways and streets										
Street centerline miles (estimate) ^a	1,013	1,017	872	903	923	979	989	905	1,032	1,055
Traffic control signals	137	159	169	168	173	175	177	180	185	185
Parks and recreation										
Total acres of park land, trails, open space, municipal areas and support facilities, operated and maintained	676	676	676	690	690	652	653	605	605	605
Water										
Miles of water main	900	1,067	1,137	1,175	1,189	1,216	1,219	1,261	1,304	1,660
Wastewater										
Miles of wastewater main	770	809	843	860	868	970	976	1,006	1,019	1,038
Environmental services										
Garbage trucks	52	52	54	57	61	61	61	66	67	57 ^b

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.

^b Prior to fiscal year 2016, wheel loaders were included in the statistic.

**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	Limited Property Value ^b	Maricopa County Bank Deposits
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value			
2007	2,896	\$ 474,991,497	430	\$ 252,353,478	1,997	\$ 98,134,107	\$ 1,466,841,566	N/A	\$ 55,663,285,000 ^c
2008	1,536	268,197,375	349	180,776,005	1,778	90,605,562	2,370,134,999	N/A	55,054,948,000 ^d
2009	1,038	161,128,906	151	60,768,344	865	44,414,870	2,768,391,194	N/A	55,358,822,000 ^d
2010	1,427	213,032,031	147	67,488,230	932	43,754,466	2,672,949,852	N/A	61,925,568,000 ^d
2011	1,130	182,201,825	180	25,831,880	909	30,710,863	2,297,228,317	N/A	60,408,631,000 ^d
2012	2,331	408,322,951	182	31,550,416	961	35,017,191	1,861,193,961	N/A	61,673,751,000 ^d
2013	2,015	385,182,885	224	102,447,825	1,179	46,773,456	1,675,360,422	N/A	65,485,982,000 ^d
2014	1,613	315,632,904	284	99,959,286	1,357	56,890,360	1,594,806,737	N/A	70,253,713,000 ^d
2015	1,668	350,707,421	268	81,934,987	1,428	63,344,257	1,829,471,839	N/A	76,889,448,000 ^d
2016	1,764	402,071,499	278	71,594,349	1,542	80,164,565	N/A	\$ 1,845,325,449	84,014,143,000 ^d

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Sources:

^a Development Services Department

^b Maricopa County Assessor's Office

^c Arizona Banker's Association

^d Federal Deposit Insurance Corporation

Note: In accordance with Proposition 117, *The Arizona Property Tax Assessed Valuation Amendment*, property taxes are calculated based on the limited property value beginning with tax year 2015.

**Town of Gilbert, Arizona
System Development Fees
Fiscal Year 2016**

	<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	\$ 6,875,107	1,904,369	75,755	(1,865,382)	\$ 6,989,850
Police system development fee	(1,796,329)	4,841,253	13,061	(2,668,590)	389,395
Fire system development fee	(14,705,008)	2,360,387	-	(861,156)	(13,205,778) ^a
General government system development fee	(7,466,548)	3,203,874	-	(2,389,321)	(6,651,994) ^a
Parks and recreation system development fee	22,669,002	10,633,999	300,369	(5,330,026)	28,273,344
Water system development fee	18,784,724	11,873,824	211,978	(23,038,326)	7,832,200
Water resources system development fee	8,667,791	2,352,641	89,851	(2,762,464)	8,347,819
Wastewater system development fee	9,223,189	8,531,941	177,942	(58,644)	17,874,428
Totals	<u>\$ 42,251,928</u>	<u>45,702,288</u>	<u>868,956</u>	<u>(38,973,909)</u>	<u>\$ 49,849,262</u>
<u>Equivalent Residential Unit</u>					
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 fire and general government system development fees are funded by the general fund. The general fund had a cash balance of \$99,675,485 at June 30, 2016.

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

Fiscal Year	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
2007	\$ 16,913,578	\$ (199,706)	\$ 16,713,872	16,226,531	97.08%	\$ (295,049)	\$ 16,618,522	\$ 390,866	16,617,397	99.99%
2008	27,315,101	(402,220)	26,912,881	25,797,060	95.85%	(505,972)	26,809,129	1,012,828	26,809,888	100.00%
2009	31,332,659	(134,438)	31,198,221	29,744,757	95.34%	(304,665)	31,027,993	1,261,761	31,006,518	99.93%
2010	30,389,882	(153,319)	30,236,563	28,984,405	95.86%	(390,037)	29,999,845	996,538	29,980,943	99.94%
2011	26,198,053	(107,618)	26,090,435	25,253,466	96.79%	(276,531)	26,571,390	658,962	25,912,428	97.52%
2012	21,380,254	(96,162)	21,284,092	20,772,494	97.60%	(217,438)	21,540,364	383,935	21,156,429	98.22%
2013	19,253,745	(99,396)	19,154,349	18,962,640	99.00%	(142,619)	19,248,316	142,838	19,105,478	99.26%
2014	18,327,289	(57,876)	18,269,413	18,056,441	98.83%	(87,979)	18,416,185	179,872	18,236,313	99.02%
2015	19,487,085	(72,483)	19,414,602	19,230,809	99.05%	(107,689)	19,523,079	146,135	19,376,944	99.25%
2016	19,495,256	(32,290)	19,462,966	19,286,314	99.09%	(32,290)	19,462,966	-	19,286,314	99.09%

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Source: Maricopa County Treasurer's Office

**Town of Gilbert, Arizona
Principal Property Taxpayers
Fiscal Year 2016**

<u>Principal Taxpayer</u>	<u>Type of Business</u>	<u>Limited Property Valuation</u>	<u>As % of Town's Total Limited Property Valuation</u>
Westcor Santan Village LLC	Shopping Center	\$ 20,338,889	1.10%
American Furniture Warehouse Co.	Retail	7,843,286	0.43%
Southwest Gas Corporation (T&D)	Utility	6,428,561	0.35%
Target Corporation	Retail	6,341,076	0.34%
Power & Ray LLC	Real Estate Development / Holdings	5,639,835	0.31%
Vestar CTC Phase 1 LLC	Real Estate Development / Holdings	5,530,329	0.30%
Verizon Wireless	Utility	5,245,258	0.28%
BRE DDR BR SAN TAN II AZ LLC	Real Estate Development / Holdings	5,188,320	0.28%
Redstone at Santan Village Apartments LLC	Real Estate Development / Holdings	4,806,360	0.26%
Lowe's HIW Inc.	Retail	4,489,524	0.24%
LIT Industrial Limited Partnership	Real Estate Development / Holdings	4,246,497	0.23%
Earnhardt Arizona Properties LLC	Real Estate Development / Holdings	4,148,487	0.22%
Pillar at San Tan LLC	Real Estate Development / Holdings	4,095,000	0.22%
San Privada Apartments LLC	Real Estate Development / Holdings	3,987,300	0.22%
Branch Brook Gardens	Real Estate Development / Holdings	3,725,370	0.20%
Smith Food & Drug Centers Inc.	Retail	3,635,162	0.20%
CTC Gilbert LLC	Real Estate Development / Holdings	3,458,268	0.19%
Qwest Corporation	Utility	3,190,523	0.17%
Sy Gilbert Commons I LLC	Real Estate Development / Holdings	3,163,536	0.17%
B H GTS LLC	Real Estate Development / Holdings	3,152,935	0.17%
Arizona Public Service Company	Utility	3,147,797	0.17%
		<u>\$ 111,802,313</u>	<u>6.06%</u>

Source: Maricopa County. Top taxpayers based on Limited Property Value of Real and Secured Personal Property for tax year 2016.

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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